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Senate

JOB AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003—Continued

AMENDMENT NO. 619

Ms. LANDRIEU. Mr. President, I send an amendment to the desk on behalf of myself, Senator CORZINE, and Senator SCHUMER.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Louisiana [Ms. LANDRIEU], for herself, Mr. CORZINE, and Mr. SCHUMER, proposes an amendment numbered 619.

Ms. LANDRIEU. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under "Text of Amendments.")

Ms. LANDRIEU. Mr. President, I will take such time as I may need to explain the amendment. I estimate it to be around 10 or 15 minutes for myself and for Senator CORZINE who joins me on the floor. I know there are no time constraints, but I know there are other Members with amendments and the hour is late. I just want to let them know approximately how much time it will take for us to offer the amendment.

We offer this amendment in good faith because many of us are firmly convinced and feel very passionately that the direction the President is leading us with his proposal is the wrong direction.

Times have been much worse in this country over the course of our long history. In many ways, things are moving along pretty well. We are making a tremendous amount of progress on many fronts. But it is in some ways a very crucial time. We are trying to transform our military. We are moving into a technological age for which this particular type of economy needs some

special framework. We are fighting terrorism worldwide. We are engaged in conflicts because of the recent attack on our Nation. I wouldn't say this is the calmest of times, but yet we are not in a depression; some would argue not in a recession. But it is an important time to do the right thing.

For the 4.5 million people I represent in Louisiana, it is very important that we get this tax package right. Their livelihoods depend on it. Their children's futures depend on it. Their small businesses depend on it. The health of their parents depend on it. We can't get it wrong, and we are about to.

This plan the President has laid down will not create jobs. The plan the President has laid down will raise taxes. The plan the President has laid down will increase deficits. It will disappoint thousands of parents, teachers, and students who actually believed him when he said he would not leave a child behind. They actually believed him. And they voted for him. This plan does not fund Leave No Child Behind.

This plan says no to so many small businesses that trusted him, that came here to Washington and said: Mr. President, if you get a little more money, could you please help us with our health care premiums? He told them, yes. But this plan doesn't have a deduction for health care premiums. It is the No. 1 issue for the small businesses in Louisiana and across the Nation. You won't find it in the President's plan. It is not in there. He said no to small business.

I know I can't use profanity on the floor of the Senate, so let me just say: It is a darn shame that when he had a chance, when the Republican leadership had a chance to do the right thing at an important time in our Nation, for some reason, that some of us can't figure out, I can't even go where they are going. I don't understand it.

I don't understand a plan, when we need jobs, that doesn't create jobs; when we are trying to fix the deficit, it makes the deficit worse. For what?

So Senator CORZINE and I have worked, along with Senator SCHUMER and many of our colleagues, to come up with something that would actually take the President at his word, which we are continuing to hope we can do. I am getting personally unsure of that, but I am trying to take him at his word that he really wants to create jobs; he wants to get the economy moving again; he wants to have a stimulus package; he wants to make it generally fair to everybody, or as many people as possible.

He wants to honor the military, which he continues to say is one of his No. 1 priorities. We have something in here, a tax credit for the Guard and Reserve. I don't know if anyone in America could say that there is a group of people that deserve a tax credit more than the people who have left their spouses, left their children, left their jobs, put up a temporary sign "gone to war" on the front of their building, but we are sitting on this floor tonight giving tax credits to everybody in the world—the double taxation to corporations, many of which don't pay taxes anyway—but we can't find space in the bill to give it to the 400,000 guardsmen and reservists who are being called up to protect us.

That is why I am standing on the floor late at night to try to explain it. At least in Louisiana, people don't understand it. They just don't understand it. So our amendment has something in here for the Guard and Reserve.

You could argue we are in a recession or we are close to recession. It is not booming times out there. I will not stand here and try to argue whether we are technically in it or not. People who don't have jobs really don't care about that. What they care about is having a job. Jobs are hard to come by. We have a record high unemployment rate.

The people who are unemployed in the country are saying: Mr. President, if you have a little extra money, could you please allow us to use the money

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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in the compensation fund that we paid into to extend our benefits, modest benefits? In Louisiana, it is \$196 a week. The average benefit is \$250 a week. These are people who have worked, many of them, since they have been teenagers. They find themselves out of work. They are 40 and 50 years old. They came here to ask the President: Could you please extend the benefits? The President doesn't put them in his package.

But he puts in the package corporations that don't pay taxes, and he won't put in his package unemployed people who paid taxes their whole life since they have been teenagers.

I am offering the amendment because our amendment tries to take some things the President put in his package, and the Finance Committee has put in their package, that is sort of modeled on what the President had originally planned, that does do some of the things that will stimulate and that we generally agree on and there seems to be a consensus. And there are some good things in it.

One is the marriage penalty which we recognize is a real penalty. It is taken care of in this amendment.

We accelerate the child tax credit, which is something we all, Republicans and Democrats, agree would be a good thing, if you had some extra money, to give that thousand dollars to people. But instead of the dividend tax, which has been argued by the likes of Alan Greenspan and others that it is not the right time to do, instead of that, we have placed in our \$350 billion package wage tax relief.

If we want to create jobs in the Nation, I would maintain that removing the tax on jobs would be the best way to encourage jobs to be created. If you remove the tax from something, people are likely to move toward whatever you remove the tax on. So people are paying a lot of money on their wages, and our amendment would give an immediate \$765 rebate to every worker. For two parents, it is almost \$1,530, for two workers in a family.

And the way we have structured the amendment, every business would also be able to take that immediate rebate for every worker up to their \$10,000 in earnings. So every small business, every corporation would be able to take that benefit of thousands and thousands and thousands of dollars now.

As several of the Senators from the other side have said, that money will go into their pockets, and they will have flexibility to spend it however they want. We are not telling them how to spend it. They could give bonuses. They could invest in property. They could invest in equipment.

But it is putting money in their pockets—real money, not pretend benefits from a dividend they won't get, or would not get anyway because of the system that we have now.

So we offered this amendment—\$350 billion. The centerpiece of it is wage

tax relief that will benefit every worker, particularly those two-wage-earner families who make up the majority of our American population because this economy demands two wages, basically, to carry the burdens and responsibilities of family life.

It also helps small business in terms of stimulating for plant and equipment expensing up to \$100,000, small business health care, Guard and Reserve, unemployment compensation, and a very important component of this is helping the States. People have talked about this as aid to undeserving recipients. It is as if there is something wrong because we are giving aid to undeserving recipients. I like to think of States—and I served in the State legislature for 8 years, and as treasurer for 8 years—as partners, good partners, hard-working partners. My Governor is a Republican, and I do not consider him an enemy. I do not consider him an undeserving aid recipient. I consider him a partner. Together, with the senior Senator, our Governor, and our legislature, every day we try to give kids a good education, give our teachers a decent salary. We try to keep our hospitals open. When a child is born sick, we try to help their family take care of them, to see that the garbage gets picked up, that the sanitation is done, that highways are built. We do this in partnership. They are not my enemies.

I have heard comments on the floor, and from the White House, that they don't deserve it. Let me tell you something. They work hard, local elected officials—mayors, county council members, and school board members—trying to balance their budgets. They cannot run up deficits like we do. Half of their problem is caused by the fact that we get here day after day and put one unfunded mandate on them on top of another. When it comes down to balancing their budgets, do you know whose backs they balance them on? The schoolchildren get cut, teachers get cut, firemen and policemen get cut, so the President can give a dividend tax cut to corporations that don't even pay taxes.

I am not voting for the plan. I would not vote for it if it was the last plan offered, because I am not raising taxes on police officers, firefighters, teachers, and closing libraries. If you think I am making this up, just go to any Nexus search. I went today and looked up Maine—a billion-dollar deficit. The Maine Legislature considers itself in a crisis mode. This is the State of Senators SNOW and COLLINS. So far, this is what President Bush is asking the residents of Maine to do—this is his plan, so the President is asking the residents of Maine to cut library services, and one community began to lobby its residents to reject a proposed health care center because the State could not afford it.

Now, you can put up a sign at the libraries in Maine saying "book sale" because the proceeds are going to a dividend cut. I don't want to hang that

sign on my library in Louisiana, and I don't intend to. If this bill passes, fine, it will pass by one vote, maybe a tie vote. It will not have LANDRIEU's vote.

People say: Senator, are you opposed to tax cuts? No. I voted for the last tax cut proposal of \$1.3 trillion. But, of course, then people came to my State during the election and tried to convince people I didn't when I did. Nonetheless, I am a Democrat who has voted for tax cuts. I am not opposed to them. But if we are going to do them, let's do them right, and fair, and in a way that stimulates the economy and actually creates jobs and honors our States as the partners they are, and respects those who are unemployed, not as charity cases but as people who work and deserve a break, particularly when times are tough.

So we offer this amendment. Senator CORZINE will speak because he understands the intricacies of economics in a way that is harder for me to explain. I hope he will explain why the plan that has been laid out does not create jobs in a country that is desperate for jobs and needs a boost so that we can put people back to work and meet the challenges that are before us, and standing up for our military and fighting a war on terrorism at home—that we might have the strength to do that.

The amendment will be voted on tomorrow with a list of amendments. It is offered as a good-faith effort, an alternative, one that is stimulative and will create jobs, is fair, and will hopefully get this economy moving again.

I reserve the right to speak for another few minutes to offer additional amendments.

THE PRESIDING OFFICER. The Senator from New Jersey is recognized.

MR. CORZINE. Mr. President, I must say I am very proud to join with Senator LANDRIEU in sponsoring this substitute amendment for the underlying bill we are debating. She put the passion into what it is that we have tried to accomplish with respect to coming up with a powerful job-creating initiative, a powerful economic growth initiative—one that sticks to the \$350 billion budget level that we have agreed to in the Senate. The size is the same.

Some of us might argue we should not be doing that at all, based on what we think the economy might need or the nature of it. But if we are going to have a \$350 billion tax relief program, stimulus program, let's make it one that people know has efficacy and will work and is not designed to go to the elite few but to all of America's families and businesses, to everybody in America regardless of their economic position.

Our proposal is designed to work for the person who makes the very least, and also for those who make whatever they are blessed with to make in our great country.

It also deals with an issue that I heard the Senator from Louisiana talk about in what I think were clearly more forceful terms, about dealing

with the libraries, prisoners, schools, and everything that our State and local governments are trying to deal with, by putting \$50 billion into our State and local governments so they can continue to service the American people the way they are expected to. We have a \$100 billion budget deficit cumulative across the States in the upcoming year. That is coming on top of about \$80 billion this year. We are raising taxes and cutting services at the local level faster than we are cutting taxes here at the Federal level. That makes no sense.

So we have put together a package that works to give tax relief to every single American, working American, and also to help our State and local governments so they are not out there chopping away at children's health insurance programs, educational programs, and all the other issues that are so important and so positively delivered by our State and local governments.

If you go back and look at CBO looking at the individual pieces of what we call the "multiplier effect" with regard to initiatives, you will find that the package we put together, because of the breadth of participation of the population and because of the benefits that are offered, will contribute more to growth and jobs than anything on the table that has been talked about. This is truly a pro-growth proposal. If we are sincere about putting Americans back to work, about getting growth going in our economy, then we ought to be doing those things that work and where people know they work.

Mr. President, \$350 billion is a lot of money. We ought to be using it in absolutely the most effective and efficient way. That is what our package is about. I will go through some of the details of it. I think it is essential that we try to use our money and our efforts most effectively. This substitute, which will stimulate jobs and will create growth, will do so without irrevocably undermining the long-term budget and fiscal position of the Federal Government.

It will avoid creating a debt burden for our children and their children. By contrast, some of the various proposals that are contemplated here force Americans to pay taxes to pay the interest on the debt: \$2.4 trillion, if you add it up with regard to the two tax cuts, the one in 2001 and the one we are talking about which will increase the debt burden for every family in America for a family of four \$30,000.

That is a debt tax. That is a tax because you are going to be paying the interest on that \$30,000. One can say we are cutting taxes on one hand, but if we are creating interest expense for the Federal Government on \$2.4 trillion, we are raising taxes, and it is a debt tax.

Deficits do matter, particularly in the long term, and the debt tax that is being proposed will burden the financial health of every working American

for the long term, every bit as great or greater than those tax cuts that we are talking about that are embedded in these proposals.

Even the person nominated to be President Bush's top economist has agreed that deficits matter. At least he did before joining the administration. For example, this is what the nominee for Chairman of the President's Council of Economic Advisers, Greg Mankiw, said in his recently published textbook, appropriately named "The Essentials of Economics." I want to read a phrase:

The most basic lesson about budget deficits follows directly from their effects on the supply and demand for loanable funds.

He says specifically:

When the Government reduces the national savings by running up a budget deficit, the interest rate rises and investment falls.

That is very clear. It could not be clearer—Economics 101, the most popular textbook in America, the President's Chairman of the Council of Economic Advisers. When you run up deficits, you reduce the economy's growth rate.

The underlying bill, like the House proposals and most egregiously, actually, the \$726 billion proposal by the President, grows the deficits, will push up interest rates, will reduce investment in the long run, and, thereby, reduce growth. I thought this was a jobs and growth package.

That is the reality. It is tied together with some of the best thoughts in the White House, and it certainly fits what we hear the 10 Nobel Prize winning economists talking about, and other folks, but this is the President's economist. That is why the package Senator LANDRIEU, Senator SCHUMER, and I are presenting tonight will provide a real boost to the economy without destroying long-term fiscal discipline.

The heart of our amendment, as was described by Senator LANDRIEU, is the wage tax credit. This is relief that would give each working American a tax cut on their earned wages of up to \$765. That is the equivalent of the payroll taxes an individual paid on the first \$10,000 of their earnings in 2001.

Under our proposal, a married, working couple—we can all add—would receive tax relief up to \$1,530 regardless of their income. Regardless of whether you make \$20,000, where it is a hard-working blue-collar job, or \$50,000 where you are a technician, computer programmer, or \$1 million if you work on Wall Street, everybody gets this same \$765 and \$1,530.

We need to remember that four out of five Americans pay more in wage taxes, payroll taxes than they pay in income taxes. That is why this does provide broad-based tax relief to everyone. People across America, regardless of their overall income level, pay payroll taxes, and that is why the benefit is so broadly distributed and allows for real growth in the economy because you put money in the pockets of people who will go out and spend it.

I remind my colleagues, this is a 1-year tax cut in which all payments and tax credits would come out of the General Treasury. We made that very clear so we did not get into this hyper conversation about raiding Social Security trust funds or Medicare trust funds. This is a tax cut coming out of the General Treasury, just as any of the other proposals we see.

Every working American and business owner would benefit from our proposal. As I said, the \$1,530 cut for a couple would help American families make ends meet and generate immediate growth in our economy. For low- and moderate-income families, this payroll relief would pay for 5 weeks' worth of groceries for a family of four, more than 2 months of childcare, 3 1/2 months of utility bills, and 7 months of gasoline. By the way, if you were a millionaire, with this money you could buy 50 shares of GE stock or any other \$30 stock. You can get involved in the marketplace.

The payroll tax relief has been scored among the most stimulative cost-effective tax relief proposals evaluated by the CBO and private economists. It has a high-multiplier effect by anybody who looks at it. If we are serious about getting our economy moving—and I think people are sincere in their belief that we need to put some stimulus in—this is the place where we can get the maximum bang for our buck, the maximum bang for \$350 billion.

Our proposal is \$188 billion of the total \$358 billion. In addition to helping working Americans, our wage tax credit would provide business owners, small and large, a tax credit for up to \$765 on each of their employees. Our wage credit for business owners would put immediate cash into the hands of employers to spur investment, new jobs, plant, and equipment. They can do what they need to do to boost their business.

America's businesses, bottom line, by the way, would grow by the amount in this tax credit. The last time I looked at stocks, growing earnings on America's publicly traded companies gets reflected in stock values. That is what price times earnings means. It really will boost the value of the stocks as much as the kinds of things we are talking about with regard to the dividend.

By reducing payroll taxes, which many view as a tax on labor, we would encourage more employers to hire more people and keep those they already have.

I point out this is one of the reasons I think the Business Roundtable, which represents 150 of the country's largest corporations with over 10 million employees, along with many other business groups around the country, have endorsed the concept of payroll-based tax relief.

It is pretty simple. It is fair. It is an affordable economic stimulus, if we believe \$350 billion is affordable. It will put money into the hands of consumers

and businesses that will get immediately reinvested in our economy.

In the past few years, the concept of payroll tax relief has been supported by people on both sides of the aisle. A year ago, Senator DOMENICI and I introduced a similar bill, and in December 2001, the distinguished majority leader, Senator FRIST, expressed strong support for payroll tax relief. As he put it then:

A payroll tax holiday is truly a stimulative, temporary tax cut that would be welcome news for most Americans. . . .As economic growth stagnates and unemployment numbers increase, putting additional money in consumers' pockets will provide a much needed economic boost.

Senator FRIST was right on the mark then, in my view, about the need, and he is right on the mark with respect to the stimulative impact of payroll tax relief.

I hope my colleagues tomorrow will stand behind those words and support this proposal to help reinvigorate the economy.

Beyond the centerpiece of the wage tax credit which I talked about, again \$188 billion, the Landrieu-Corzine-Schumer amendment includes other provisions which are part of the underlying bill, such as marriage penalty elimination, and acceleration of an expanded child tax credit. We tried to take the best parts, the most powerful pieces of the stimulus, and put them in the proposal. We are looking at high-multiplier, high-return elements with regard to policies that we think will get this economy going.

Maybe most importantly, I will not go into this because Senator LANDRIEU did such a great job of it and we have heard a lot of discussion on it, and I compliment the Finance chairman because he has recognized the need for us to help out our cash-strapped State and local governments in supporting an amendment—I believe it should be more, but reasonable folks can differ about the degree. We need to make sure we put real dollars into our State and local governments. We have talked about it from our point of view, that that should be \$52 billion.

We have things that take advantage of advanced refunding, of the low financing rates, the lowest in 40 years. We put in here about refinancing debt, just like the American consumer has with their mortgages over the last year, having our State and local governments take advantage of that same thing.

We have worked with Medicaid, where there is truly a lot of hurt. We have talked about unfunded mandates with Leave No Child Behind, also the issue of child care assistance. We have \$3 billion in this program for those purposes because if people are going to work, they have to be able to take care of their kids. It is a kind of simple concept. Also, general block grants for homeland security, education, and other priorities.

Beyond the assistance provided to State and local governments, our

amendment provides for a variety of tax cuts for business. We believe in those. We are supportive of those. We include in this an increase in the expense from \$25,000 to \$100,000 a year for small business. We repeatedly hear that 50 percent of the jobs in America come out of small business, which 99 percent of businesses are. We are trying to recognize that, and we are also trying to help small business with a 50-percent credit for health care premiums. It is one of those things that holds back the economy most forcefully in New Jersey in other communities I work with.

Finally, our \$350 billion package includes the nearly \$13 billion in unemployment benefits that a number of folks have talked about. This is a soggy economy, as Secretary Snow describes it. It is so soggy that we have lost 2.7 million private sector jobs, including over 500,000 in the last 3 months alone. We only have about 75 percent capacity utilization in the country. So there are needs.

While some of us might not agree on size, myself included, we might not even agree we need a serious proposal on tax cuts, if we are going to do it, as we have decided to do it, we ought to make it as powerful as we can possibly make it. I think we should be responsible fiscally over a long period of time. I think deficits do matter. But if we are going to have a \$350 billion tax cut, we ought to design it in a way that will create jobs and promote growth, without undermining our long-term fiscal health. Our amendment does that, and I am proud of this amendment which I am offering, along with Senators LANDRIEU and SCHUMER. I very much appreciate their help and I hope our colleagues will give serious consideration to a proposal that I think has real meaning concerning job creation and economic activity.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield myself such time as I may consume.

Ms. LANDRIEU. Mr. President, I think I still control the time.

The PRESIDING OFFICER. The Senator from Iowa controls time in opposition.

Ms. LANDRIEU. But I reserved as much time as I would consume to present the amendment. I said I would speak for 15 minutes and then Senator CORZINE, and if the Senator from Iowa would allow us to present our amendment, then we would be happy to yield to the opposition.

The PRESIDING OFFICER. The Senator's time is reserved, but the Senator from Iowa has the right to seek recognition in opposition.

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, a number of misleading and just flat out wrong statements have been made by the proponents of this amendment. They said this package does not help the military. I wonder where they have been the last few months. We have al-

ready passed the military tax cut bill in the Senate and we are trying to work it out with the House. That is the situation. So do not tell me we have not dealt with the problems of the people in the military.

They argue we do not deal with unemployment benefits. I guess they were not paying much attention when just a few hours ago we were talking about extending unemployment benefits. I offered a unanimous consent agreement at that time, but what happened? The other side, which is now complaining, rejected my offer to make that the top priority just as soon as we are done with this bill.

We also put together a strong bipartisan State aid package, which the other side has cried crocodile tears over. So I hope no one is misled by some of the previous rhetoric we have heard. The amendment is nongermane and violates the Budget Act. So obviously later on there will be a point of order made on it.

To relieve any concern that the underlying bill is only concerned about giving more money to corporations, I want to point out how this legislation helps families. I will make a couple of points regarding the distribution of tax benefits in our package. As I stated repeatedly, the package fairly balances investment and consumption incentives within the plan and benefits families at all levels of income.

Now, this is quite contrary to much of the rhetoric we have heard on the proposal's distributional benefits. I have heard repeatedly that the typical family receives only \$217 of benefits under the bill, while millionaires receive tens of thousands of dollars of such tax breaks. One response to this is to note the progressivity of our system. A simple example, however, is an effective way to demonstrate the bill does in fact provide benefits to families at all income levels. For illustrative purposes, I have analyzed the tax benefits of accelerating the \$400 increase in the child tax credit combined with the increased refundability for single mothers of two children at various income levels under the bill.

The example does not account for additional benefits that are also provided in this bill with expanding the 10 percent bracket.

The charts I have with me demonstrate the tax benefits to that single mother with \$15,000, single mother with \$20,000, single mother with \$30,000 of wage income during the 2003 tax year. As we can see, the first chart demonstrates a single mother of two with \$15,000 of wage income will receive an additional \$250 of refundable tax credits under this bill. This increased \$250 comes from a combination of increasing the tax credit amount and reducing the limits on refundability. With her refundable earned income credit of \$3,823, her total refundable tax credits would increase by \$250 all the way up to \$4,573.

The second chart is for a family of \$20,000 wage income, which demonstrates a significant increase in benefit to the same single mother. At a slightly higher income level, she receives an additional \$710 of benefits under the Finance Committee plan for a total refundable credit of \$4,270.

Finally, at \$30,000, we can see this single mother receives the entire benefit of \$800 increased child tax credit in the form of refundable payments.

I ask my colleagues to consider these examples as further evidence of the impact this bill will make on hard-working families in this country at different income levels, and I might say at all income levels. I hope the informed judgment will be made based upon fact and not upon the statements previously given about this bill.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. SCHUMER. Mr. President, I first want to thank my colleagues, Senator LANDRIEU and Senator CORZINE, for their sponsorship of this important amendment.

I also want to recognize Senator GRASSLEY, the distinguished Chairman of the Finance Committee, and Senator BAUCUS, the distinguished ranking member, for their leadership. Democrats and Republicans may disagree on our economic priorities, but we all appreciate the contribution Senators GRASSLEY and BAUCUS have made to the debate.

There is something else we all agree on. By any measure we are in the midst of a very tough economy. Our long-term prospects are very bright, but right now times are tough. We are all familiar with the statistics—rising unemployment, choppy markets, low growth. These are real problems that require real solutions.

But too often we hear economic theory and ideology as the rationale for what we should do.

I believe that equitable tax relief can be very good short-term and long-term policy. If we can find the means to afford it, hard-working families and successful entrepreneurs should keep more of what they earn. And at this time of low economic growth and high economic uncertainty, there is an important role for the Federal Government to play in reigniting our economy.

My concern with the legislation before us, and the reasons I support a complete replacement of that bill, is quite simply that it does not work as advertised. We all recognize that the bill is not a short-term response to the economic downturn. It is a back-door attempt to fundamentally change the tax code.

We may need to take up that debate at some point. But our first priority should be getting the economy moving.

We need to unite behind an economic plan that is based on the practical needs of our country for jobs and growth, not on an ideology of how the world works.

It is time to replace the centerpiece of the President's plan—the dividend tax cut—with something that both Democrats and Republicans can rally behind, a one-time reduction in Federal payroll taxes, wage taxes, for every working American. That is the heart of this amendment. And it is time we put in place real aid to State and local governments so that we don't undo the very economic recovery we are trying to start.

Let me briefly review the key elements of wage tax relief.

Every working American is subject to taxes on his or her wages which are used primarily to fund Social Security and Medicare. Under the wage tax cut in this amendment, every American worker would receive a rebate for the amount of these taxes they have paid on their first \$10,000 of earnings, about \$800 for each working American.

In addition, every employer would be eligible to receive a tax credit for the payroll taxes they have contributed on behalf of their employees. This tax relief would take effect as soon as possible in 2003.

The cost of a payroll tax reduction would be paid out of the general funds of the Treasury, so that there would be no impact on the Social Security trust fund.

The benefits of a payroll tax cut are numerous. First, a payroll tax cut gets money in the hands of people who need it and will spend it—the litmus test for most economists of a good stimulus program.

While we can have a long debate about the merits of a dividend tax cut, in the real world an additional \$800, or \$1,600 in the case of two working parents, would have a big impact on the average family's budget.

Second, it is good economic policy. The problem with our economy today is that there is not enough demand for products and services. The administration's supply-side approach, in fact, has it backwards. Capacity is not the problem, as illustrated by the fact that inflation has dropped during this downturn from 2.8 percent in 2001 to 1.6 percent in 2002.

We need to encourage consumption so that businesses will have the confidence to invest in new plants and equipment and hire more workers. Before the debate was politicized, the Business Roundtable, which represents the CEOs of major U.S. corporations, wrote the President that an immediate reduction in the payroll tax would be more effective than "any other proposal" to stimulate demand and productivity.

Third, a payroll tax cut is equitable. It would benefit the many Americans who work, not just the few who receive taxable dividends. The Congressional Research Service estimates that 40 percent of all dividends are received by the wealthiest 2 percent, or those with incomes of \$200,000 or greater. By contrast, the majority of American households now pay more in payroll taxes than Federal income taxes.

Fourth, a payroll tax reduction removes a large disincentive to creating jobs. In our present economy output is flat with GDP running at an annualized rate of only 1.6 percent, but productivity is increasing. The result is that since 2000 the economy has lost over 2 million jobs, and Americans are remaining out of work longer. A payroll tax reduction will lower the cost of labor for an employer by about 15 percent, making it more likely that employers will keep workers on the payroll and hire more people.

Finally, a payroll tax cut is affordable. The \$188 billion estimated cost of a one-time payroll tax reduction is about one-half the cost of the President's dividend tax cut plan. While it costs less, a payroll tax reduction provides more immediate stimulus. By contrast, the President's dividend tax cut delivers only \$2.5 billion in stimulus in 2003—50 times less impact.

If we want to grow the economy today, it makes sense to put money to work now, not ten years from now. Most importantly, since a payroll tax cut is a one year plan, it does not create structural deficits in our economy which drive up our national debt and undermine our long term growth.

Let me now turn to the issue of State aid.

We have had bi-partisan agreement to provide \$20 billion in direct Federal aid to the States and localities on a one-time basis. I commend Senator GRASSLEY for his leadership in getting this done. It is a very good start, but it is not enough.

This amendment provides a bigger boost to our States and locals. They clearly need the money.

According to estimates provided by the National Conference of State Legislatures, the total budgetary shortfall for all States in fiscal year 2004 was in the range of \$80 billion, and an approximate \$22 billion gap still remains from fiscal 2003. Many believe these figures remain significantly understated.

Almost every State is running a significant, multi-hundred million dollar deficit. In many States the figure runs into the multi-billions of dollars. In several States the deficit's percentage of the total State budget is estimated to be in the range of 25 percent or more. New York State's budget shortfall alone is \$12 billion.

The situation at the local level is just as dire.

According to the National Association of Counties, nearly 72 percent of counties are facing budget shortfalls, 37 percent are reducing services and 17 percent are increasing taxes—all at a time when the demand for services and the need for tax cuts is rising given the sour economy.

This is not a regional issue. It is a national crisis.

I have heard some argue that State aid is not good economic policy. But numerous reports indicate that most economists believe that aid to the States is, in fact, an extremely effective means of providing fiscal stimulus,

as it quickly puts money in the hands of people who need it and will spend it.

State and local aid also alleviates the need for States to cut more jobs, cut more programs, and raise taxes, which acts as an "anti-stimulus" on the economy.

Without any State aid, an individuals' or family's decrease in Federal taxes could be surpassed by an increase in State and local taxes.

We should not support policies where, "What one hand giveth the other taketh away." We should not "rob Peter to pay Paul."

This modest increase in the amount of aid is a 1-time shot in the arm for the States. It is not an enormous, multi-year change that threatens to build more deficits. It is a short-term proposal in response to a crisis that threatens to further drag down our economy and further increase the tax burden on our citizens.

Some argue that States and cities have dug their own fiscal graves, and should now lie in them. I could not disagree more. Our States and cities face the same economic forces as the Federal Government. As the economy has forced a dramatic reversal in fiscal health in our Federal budget, so has it wreaked havoc on local budgets.

Why should we hold states and localities to a different standard than we hold ourselves?

And if we want to teach states a lesson, why should we force citizens to bear the brunt of that discipline through higher taxes on their income, bigger class sizes for their children, and less services for those in need?

The money we are discussing is not a bailout. Nowhere close. States and locals will still need to make painful cuts and possibly raise taxes. But we can help alleviate the pain which will fall not on lawmakers, as we all know, but on our citizens.

At a time when we are struggling to find funds for homeland defense, public education, health services, and the environment, it is unacceptable to many of us to push through massive, multi-year tax cuts.

On behalf of the many citizens and business leaders who play by the rules and quietly shoulder the burden of financing our government, it is time for a new approach.

This amendment gives us an opportunity for that new approach.

Ms. LANDRIEU. I thank my colleagues for their comments. I will speak an additional 2 or 3 minutes to wrap up, as I stated when I began.

First of all, I have a great deal of respect for the Senator from Iowa, who has been under a great deal of pressure to try to provide a plan for the Senate to consider. If we are given a fair hand, we could have actually designed a plan that could have been more stimulative, more fair, more equitable than the one we will be considering tomorrow.

No. 1, the dividend proposal—and I could say scheme—tries to convince people this will create jobs in America

when it will not create jobs, and it will raise taxes because of the way it is designed in the big picture, taxes at the local level. That is happening now.

If people think that is not going to happen, look at Arkansas. The State of Arkansas just raised income taxes across the board by 3 percent. That is why they have a zero deficit, because they just raised income taxes.

This plan, if it does not create jobs, will actually raise taxes at the local level. In Louisiana, only 18 percent of filers even file for a dividend tax. The average is \$450 in earnings, so we are saving them \$100.

The plan that Senator CORZINE, Senator SCHUMER, and I offer will give relief to every worker. It gives help to the creation of jobs in America. It gives a check to every businessperson, every small business, every large business. It puts money in the economy in a significant amount. For a two-wage-earner family, it is \$1,500—not next year, not in 2004. The checks go out within a few months—two checks this year.

Averages can be extremely misleading. One of the best examples of this was an article written recently that said if Bill Gates—assume he was worth \$20 billion—happened to walk into a homeless shelter and sat down at a table with 19 homeless men, and one of the guys from the other side walked in and said, What is the average income of the people in this homeless shelter, the average income would be \$1 billion. But that average is not reflective of the reality, which is one guy has \$20 billion and 19 guys have zero. But the average would be \$1 billion.

So beware of averages. I am not fighting for averages. I am fighting for the 4.5 million people who live in Louisiana who deserve a break. If we are going to give out \$350 billion on this floor, then give them a fighting chance to get a portion of it, to keep their job, to send their kid to college, to pay their house note. And stop confusing them with these charts and these averages that do not mean a hill of beans. Talk the truth to people. That is what we need. We need to speak the truth and keep our promises and be disciplined in what we do.

I offer this amendment with a great deal of passion. A great deal of study has gone into this because we want to work with the President. I want to work with the President. I want to work with the Republican leadership. I have demonstrated that time and time again.

But I can't vote for a package that doesn't make sense, that will not create jobs, and will raise taxes, all the time promising people it is going to do the opposite.

Like I said on the television, it is hogwash. We are going to offer our amendment tomorrow. Hopefully, we will get some votes.

I ask to send two other amendments to the desk. I am not going to debate them tonight, but I offer them now and

ask to have the clerk report them. I offer them for consideration but not until tomorrow.

AMENDMENT NO. 620

The PRESIDING OFFICER. Is there objection to laying aside the pending amendment? The Chair hears none, and it is so ordered. The clerk will report.

The legislative clerk read as follows:

The Senator from Louisiana [Ms. LANDRIEU] proposes an amendment numbered 620.

Ms. LANDRIEU. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To provide pay protection for members of the Reserve and the National Guard, and for other purposes)

At the end of subtitle C of title V add the following:

SEC. ____ READY RESERVE-NATIONAL GUARD EMPLOYEE CREDIT ADDED TO GENERAL BUSINESS CREDIT.

(a) READY RESERVE-NATIONAL GUARD CREDIT.—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:

"SEC. 45G. READY RESERVE-NATIONAL GUARD EMPLOYEE CREDIT.

"(a) GENERAL RULE.—For purposes of section 38, the Ready Reserve-National Guard employee credit determined under this section for any taxable year is an amount equal to 50 percent of the actual compensation amount for such taxable year.

"(b) DEFINITION OF ACTUAL COMPENSATION AMOUNT.—For purposes of this section, the term 'actual compensation amount' means the amount of compensation paid or incurred by an employer with respect to a Ready Reserve-National Guard employee on any day during a taxable year when the employee was absent from employment for the purpose of performing qualified active duty.

"(c) LIMITATIONS.—

"(1) MAXIMUM PERIOD FOR CREDIT PER EMPLOYEE.—The maximum period with respect to which the credit may be allowed with respect to any Ready Reserve-National Guard employee shall not exceed the 12-month period beginning on the first day such credit is so allowed with respect to such employee.

"(2) DAYS OTHER THAN WORK DAYS.—No credit shall be allowed with respect to a Ready Reserve-National Guard employee who performs qualified active duty on any day on which the employee was not scheduled to work (for reason other than to participate in qualified active duty).

"(d) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED ACTIVE DUTY.—The term 'qualified active duty' means—

"(A) active duty, other than the training duty specified in section 10147 of title 10, United States Code (relating to training requirements for the Ready Reserve), or section 502(a) of title 32, United States Code (relating to required drills and field exercises for the National Guard), in connection with which an employee is entitled to reemployment rights and other benefits or to a leave of absence from employment under chapter 43 of title 38, United States Code, and

"(B) hospitalization incident to such duty.

"(2) COMPENSATION.—The term 'compensation' means any remuneration for employment, whether in cash or in kind, which is paid or incurred by a taxpayer and which is deductible from the taxpayer's gross income under section 162(a)(1).

“(3) READY RESERVE-NATIONAL GUARD EMPLOYEE.—The term ‘Ready Reserve-National Guard employee’ means an employee who is a member of the Ready Reserve or of the National Guard.

“(4) NATIONAL GUARD.—The term ‘National Guard’ has the meaning given such term by section 101(c)(1) of title 10, United States Code.

“(5) READY RESERVE.—The term ‘Ready Reserve’ has the meaning given such term by section 10142 of title 10, United States Code.”

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 (relating to general business credit) is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following:

“(16) the Ready Reserve-National Guard employee credit determined under section 45G(a).”

(c) CONFORMING AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 45F the following:

“Sec. 45G. Ready Reserve-National Guard employee credit.”

(d) REVISION OF PARTIAL EXCLUSION OF DIVIDENDS RECEIVED BY INDIVIDUALS.—Section 116(a)(2)(B) of the Internal Revenue Code of 1986, as added by section 201, is amended by striking “2007” and inserting “2008”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

AMENDMENT NO. 621

Ms. LANDRIEU. I waive any debate. I send another amendment to the desk.

The PRESIDING OFFICER. Without objection, the pending amendment is set aside and the clerk will report.

The legislative clerk read as follows:

The Senator from Louisiana [Ms. LANDRIEU] proposes an amendment numbered 621.

Ms. LANDRIEU. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to allow employers in renewal communities to qualify for the renewal community employment credit by employing residents of certain other renewal communities)

At the end of end of subtitle C of title V add the following:

SEC. ____ RENEWAL COMMUNITY EMPLOYERS MAY QUALIFY FOR EMPLOYMENT CREDIT BY EMPLOYING RESIDENTS OF CERTAIN OTHER RENEWAL COMMUNITIES.

(a) IN GENERAL.—Section 1400H(b)(2) (relating to modification) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end the following new paragraph:

“(3) subsection (d)(1)(B) thereof shall be applied by substituting ‘such renewal community, an adjacent renewal community within the same State as such renewal community, or a renewal community within such State which is within 5 miles of any border of such renewal community’ for ‘such empowerment zone’.”

(b) REDUCTION OF ACCELERATION OF TOP RATE REDUCTION IN INDIVIDUAL INCOME TAX

RATES.—Notwithstanding the amendment made by section 102(a) of this Act, in lieu of the percent specified in the last column of the table in paragraph (2) of section 1(i) of the Internal Revenue Code of 1986, as amended by such section 102(a), for taxable years beginning during calendar year 2003, 35.1% shall be substituted for such year.

(c) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) shall take effect as if included in the amendment made by section 101(a) of the Community Renewal Tax Relief Act of 2000.

(2) Subsection (b) shall take effect on the date of enactment of this Act.

Ms. LANDRIEU. I waive any debate until tomorrow.

Mr. GRASSLEY. I yield such time as he might consume to the Senator from Nevada.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. ENSIGN. Mr. President, I ask unanimous consent the pending amendment be set aside.

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

AMENDMENT NO. 622

Mr. ENSIGN. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Nevada [Mr. ENSIGN] proposes an amendment numbered 622.

Mr. ENSIGN. I ask unanimous consent the reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To encourage the investment of foreign earnings within the United States for productive business investments and job creation)

On page 281, between lines 2 and 3, insert the following:

SEC. ____ TOLL TAX ON EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.

(a) IN GENERAL.—Subpart F of part III of subchapter N of chapter 1 is amended by adding at the end the following new section:

“SEC. 965. TOLL TAX IMPOSED ON EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.

“(a) TOLL TAX IMPOSED ON EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.—If a corporation elects the application of this section, a tax shall be imposed on the taxpayer in an amount equal to 5.25 percent of—

“(1) the taxpayer’s excess qualified foreign distribution amount, and

“(2) the amount determined under section 78 which is attributable to such excess qualified foreign distribution amount.

Such tax shall be imposed in lieu of the tax imposed under section 11 or 55 on the amounts described in paragraphs (1) and (2) for such taxable year.

“(b) EXCESS QUALIFIED FOREIGN DISTRIBUTION AMOUNT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘excess qualified foreign distribution amount’ means the excess (if any) of—

“(A) dividends received by the taxpayer during the taxable year which are—

“(i) from 1 or more corporations which are controlled foreign corporations in which the taxpayer is a United States shareholder on the date such dividends are paid, and

“(ii) described in a domestic reinvestment plan approved by the taxpayer’s president,

chief executive officer, or comparable official before the payment of such dividends and subsequently approved by the taxpayer’s board of directors, management committee, executive committee, or similar body, which plan shall provide for the reinvestment of such dividends in the United States, including as a source for the funding of worker hiring and training; infrastructure; research and development; capital investments; or the financial stabilization of the corporation for the purposes of job retention or creation, over

“(B) the base dividend amount.

“(2) BASE DIVIDEND AMOUNT.—The term ‘base dividend amount’ means an amount designated under subsection (c)(7), but not less than the average amount of dividends received during the fixed base period from 1 or more corporations which are controlled foreign corporations in which the taxpayer is a United States shareholder on the date such dividends are paid.

“(3) FIXED BASE PERIOD.—

“(A) IN GENERAL.—The term ‘fixed base period’ means each of 3 taxable years which are among the 5 most recent taxable years of the taxpayer ending on or before December 31, 2002, determined by disregarding—

“(i) the 1 taxable year for which the taxpayer had the highest amount of dividends from 1 or more corporations which are controlled foreign corporations relative to the other 4 taxable years, and

“(ii) the 1 taxable year for which the taxpayer had the lowest amount of dividends from such corporations relative to the other 4 taxable years.

“(B) SHORTER PERIOD.—If the taxpayer has fewer than 5 taxable years ending on or before December 31, 2002, then in lieu of applying subparagraph (A), the fixed base period shall mean such shorter period representing all of the taxable years of the taxpayer ending on or before December 31, 2002.

“(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) DIVIDENDS.—The term ‘dividend’ means a dividend as defined in section 316, except that the term shall also include amounts described in section 951(a)(1)(B), and shall exclude amounts described in sections 78 and 959.

“(2) CONTROLLED FOREIGN CORPORATIONS AND UNITED STATES SHAREHOLDERS.—The term ‘controlled foreign corporation’ shall have the same meaning as under section 957(a) and the term ‘United States shareholder’ shall have the same meaning as under section 951(b).

“(3) FOREIGN TAX CREDITS.—The amount of any income, war, profits, or excess profit taxes paid (or deemed paid under sections 902 and 960) or accrued by the taxpayer with respect to the excess qualified foreign distribution amount for which a credit would be allowable under section 901 in the absence of this section, shall be reduced by 85 percent.

“(4) FOREIGN TAX CREDIT LIMITATION.—For all purposes of section 904, there shall be disregarded 85 percent of—

“(A) the excess qualified foreign distribution amount,

“(B) the amount determined under section 78 which is attributable to such excess qualified foreign distribution amount, and

“(C) the amounts (including assets, gross income, and other relevant bases of apportionment) which are attributable to the excess qualified foreign distribution amount which would, determined without regard to this section, be used to apportion the expenses, losses, and deductions of the taxpayer under section 861 and 864 in determining its taxable income from sources without the United States.

For purposes of applying subparagraph (C), the principles of section 864(e)(3)(A) shall apply.

“(5) TREATMENT OF ACQUISITIONS AND DISPOSITIONS.—Rules similar to the rules of section 41(f)(3) shall apply in the case of acquisitions or dispositions of controlled foreign corporations occurring on or after the first day of the earliest taxable year taken into account in determining the fixed base period.

“(6) TREATMENT OF CONSOLIDATED GROUPS.—Members of an affiliated group of corporations filing a consolidated return under section 1501 shall be treated as a single taxpayer in applying the rules of this section.

“(7) DESIGNATION OF DIVIDENDS.—Subject to subsection (b)(2), the taxpayer shall designate the particular dividends received during the taxable year from 1 or more corporations which are controlled foreign corporations in which it is a United States shareholder which are dividends excluded from the excess qualified foreign distribution amount. The total amount of such designated dividends shall equal the base dividend amount.

“(8) TREATMENT OF EXPENSES, LOSSES, AND DEDUCTIONS.—Any expenses, losses, or deductions of the taxpayer allowable under subchapter B—

“(A) shall not be applied to reduce the amounts described in subsection (a)(1), and

“(B) shall be applied to reduce other income of the taxpayer (determined without regard to the amounts described in subsection (a)(1)).

“(d) ELECTION.—

“(1) IN GENERAL.—An election under this section shall be made on the taxpayer's timely filed income tax return for the taxable year (determined by taking extensions into account) ending 120 days or more after the date of the enactment of this section, and, once made, may be revoked only with the consent of the Secretary.

“(2) ALL CONTROLLED FOREIGN CORPORATIONS.—The election shall apply to all corporations which are controlled foreign corporations in which the taxpayer is a United States shareholder during the taxable year.

“(3) CONSOLIDATED GROUPS.—If a taxpayer is a member of an affiliated group of corporations filing a consolidated return under section 1501 for the taxable year, an election under this section shall be made by the common parent of the affiliated group which includes the taxpayer, and shall apply to all members of the affiliated group.

“(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary and appropriate to carry out the purposes of this section, including regulations under section 55 and regulations addressing corporations which, during the fixed base period or thereafter, join or leave an affiliated group of corporations filing a consolidated return.”.

(b) CONFORMING AMENDMENT.—The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by adding at the end the following new item:

“Sec. 965. Toll tax imposed on excess qualified foreign distribution amount.”.

(c) EFFECTIVE DATE.—Except as otherwise provided, the amendments made by this section, other than the amendment made by subsection (d), shall apply only to the first taxable year of the electing taxpayer ending 120 days or more after the date of the enactment of this Act.

(e) TERMINATION OF REHABILITATION CREDIT.—Section 47 (relating to rehabilitation credit) is amended by adding at the end the following new subsection:

“(e) TERMINATION.—This section shall not apply to expenditures incurred after December 31, 2003.”.

Mr. ENSIGN. Mr. President, I send a second-degree amendment to the desk.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The amendment is not in order while time remains on the first-degree amendment.

Mr. ENSIGN. Mr. President, I withdraw the second-degree amendment.

I want to speak on the first amendment I sent to the desk. The amendment I have sent to the desk is a fairly simple amendment. It was one of those ideas you find when you go around and listen to real people. When you do that, you can come up with ideas that will lead to good policy that will actually help real Americans get back to work.

It has been said that we are in a sluggish economy right now. I agree with that. Certainly, the American economy is the strongest economy in the world. It has been incredibly resilient, but it is not nearly as strong as what we would like to see. So when you talk to various people, there are all kinds of ideas of how to get the economy started.

While I support what the President is trying to do, I have talked to a lot of people in small businesses and large businesses who support the elimination of the double taxation on dividends. They support the acceleration of the cuts in the marginal tax rates and several of the other small business expensing items and the like in the bill that the President had sent up here, parts of which are in the Finance Committee's mark. Those provisions will stimulate the economy.

I have a provision we sent to the desk that, for a very little cost, as far as the people who score these budgets ascertained, for very little cost will put a tremendous amount of money into the U.S. economy.

Right now, we encourage businesses to go overseas. We encourage that through our Tax Code, and actually it is beneficial a lot of times for companies to relocate overseas. But if they do that and make money and pay taxes in those other countries, when they try to bring the money back here to invest in this country, they pay a 35 percent tax rate on that money. So if a company is faced with bringing the money they have made overseas back here or investing that money overseas, they say to themselves: Do I want to invest \$100 out of every \$100 overseas or do I want to invest \$65 out of every \$100 back here in the United States? The obvious answer is they keep that money overseas, and they invest that overseas.

I appreciate the support of both the ranking member and the chairman of the Finance Committee. This amendment was brought up in the Finance Committee. They both voted for it. I appreciate their vote on it. It narrowly lost, by one vote. That is why we are taking another run at this.

Our amendment says we will give companies that have invested overseas and have made money overseas 1 year's

time to bring that money back to the United States and, instead of paying a 35-percent tax rate, they will only pay a 5.25-percent tax rate.

J.P. Morgan and Associates just did a study to find out how much money would actually come back into the United States if this amendment is adopted within 12 months, the next 12 months. It is estimated \$300 billion will come back into the United States—\$300 billion.

Compare that with all the other plans that have been talked about around here. For a cost of only \$4 billion over 10 years, as far as what the budget people score it, as far as loss of tax revenues, to get a \$300 billion boost in the economy—there is nothing else in the stimulus package that gives you as much bang for the buck.

While I support the rest of it, and I am voting for the rest of it, this is something that needs to be included in a stimulus package because this will truly bring the money back into the United States.

This is money that is not going to be here any other way. This is not taking money away from Government and putting it in the private sector, or taking it away from the private sector and putting it in the Government. This is money outside the United States that will come back here and create U.S. jobs.

This is a bipartisan amendment. We have done a couple of things to make sure it not just comes back here. It cannot go for executive pay, for one thing. It has to come back here and be invested in the United States, in their companies in the United States.

We have gone around and talked to people in business, instead of relying on a study. I went around talking to a lot of businesses. I was talking to some people the other day. They said they have \$2 billion in cash sitting overseas that they would bring back here in a heartbeat if this passed. That is \$2 billion in high-tech industry. A big part of the sluggish part of our economy has been in the high-tech industry—\$2 billion in just one company that will come back here to the United States in the next 12 months. You can clearly see this would have a very strong stimulative effect on our economy.

I thank the cosponsors of the original bill that we introduced—Senator BOXER, Senator GORDON SMITH, and Senator ALLEN—for joining as original cosponsors of this bill. It is bipartisan in nature. Several other Members from the other side of the aisle have approached us.

We think this amendment will be a significant part of this stimulus package. Most people aren't aware of this amendment. Most people aren't aware of the impact it will have on the economy. But I encourage all of our colleagues to learn about this before we vote on it tomorrow. It is very obvious that there are upsides to this. I just do not see any downside. The upsides are tremendous. A huge amount of money

will come back into the United States to create American jobs.

If you ask yourself whether to vote for this amendment, you just have to ask yourself whether you want to create jobs overseas or do you want to create jobs in the United States? We are talking about \$300 billion coming back into the United States in the next 12 months to create jobs. That is a lot of capital. We have heard about the lack of capital and business investment being part of the recession. This would be a significant addition to our economy.

I encourage our colleagues to vote for this amendment.

I ask for the yeas and nays, and I yield the floor.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, in regard to the statement just made by the Senator from Nevada, I voted for the amendment that he speaks about in committee. It lost by a 1-vote margin. I don't know whether Members have had a chance to give it the thorough thought it ought to have when it is brought up on the floor. I hope Members will take a good look at it. If there is evidence to back up what has been said about the amendment bringing money home, it is something that would give a shot in the arm to the economy. It ought to be something we look at. I think there has been some talk about it, but not enough at this point. I am not suggesting the amendment should not be voted for tomorrow. I am just suggesting it is something I am taking a very good look at.

Mr. ENSIGN. Mr. President, will the Senator yield?

Mr. GRASSLEY. I yield for a short statement and then I want to continue.

Mr. ENSIGN. The only comment I would make is that a couple of years ago when this was introduced, the Joint Tax Committee scored this as bringing about \$150 billion back into the economy. J. P. Morgan's—a private institution—latest study estimated it would be \$300 billion. They have the latest figures. That is where we would come up conservatively. Even if you do not go with the new study, the old study said \$150 billion. It puts a lot of money back into the economy.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from Montana.

Mr. BAUCUS. Mr. President, I ask unanimous consent that all pending amendments be temporarily set aside so that the Senator from New York can offer an amendment.

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

The Senator from New York.

AMENDMENT NO. 557

Mr. SCHUMER. Mr. President, I send amendment No. 557 to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New York [Mr. SCHUMER] proposes an amendment numbered 557.

Mr. SCHUMER. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To amend the Internal Revenue Code of 1986 to make higher education more affordable)

At the end of subtitle C of title V, insert the following:

SEC. ____ . EXPANSION OF DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) IN GENERAL.—

(1) AMOUNT OF DEDUCTION.—Subsection (b) of section 222 (relating to deduction for qualified tuition and related expenses) is amended to read as follows:

“(b) LIMITATIONS.—

“(1) DOLLAR LIMITATIONS.—

“(A) IN GENERAL.—Except as provided in paragraph (2), the amount allowed as a deduction under subsection (a) with respect to the taxpayer for any taxable year shall not exceed the applicable dollar limit.

“(B) APPLICABLE DOLLAR LIMIT.—The applicable dollar limit for any taxable year shall be determined as follows:

“Taxable year:	Applicable dollar amount:
2003	\$8,000.
2004 and thereafter	\$12,000.

“(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—The amount which would (but for this paragraph) be taken into account under subsection (a) shall be reduced (but not below zero) by the amount determined under subparagraph (B).

“(B) AMOUNT OF REDUCTION.—The amount determined under this subparagraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

“(i) the excess of—

“(I) the taxpayer's modified adjusted gross income for such taxable year, over

“(II) \$65,000 (\$130,000 in the case of a joint return), bears to

“(ii) \$15,000 (\$30,000 in the case of a joint return).

“(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(i) without regard to this section and sections 911, 931, and 933, and

“(ii) after the application of sections 86, 135, 137, 219, 221, and 469.

For purposes of the sections referred to in clause (ii), adjusted gross income shall be determined without regard to the deduction allowed under this section.

“(D) INFLATION ADJUSTMENTS.—

“(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, both of the dollar amounts in subparagraph (B)(i)(II) 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 the calendar year in which the taxable year begins, by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.”.

(2) QUALIFIED TUITION AND RELATED EXPENSES OF ELIGIBLE STUDENTS.—

(A) IN GENERAL.—Section 222(a) (relating to allowance of deduction) is amended by inserting “of eligible students” after “expenses”.

(B) DEFINITION OF ELIGIBLE STUDENT.—Section 222(d) (relating to definitions and special rules) is amended by redesignating paragraphs (2) through (6) as paragraphs (3) through (7), respectively, and by inserting after paragraph (1) the following new paragraph:

“(2) ELIGIBLE STUDENT.—The term ‘eligible student’ has the meaning given such term by section 25A(b)(3).”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to payments made in taxable years beginning after December 31, 2002.

(b) SLOWER ACCELERATION OF TOP INCOME RATE.—

(1) IN GENERAL.—The table in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001), as amended by this Act, is amended to read as follows:

“In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2001	27.5%	30.5%	35.5%	39.1%
2002	27.0%	30.0%	35.0%	38.6%
2003	25.0%	28.0%	33.0%	38.6%
2004	25.0%	28.0%	33.0%	37.6%
2005	25.0%	28.0%	33.0%	37.6%
2006 and thereafter ..	25.0%	28.0%	33.0%	35.0%”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2002.

(c) APPLICATION OF EGTRRA.—The amendment made by subsection (b) shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 to the same extent and in the same manner as the provision of such Act to which such amendment relates.

Mr. SCHUMER. Mr. President, I will be brief.

This amendment would continue the work we made in the last tax bill a few years back to further increase the deduction for college tuition. The bottom line is a simple one: College is a necessity today for young people. Good jobs are hardly available without a college education. They are getting rarer and rarer. Yet the cost of college is very, very expensive.

If you are wealthy, you can afford it. If you are poor, we often pay for your tuition, as we should. I fully support that. But if you are in the middle class, that tuition bill every year is a fright. My wife and I make good salaries, and we are up late at night trying to figure out how we are going to pay for our two daughters' college education. One is a freshman in college. One is in the 8th grade. So we know, because our salary is better than the average American, what the average American does: They struggle in terms of thinking of how they are going to pay for tuition.

This amendment, cosponsored by Senators BIDEN, BOXER, DURBIN, CANTWELL, and LIEBERMAN, takes the current deduction and makes it permanent, because now it expires at the end of 2005. It increases the eligible tuition amount to \$8,000 for the tax year 2003

and \$12,000 for the tax year 2004 and thereafter. It now is \$4,000 for the tax year 2003 and thereafter.

The deduction is available to joint filers with taxable income up to \$130,000, with a phase-out up to \$160,000; and single filers with taxable income up to \$65,000, with a phase-out up to \$80,000.

The bottom line is simple: This helps middle-class people with perhaps the greatest problem they struggle with. It also can be taken by parents or grandparents who pay the tuition of a dependent child or grandchild. It applies to any student enrolled at least half time, including graduate students. It is per student, so if you have two students in college or graduate school, you get the deduction for each of them.

It would cost about \$26.3 billion for the 10-year period of 2003 to 2013. The cost of the amendment would be offset by slowing the acceleration of the top tax rate reduction so that the top rate would become 37.6 percent in 2004 and 35 percent in 2006.

Now, again, we are dealing with choices. It would be nice to get that top rate down quickly, but if you ask me, the future of America depends on kids who deserve to go to the best college being able to afford to go to the best college. That is probably more important than quickly accelerating the top rate.

This amendment, as I said, applies to the solid, middle class who get very, very few tax breaks and yet sweat and struggle to send their children to college.

Mr. President, when a young man or young woman either does not go to college, even though they have the grades to get in, or goes to a lesser college than the one they deserve to go to, they lose. Their lifetime productivity will be lower. Their families lose, but we lose. America loses, because in this new ideas-oriented economy, we need the best educated labor force possible.

So I can hardly think of a better investment for America than tuition deductibility. We made a good step in the tax bill of 2001, as I said.

For the first time, I, Senator SNOWE of Maine, and then-Senator Torricelli of New Jersey managed to get this into the tax bill for up to the \$4,000 level. This will bring it up to \$8,000 and make sure it does not expire in 2005.

Mr. President, as I said, in today's information-driven economy, a college degree is no longer a luxury, it is a necessity.

In terms of long-term economic growth and developing this country's human capital—which is ultimately the true source of innovation and competitive advantage—we could make a few better investments than ensuring future generations have access to an affordable college education.

The challenge is that the cost of college tuition has increased faster than any other major consumer item including health care over the last 20 years, skyrocketing from \$5,156 in 1981 to

\$21,768 in 2001, an increase of 322 percent.

Even in real, inflation adjusted dollars the price of a 4-year public or private college education has almost doubled over the past two decades.

As currently written, this bill does everything except invest in people. We have incentives for plants, property, and equipment. Let's take this opportunity to invest in the next generation.

As I said, the amendment makes the current tax deduction permanent and increases the eligible tuition amount to \$8,000 for tax year 2003 and \$12,000 for tax year 2004 and thereafter.

The deduction is available to joint filers with taxable income up to \$130,000, with a phaseout up to \$160,000, and single filers with taxable income up to \$65,000, with a phaseout up to \$80,000. For example, for a joint filer with an income of \$105,000, the legislation would mean a savings of as much as \$3,240.

The legislation would allow families to choose the Hope Scholarship instead of the deduction, depending on which is more beneficial to them.

I know the hour is late. I heard my colleague from North Dakota got out of his lovely home to come to the floor because he was so eager to speak, and I am eagerly awaiting his remarks. I hope he did not have to get out of his pajamas and back into his nice suit and tie. I don't know what his status was while he was at home.

Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. SCHUMER. Mr. President, I ask that my remaining time be ceded back to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, under our informal agreement, we had been switching back and forth. The Senator from South Carolina is now recognized.

The PRESIDING OFFICER. The Chair recognizes the Senator from South Carolina.

Mr. BAUCUS. Mr. President, I urge the Senator, at this late hour, to speak briefly so everybody who wants to speak can. The bewitching hour arrives at about 10 minutes after midnight tonight.

Mr. GRAHAM of South Carolina. With that in mind, I will be very brief.

Mr. President, I do appreciate the opportunity to be recognized very briefly. The reason I want to speak is to recognize the Finance chairman's great job, taking a pretty bad situation and making the best of it. It got off to a rocky start in the Senate about how to craft a tax package to help stimulate the economy. But I am very impressed by what has happened.

Almost everyone has some view of how to cut taxes. That is good for the American public. I am not here to criticize my colleagues on the other

side who have put forward tax packages. I think we all see the economy soggy—whatever adjective you want to use—but both parties have a view of getting money back into the economy. That is good.

I congratulate those who have stepped up to the plate to put money back into the economy. I may disagree with your approach. But also I would like to congratulate those Senators who took the road less traveled; that is, saying: We do not need a tax cut. We cannot afford a tax cut. We are in deficits. Now is not the time to take money out of the revenue stream. We should be retiring the debt. To those Senators, I say, you are absolutely right in terms of having a philosophy that makes sense.

The problem is, if we do not cut taxes, we have shown a propensity, particularly our friends on the other side, to spend the money. That is an overarching thing that I think is well-documented.

It is not a debate as to whether we will take the \$350 billion, the \$152 billion, the \$550 billion, or the \$726 billion, and put it on the debt. That is not going to happen. That should happen, but it is not going to happen.

So now the debate becomes, how do we take whatever money we are going to set aside for taxes to create jobs? Because if it does not create jobs, I am not going to vote for it.

Twelve Democratic Senators joined with the President and members of the majority party to cut taxes in 2001 in a very comprehensive manner. A lot has happened since that tax cut: America has been attacked, the defense spending needs have gone up, the Iraq war has come, and a lot of money has been spent. But I would argue that everything we have done to make America stronger, to free the people of Iraq, making us stronger, is money well spent. Let's keep that same theme of spending our money wisely.

The one thing that disappoints me about my friends on the other side is that every amendment they have to offer or every approach to taxes goes after the dividend tax cut. That is the centerpiece of the President's view of how to stimulate the economy. Every amendment being offered takes money from the dividend tax cut to pay for that amendment.

The best example of what is going on here is Senator DORGAN's amendment about repealing the Social Security tax. A month ago we had a chance to do that, and our friends on the other side en masse voted no. We had a chance to expand the budget resolution by doing away with the tax on senior citizens at the 85-percent rate on their Social Security. This tax was put in in 1993 by our friends on the other side. I would argue that offering this amendment now is the best evidence one could point to as to what is going on here. Everything this President is asking for in terms of job stimulus and economic activity beyond helping people put money in their pockets goes to

the dividends, double taxation exclusion.

The Senate Finance Committee has produced a bill that addresses that problem. There will be an amendment on this floor that will basically mirror what the President has asked for. It will take taxation dividends to zero for a 3-year period.

I honestly believe that is the best way to create jobs simply because if you could buy stock and receive a dividend without paying taxes, more people would be likely to buy stock. People say the stock market would go up 10 or 20 percent. I don't know if that is right or not, but that makes sense to me.

The \$350 billion tax proposal by Senator LANDRIEU I disagree with. But you have to understand that the difference between Senator DASCHLE's plan of \$152 billion, the Finance Committee's of \$350 billion, and Senator LANDRIEU's amendment of \$350 billion is negligible in terms of the money it takes out of the economy to help people receive tax benefits. So this argument that our President's plan doubles the national debt has to give way to facts. Everybody is wanting to cut taxes.

The point I am trying to make is the American people have to choose between these competing plans. We will have to choose. Here is what I am going to do. I am going to make a choice to take the tax package that was passed in 2001 and accelerate the benefits. Because the reason we haven't received the full benefit of the 2001 tax package is we put everything off in terms of rate reductions. Let's take the money we are putting on the table now and accelerate the rates. Let's accelerate the child tax credit so people will have more money to spend. But let's do something we didn't do in 2001. Let's create a system so that jobs can be created by economic activity.

You will never convince me that if you make an investment in the stock market more attractive, people will not have better jobs, and there will be more jobs for people. That is why I will follow the lead of the President.

I am pleased that I am a Member of the Senate at a time when both parties want to cut taxes.

I yield the floor.

Mr. REED. Mr. President, we find ourselves here, yet again, confronted with the third tax cut package in 3 years from the President. As a recent Washington Post article pointed out, President Bush seems dead set on ramming through tax cuts every year he is in the Presidency—regardless of the economy, regardless of the budget deficit, regardless of its competition with much-needed programs like a universal and comprehensive prescription drug benefit for Medicare.

In fact, after years of harping on budget deficits, the Republican Party has now jettisoned its sense of fiscal responsibility, but only after President Clinton adopted that same fiscal responsibility and successfully delivered

budget surpluses. Now, Republicans are silent on the issue.

But only when we put all of these concerns aside do we get to the most fundamental question—the question of fairness. President Bush has taken great strides to launch preemptive rhetorical attacks, claiming Democrats are engaging in class warfare with opposition to tax cuts. But when we consider the facts, it is the President who is engaging in class warfare by pushing through a package that steals from the poor and then gives to the rich. His preemptive rhetorical attacks will not measure up to the facts.

So, with all the challenges we have ahead, we are being asked to vote on another tax cut that will not help the average American family. It is incumbent on us to separate the myth of Republican rhetoric from reality in how this tax cut will affect our constituents, our families, and our country. It is time to set the record straight.

Myth 1: The Republican tax proposals are best at generating new jobs and promoting a strong sustainable recovery. The reality is that the Republican tax proposals are poorly targeted to the problems facing the economy. They generate fewer jobs and less economic growth this year when they are needed most than does the Democratic alternative.

The economy is in a slump now, with 2.7 million fewer private sector jobs than in March 2001, and even the Fed's outlook for the near future is weak.

Economic forecasters expect that the economy will eventually bounce back, but they have been expecting a recovery "soon" for over a year and it has not come yet. With the economy still in a slump, with excess unemployment and underutilized factories, the policy we need now is job-creating stimulus that restores full employment quickly.

Republicans still insist that long-term tax cuts for the wealthy somehow create jobs, despite the poor track record that 1.7 million jobs have been lost since passage of the 2001 tax cut. Their program is so backloaded that it doesn't take effect until past the time when it is needed. Such a policy is not just ineffective but counterproductive, because it creates large deficits and an increase in the public debt that is a drag on long-term growth.

Additionally, most of the Republicans' proposed capital income tax cuts reward capital owners without directly encouraging new capital formation or higher output. Such tax cuts can't be expected to create new jobs if they don't encourage output. In fact, to the extent that the tax cuts effectively reduce the cost of capital facing businesses, some businesses may be encouraged to substitute capital for labor without increasing their output, so that jobs are lost rather than gained. If the goal of the tax cut is really job creation, the tax cuts should be designed to directly encourage businesses to hire more workers.

The Democratic proposal adheres to the basic principles of sound policy: it

provides a boost to job creation and economic growth now when it is needed and does not create large future deficits or increases in debt that are a drag on growth. The Democratic plan just has "more taste" and is "less filling."

When the JEC Democratic staff compared the impact on jobs and growth of the President's \$726 billion "Jobs and Growth Initiative" and a much smaller but more targeted Democratic alternative, they found that the Democratic proposal generated roughly twice the additional jobs and growth by the end of this year than the President's plan but at one-seventh the cost. The Republican proposal provides less growth and fewer jobs in the first year when they are really needed than the Democratic proposal.

Myth 2: The Republican tax proposals are good for economic growth. The reality is that the Republican tax proposals hurt economic growth and depress national income in the long run.

An analysis by the JEC Democratic staff found that because of its long-run budgetary costs, the President's plan had adverse long-run supply-side effects that lowered national income in 2013 by 0.4 to 0.6 percent. In their most recent analysis of the President's budget, the CBO found adverse macroeconomic effects if tax cuts are not paid for—that a proper "dynamic scoring" would raise, not lower, the costs of the administration's tax proposals.

Economic theories that claim that private saving should fully make up for drops in public saving are unsupported by experience. What did we learn from the Reagan era and the fiscal discipline of the 1990s? The Reagan tax cuts pulled down both public saving and national saving; the tax cuts failed to generate the large supply-side responses that had been claimed by the proponents of the cuts.

Myth 3: The Republican proposals are fair and are aimed at the middle class. In reality, the Republican proposals are unfair and are heavily tilted toward the very top of the income distribution.

The lion's share of the tax cuts enacted in 2001 already went to the very richest of households, particularly the tax cuts scheduled to take effect after 2002. Before the 2001 tax cut, the justification for large tax cuts for the wealthy was that we were simply "returning the people's money" and getting rid of surpluses that were too big, and the wealthy were the ones who paid the most in taxes. But that is clearly not the case because now we have no surpluses.

By 2010 when the tax cut is fully phased in, over a third of the tax cut goes to the richest 1 percent of households, while less than one-fourth goes to the entire bottom 60 percent. Despite this, the administration has proposed additional tax cuts that would clearly benefit only high-income households: the dividend tax exclusion and the new savings incentives. As part of their growth and jobs package, the

administration also proposes to accelerate the portions of the 2001 Tax Act that highest-income households benefit the most, while leaving unchanged, continuing to phase in slowly, elements of the 2001 tax cut that most benefit lowest income families with children. The plan truly keeps the spirit of the administration's proposals—"leave no millionaire behind."

In advertising just how "fair" their growth package is, the administration has repeatedly relied on the average tax cut statistic, stating that households will "on average" receive a tax cut of over \$1,000 in 2003. But this is far greater than what a typical household near the middle of the income distribution would receive; in fact, four-fifths of households would receive less than this amount. According to the Urban-Brookings Tax Policy Center, the middle 20 percent of households would get tax cuts averaging only \$200 in 2003 from the President's plan. Meanwhile, households in the top 1 percent would enjoy an average tax cut of over \$20,000, and millionaires would get tax cuts averaging about \$90,000.

The compromise tax cut package crafted by Senator GRASSLEY limits the dividend exemption to the first \$500 of a family's dividends in fiscal year 2003, increasing by 10 percent of dividend income above \$500 from 2004 to 2007, and 20 percent above \$500 from 2008 to 2012. Still, even in the first year with the \$500 limit, the great bulk of the dividend tax cuts will go to highest income households simply because they are most likely to have dividend income, and among those with dividend income are the most likely to have at least \$500 of dividend income. In later years as the tax break for higher dividend income increases, the share of the dividend tax cut benefiting highest income households will increase. Overall, the Grassley plan would still provide a disproportionately large tax cut to the highest income households.

But most importantly, even though the low- and moderate-income families need the most help in this troubled economy, Republican proposals assist them the least.

Myth 4: The Republican tax plan is the best way to address the problems of long-term unemployment. The reality is that the Republican tax plan ignores the plight of the unemployed and the long-term unemployed.

Although the temporary Federal unemployment insurance program will expire at the end of May for workers exhausting regular state UI benefits, currently the Republican plan does not extend the program. Nor does the plan provide any further assistance to the approximately 1.1 million workers who have exhausted all of their unemployment benefits and still have not found work.

The unemployment rate today is 6.0 percent, higher than when the temporary Federal UI program was created in March, 2002, or extended in January, 2003. During the last 3 months, over

540,000 private-sector jobs have been lost and the economy has lost 2.7 million private-sector jobs since the recession began. On average, job losses in a recession bottom out after about 15 months and are erased within 2 years. The persistence of job losses at the 25-month mark in this recession is the most severe since the 1930s. These workers have carried the brunt of this recession, there are simply no jobs out there for them.

Myth 5: The Republican tax plan is fiscally responsible, but the reality is that the Republican plan leads to deficits as far as the eye can see and exacerbates the fiscal pressures posed by the imminent retirement of the baby boom generation.

What was a \$5.6 trillion 10-year surplus when the President took office has virtually disappeared, even without counting any current proposals. The administration has repeatedly claimed that the deterioration was largely out of their control, but the fact is that even including the effects of the recession and other technical changes to the CBO budget forecast, the tax cuts already passed are responsible for over a third of the deterioration in the budget. Enactment of the President's new budget proposals would result in a \$2.1 trillion 10-year deficit—a turnaround of an astounding \$7.7 trillion.

A particularly large bias in administration estimates comes from assuming that expiring tax provisions will indeed expire and that the alternative minimum tax will continue to affect a larger and larger segment of the population without any fix.

Deficits reduce national saving, reduce the resources available for productive investments, and hence reduce future economic growth. Even Chairman Greenspan recently warned of the danger to our nation's long-term economic health: "I support the program to reduce double taxation on dividends and the necessary other actions in the federal budget to make it revenue-neutral . . . it should be done in the context of paygo rules, which means that the deficit must be maintained at minimal levels."

Myth 6: States will benefit from the Republican tax plan. The reality is that the Republican tax plan ignores the fiscal crisis of the States and probably makes it worse.

The Senate Republican plan established a \$20 billion fund to be equally divided between State governments and local governments, to be used for education and job training, health care including Medicaid, infrastructure, law enforcement, and other essential services. However, at the same time, the Federal tax changes will reduce State revenues by approximately \$10 billion, leaving States on net with no additional funds.

The recession that began in March 2001 has hit State budgets from both sides. Income and sales tax revenues have fallen with reduced economic activity, while the demands on social

services have grown as joblessness has increased and family incomes have declined. Every week brings a new headline—or two—announcing another State's proposed cutbacks in services or program eligibility as it responds to a worsening budget crisis. Numerous spending cuts in social programs, including Medicaid, have been announced by States as they work to close their widening funding gaps. Some 22 States have proposed or adopted cuts in Medicaid and the SCHIP that would drop coverage for at least 1.7 million people if all the proposals were adopted. Prospects for 2004 are worse: the National Conference of State Legislators estimates that 41 States will face a cumulative budget shortfall of \$78 billion.

The Democratic proposal requires that the Federal Government provide twice as much money to help States mitigate the negative impacts of the recession on poor and working families. This will also aid job creation.

Myth 7: The congressional Republican tax plans adhere to the limits set in the budget resolution. The reality is that the Republican tax plans are full of "smoke and mirrors" gimmicks that hide their true costs.

The true cost of the 2001 tax cut is much greater than the official cost because of the gimmicks of phase-ins and sunsets and because the tax cut allowed the alternative minimum tax to pick up additional revenue from more and more over time—a situation that is not likely to be tolerated for too long. The official cost ignores interest costs as well. As a result, a more realistic estimate of the cost of the 2001 tax cut is much greater than the official cost—nearly \$2.5 trillion over the first 10 years, not the \$1.35 trillion as officially scored. A fully phased in version of the tax cut would cost even more over 10 years, over \$4 trillion, even before counting interest payments.

Myth 8: Republican tax and budget proposals are no threat to Social Security and Medicare. In reality the Republican tax and budget proposals break our promises on Social Security and Medicare.

Tax cuts now mean even bigger tax increases later. The Bush tax cut agenda gambles away the income security of future generations, and for what? Current tax cuts to the wealthy, which Republicans claim will ultimately benefit everyone. Instead, those tax cuts will ultimately cost everyone.

Our country's impending demographic challenge and corresponding fiscal pressures are a certainty. We were already faced with tough decisions ahead about how the retirement of the baby boomers would be made "affordable" to our Government budget: either taxes will have to rise in the future, spending cuts, or some combination of both. The Bush tax cut agenda is not responsible for that situation, but it surely and dramatically has made the tough problem even tougher. It makes the fiscal hole even deeper, and it unjustly pushes off most

of the financial responsibility for the tax cuts and government programs we now enjoy, onto our children and grandchildren. We're putting our tax cuts on a credit card that our kids will have to pay off.

In the end, tax reform should be considered in a time of surpluses and not in a time during record budget deficits. Most importantly, we as a Congress have responsibility to act fairly and effectively to combat our Nation's economic crises. The Republican plans do not live up to that responsibility and I can only hope that my words today have separated the rhetorical myths from the facts.

Mr. ENZI. Mr. President, once again we have a challenging task before us. We have to draw a road map that will lead to economic growth, development, and future sustainability. We have to come up with a package that is fair to all taxpayers. One that eliminates complexity instead of creating more of it. Unfortunately, this is much easier said than done. So far, we have all been talking about it. In fact, as I have listened to my colleagues speak throughout the day, I have been struck by the unusual tenor of this debate. We have Democrats claiming they want to eliminate tax increases and Republicans saying we need to use tax increases to offset other provisions. While I have serious reservations about voting for a package that appears to rob Peter to pay Paul, I believe the Finance Committee has crafted a bill that will lead to the creation of new jobs. And, that is what this debate should be about.

In April, the number of unemployed people in this country rose to 8.8 million—8.8 million. That is 8.8 million Americans without jobs and without paychecks—but still with plenty of bills to pay. That kind of economic chaos sends ripples throughout the economy. It affects more and more people until we do something to stop it. Until we take action to stem and control the problem so that the economy can regain its strength.

The strength of our economy lies in our workforce, so we have to put into place a plan for growth that will actually encourage the creation of new jobs. I think this plan is a good step toward that goal, and I believe the tax relief provided in this plan will put money back into the pockets of taxpayers and provide much needed resources for businesses to draw on in order to create more jobs for those who need them.

That is what I would like to talk about for a moment—the employers, the small business owners, the entrepreneurs. I am a strong supporter of the President's dividend proposal, and I am extremely disappointed we have been forced to reduce it in the Senate. I would hope we could eventually reach an agreement here and with our colleagues in the House to restore that proposal.

Nearly every week, I go back to Wyoming, and small business owners and

local residents from around my State want to talk about the unfairness of our tax policy when it comes to the double taxation of dividends. In fact, I have a stack of over 300 letters from constituents representing different age groups and different income levels supporting the full elimination of the double taxation on dividends.

Although some of my colleagues continue to misrepresent to the American people that this provision would only help the rich, I think it is important to remind everyone that families, single people, married couples, college students, working mothers, single dads, senior citizens, and everybody in between are all unfairly burdened by the loss of spendable cash that results from the double taxation of dividends. We should not be surprised by that. After all, it is not just corporate executives who receive dividends.

If we eliminate the double taxation on dividends we will put money back into the pockets of hardworking taxpayers, and we will also create jobs for working Americans across the country. Studies have shown that the President's dividend proposal could create as many as 400,000 new jobs. That would provide enough jobs for over four-fifths of Wyoming's population. That is a lot of jobs.

I would prefer we pass a dividend proposal that completely eliminates this unfair double taxation, but I understand why my colleagues on the Finance Committee had to come up with a new dividend plan. They were faced with a tough problem—staying within the budgetary constraints set forth by Congress while still providing real, economic growth. I believe they came up with a workable compromise that will provide some, if not all, of the relief necessary to encourage short and long-term investment by individuals and corporations. Under this plan, individuals will have more money to reinvest in their portfolio, and companies will be more likely to use equity financing to fund future growth.

Other important components of this bill are the small business and agricultural provisions, as well as the section that will increase the allowable amount for small business expensing from \$25,000 to \$75,000. Small business is truly the backbone of our economy, the engine that makes it go, and we have to create an environment that encourages rather than discourages growth. As corporations struggle to meet income projections and cost reductions, small businesses are the ones providing jobs and putting food on the tables for our working families.

As many as 22.4 million small businesses could directly benefit from provisions like the increase in small business expensing. Other employers will benefit from provisions like the repeal of the Special Occupational Tax and the extension of the applicable period for a taxpayer to replace livestock sold on account of drought, flood, or other weather-related conditions. These pro-

visions mean thousands and thousands of employers will have more money to reinvest in their company, hire more people, and create more jobs. That means putting more Americans back to work.

This package should be about jobs; and I support the tax relief provisions, because I think they will create the jobs that will increase the flow of revenues that will bring this economy out of its current slump.

However, I want to make it clear that I am concerned about the high number of revenue provisions that are included in the bill. An economic growth package should not simply shift the tax burden from one person to another. That is not the way to create a more fair tax system. Despite my concerns, I will vote for this package because we need an economic growth package now. I encourage my colleagues to join me in supporting this plan to put more Americans back to work and help our families get back on their feet again.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield 10 minutes off the remaining time on the bill to the Senator from North Dakota.

Mr. CONRAD. I thank the manager of the bill, the ranking member of the Finance Committee.

The Senator from South Carolina has just been talking about this scheme to give the President all that he wants on dividends, but to do it within the limits of the \$350 billion tax bill that is before the Senate.

A prominent Republican economist commented on this scheme today, calling it, "The Dividend Fiasco." This scheme would exempt exempt one-third of dividends this year, two-thirds the next year, and all of them in the third year, and then sunset the whole proposal after that. Again, this is an economist whom Republicans have called before the Congress repeatedly to testify on their behalf. Here is what he says about that scheme:

Think, for a moment, of the likely wacky effects of such a plan. If a firm pays you a dividend next year as opposed to this year, then you will save 33 percent on your taxes. With rates falling so sharply, it would be positively irresponsible for a firm to pay any dividends at all until the rates are at their lowest. Then, in 2005, the rate is zero for only one year. Thus, a firm will have an incentive to pay dividends that it might have planned to pay in 2006 in 2005 as well. So under the administration's proposal, dividends would go as close to zero as firms could manage for a few years, spike to their highest level in history, then drop sharply for some time.

Administration sources admit that dividends will likely decline relative to today under this plan between now and 2005. How can that be a harmless event given that increases in dividend payments are viewed to be so wonderful? Clearly, this proposal is one of the most patently absurd tax policies ever proposed.

That is from a prominent Republican economist. He has it exactly right. That is patently absurd.

It is a hoax. It is an absolute hoax. The principle behind this bill is to limit the total tax cut to \$350 billion. The reality of the proposal advocated by the Senator from South Carolina is that it would never be sunsetted, and the cost would turn out to be even more than the President's original proposal.

While I was gone, my colleague from Arizona on the Finance Committee, and for whom I have a great deal of respect, suggested that corporate taxes are high compared to other nations. That is just not true. If you look at the effective tax burden—not the nominal tax burden, the effective tax burden—what companies really pay, the United States is a relatively low tax jurisdiction. Look at where the OECD places the United States in its international ranking of corporate income taxes as a percentage of GDP. This is where the United States ranks. We are way down the list, nowhere close to being high up on the list.

Another thing I have heard repeatedly is that this plan is a jobs growth package. Let's do the math. If this is a jobs package, it is one of the most poorly designed in economic history. They say it is going to produce a million jobs. Actually, the models that have been done say from 230,000 to 900,000 jobs. Let's say it is a million jobs. It costs \$350 billion. Let's divide 1 million jobs into \$350 billion. Do you know what the cost of this program is per job? Three hundred fifty thousand dollars a job. Let's say that one more time. The cost of this program to create a job is \$350,000. Now, that is patently absurd. What a ridiculous way to create jobs. The cost is \$350,000. What are the jobs going to be—\$50,000 jobs, if they were pretty good jobs. So it would cost \$7 for every \$1 you would produce in jobs? That makes no sense.

My colleague said that consumer demand is not the problem in the economy. That is absolutely the problem. Consumer demand in the last 2 months has been 1.4 percent and 1.7 percent. That has been the growth. That is mighty tepid growth. That is right at the heart of what is wrong in this economy.

My colleague from South Carolina said Senator DORGAN's amendment on the Social Security tax is an example of what is wrong here. No. It is an example of what is right here. The Senator from South Carolina said we had a chance on the budget resolution to do something about the previous increase in income subjected to Social Security tax. No, the budget resolution doesn't decide those things. It has nothing to do with that—nothing, zero.

This is the place where you can do something about repealing a previous tax increase. The budget resolution doesn't change the tax code. This is the bill that determines the specifics. Our colleagues will have a chance tomorrow to indicate whether they are going to repeal the previous tax increase that involved Social Security recipients.

One other thing I heard my colleague from Arizona say was that the dividend proposal would be such a tremendous benefit to the elderly. That's true, if you are wealthy. If you are an elderly person earning more than \$500,000 a year, this plan gives you an average benefit of \$24,000. If you are an elderly person earning less than \$50,000 a year, your average benefit is just \$90. If you are earning \$50,000 or less, and you are elderly, you get \$90. If you are earning over half a million dollars, this dividend tax cut gives you \$24,000. I don't think that is equitable. I don't think it is fair. I don't think it does much to stimulate the economy.

Let's remember the context within which we are making these decisions. The budget deficits have skyrocketed. All of this money, everything being proposed here, is with borrowed money. This is not being offset by spending reductions. This is all borrowed money.

The Senator from South Carolina says that at times you need to do that to give a boost to the economy. I agree with that entirely. That is absolutely the right economics. But do you know what? The deficit this year on an operating basis is going to be between \$500 and \$600 billion.

Should we do more? I believe we should. In fact, I think we should do more than what is in this plan, because this plan doesn't do much. This plan doesn't do much in the first year or the second year. This plan is very tepid in terms of what it does. In the first year, this plan gives \$44 billion of stimulus in a \$10.5 trillion economy.

Frankly, that is not going to do much of anything. That is exactly what we see when you analyze this proposal in terms of what it is going to do to grow the gross domestic product. Senator DASCHLE's plan is the only plan that has much stimulus—\$125 billion this year. Only \$44 billion is in the plan before us.

Here is an analysis of what the various plans would do in terms of stimulus. The President's plan, which is even more costly than the one before us, would increase GDP by less than half of 1 percent. The Democratic plan is significantly more, seven-tenths of 1 percent. In the second year, the Republican plan is half of 1 percent, and the Democratic plan nine-tenths of 1 percent.

But what is most interesting is that the Republican plan, over the 10 years, is actually negative. It actually hurts economic growth. How can that be? Very simply, because it is going to explode deficits and debt.

Here is what happens under the Republican plan: The debt of \$6 trillion in 2002 will go to \$9 trillion by 2008, and to \$12 trillion by the end of this budget period. It explodes the deficits and debt.

The Chairman of the Federal Reserve, Mr. Greenspan, has told us:

With a large deficit, you will be significantly undercutting the benefits that would be achieved from the tax cuts.

He also said:

New academic evidence had strengthened his opinion that budget deficits led directly to higher interest rates, and that those higher interest rates choke off economic growth.

It is not just Chairman Greenspan. Here are 10 Nobel laureates in economics.

The PRESIDING OFFICER (Mr. GRAHAM of South Carolina). The Senator has used 10 minutes.

Mr. CONRAD. I will conclude by saying the tax cut plan proposed by President Bush is not the answer to these problems of weak economic growth.

I ask unanimous consent for an additional 30 seconds to call up my amendment.

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

Mr. CONRAD. Mr. President, I ask unanimous consent to set aside the pending amendments.

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

AMENDMENT NO. 611

Mr. CONRAD. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from North Dakota [Mr. CONRAD] proposes an amendment numbered 611.

Mr. CONRAD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

(Purpose: To make the child tax credit acceleration applicable to 2002)

Strike page 14, line 8 through page 15, line 11, and insert the following:

"(d) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this section."

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

"Sec. 6429. Advance payment of portion of increased child credit for 2003."

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2002.

(2) SUBSECTIONS (a) AND (c).—

(A) The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

(B) The amendments made by subsection (c) shall take effect on the date of the enactment of this Act.

Strike the first table on page 8 and insert the following:

"In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2001	27.5%	30.5%	35.5%	39.1%
2002	27.0%	30.0%	35.0%	38.6%
2003	25.0%	28.0%	33.0%	38.6%
2004	25.0%	28.0%	33.0%	37.6%
2005	25.0%	28.0%	33.0%	37.6%
2006 and thereafter ..	25.0%	28.0%	33.0%	35.0%".

Mr. CONRAD. The amendment increases the child tax credit from \$600 to

\$1,000 and makes it retroactive to the beginning of 2002 instead of 2003, as called for in the bill. To offset the cost, the amendment would delay the rate reduction for the 1 percent of taxpayers in the top income tax bracket from this year to 2005. I hope my colleagues will give it close consideration.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the pending amendments be temporarily laid aside so I might call up amendment No. 612.

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

AMENDMENT NO. 612

Mr. BAUCUS. Mr. President, I send the amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. MCCAIN, proposes an amendment numbered 612.

Mr. BAUCUS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

(The amendment is printed in today's RECORD under "Text of Amendments.")

Mr. BAUCUS. Mr. President, this is the Military Fairness Act. I am offering it, and it is being cosponsored by Senator MCCAIN.

Very simply, this is the amendment that is Ping-Ponging back and forth between the House and Senate. We did pass, at one point, provisions that allow National Guard, Reservists, and other military personnel to have a level playing field and not be unfairly taxed, particularly while serving in our Armed Forces. One is the death benefits gratuity and another is the travel expenses. There are similar provisions like that.

It is only fair, particularly as we are winding down the war in Iraq—and the hostilities there are not over—about 80 percent of the benefits of this amendment are to our Reservists and National Guard who will always be serving our country. This amendment makes very good sense. It is paid for by slightly reducing the rate reduction at the top rate. It is a very modest change. I think it is only fair and proper.

Again, the major cosponsor of this amendment is the Senator from Arizona, Senator MCCAIN. I urge adoption of the amendment at the appropriate time.

Mr. MCCAIN. Mr. President, I am proud to sponsor with my colleague Senator BAUCUS this important amendment to S. 1054, the Jobs and Growth Tax Act of 2003. This amendment would simply add the Armed Forces Tax Fairness Act of 2003, as previously passed by this body, to the growth bill. This amendment is much needed tax relief for our men and women in uniform whose sacrifice and commitment are the foundation upon which the freedom we all enjoy is built. There are a number of provisions to this amendment

that many of us have worked on for several years.

One of the provisions I would particularly like to highlight today is section 601. The Military Home Owners equity Act has passed this body previously on a 97-to-0 vote. This legislation would allow service members, who are away on extended active duty, to qualify for the same tax relief on the profit generated when they sell their main residence as other Americans. I am pleased to announce that Secretary of State Colin Powell fully supports this legislation and this legislation enjoys overwhelming support by the senior uniformed leadership—the Joint Chiefs of Staff—as well as the Office of Management and Budget Director Mitch Daniels, the 31-member associations of the Military Coalition, the American Foreign Service Association, and the American Bar Association.

The average American participates in our Nation's growth through home ownership. Appreciation in the value of a home allows everyday Americans to participate in our country's prosperity. Fortunately, the Taxpayer Relief Act of 1997 recognized this and provided this break to lessen the amount of tax most Americans will pay on the profit they make when they sell their homes. Unfortunately, the 1997 home sale provision unintentionally discourages home ownership among service members and Foreign Service Officers.

This provision will not create a new tax benefit, it merely modifies current law to include the time service members are away from home on active duty when calculating the number of years the homeowners have lived in their primary residence. In short, this provision is narrowly tailored to remedy a specific dilemma.

The Taxpayer Relief Act of 1997 delivered sweeping tax relief to millions of Americans through a wide variety of important tax changes that affect individuals, families, investors, and businesses. It was also one of the most complex tax laws enacted in recent history, and unfortunately our service men and women were left out of this critical tax relief act.

The 1997 act gives taxpayers who sell their principal residence a much needed tax break. Prior to the 1997 act, taxpayers received a one-time exclusion on the profit they made when they sold their principal residence, but the taxpayers had to be at least 55 years old and live in their residence for 2 of the 5 years preceding the sale. This provision primarily benefitted elderly taxpayers, while not providing any relief to younger taxpayers and their families.

Fortunately, the 1997 act addressed this issue. Under this law, taxpayers who sell their principal residence on or after May 7, 1997, are not taxed on the first \$250,000 of profit from the sale, joint filers are not taxed on the first \$500,000 of profit they make from selling their principal residence. The taxpayer must meet two requirements to

qualify for this tax relief. The taxpayer must (1) own the home for at least 2 of the 5 years preceding the sale, and (2) live in the home as their main home for at least 2 years of the last 5 years.

I applaud the bipartisan cooperation that resulted in this much needed form of tax relief. The home sales provision sounds great, and it is. Unfortunately, the second part of this eligibility test unintentionally and unfairly prohibits many of the women and men who serve this country overseas from qualifying for this beneficial tax relief.

Constant travel across the United States and abroad is inherent in the military and Foreign Service. Nonetheless, some service members and Foreign Service officers choose to purchase a home in a certain locale, even though they will not live there much of the time. Under the new law, if they do not have a spouse who resides in the home during their absence, they will not qualify for the full benefit of the new home sales provision because no one "lives" in the home for the required period of time. The law is prejudiced against families who serve our Nation abroad. They would not qualify for the home sales exclusion because neither spouse "lives" in the house for enough time to qualify for the exclusion.

This amendment simply remedies an inequality in the 1997 law. The bill amends the Internal Revenue Code so that service members and Foreign Service officers will be considered to be using their house as their main residence for any period that they are assigned overseas in the execution of their duties. In short, they will be deemed to be using their house as their main home, even if they are stationed in Bosnia, the Persian Gulf, in the "no man's land," commonly called the DMZ between North and South Korea, or anywhere else they are assigned.

In the wake of September 11 and operations in Iraq and Afghanistan, our Armed Forces are now deployed to an unprecedented number of locations, in very significant numbers. They are away from their primary homes, protecting and furthering the freedoms we Americans hold so dear. We cannot afford to discourage military service by penalizing military personnel with higher taxes merely because they are doing their job. Military service entails sacrifice, such as long periods of time away from friends and family and the constant threat of mobilization into hostile territory. We must not use the Tax Code to heap additional burdens upon our women and men in uniform.

In my view, the way to decrease the likelihood of further inequalities in the Tax Code, intentional or otherwise, is to adopt a fairer, flatter tax system that is far less complicated than our current system. But, in the meantime, we must ensure that the Tax Code is as fair and equitable as possible.

The Taxpayer's Relief Act of 1997 was designed to provide sweeping tax relief to all Americans, including those who

serve this country abroad. Yes, it is true that there are winners and losers in any tax code, but this inequity was unintended. Enacting this narrowly tailored remedy to grant equal tax relief to the members of our Uniformed and Foreign Services restores fairness and consistency to our increasingly complex Tax Code.

I would like to thank Senator BAUCUS and the chairman of the Finance Committee, Senator GRASSLEY, for their superb effort on behalf of our soldiers, sailors, airmen, marines, and Foreign Service officers. As I stated earlier, the provisions in this amendment are issues we have needed to fix for a long time. Let's get it passed this year and finally enacted into law.

Mr. GRAHAM of South Carolina. I rise today to tell you about an urgent issue in my State that could benefit from the same relief this bill provides for Arkansas schools. The relief is known as "advance refunding."

Just like homeowners, municipally owned utilities are able to refinance or "refund" their bonds. But the Tax Code permits them to do this only once. Imagine if you had refinanced your home at 7.5 percent a few years ago. Having taken that one opportunity, now that rates are at 5.15 percent, you would not be permitted to do another refinancing. You would miss out on this opportunity to refinance.

There is a utility in my State that finds itself just in this position and all of the utility's consumers suffer the consequences. Without an additional advance refunding, its customers face significant rate increases as the utility struggles to remain competitive in the restructured marketplace while paying off debt it incurred to bring electricity to many customers in my State. I want my constituents to enjoy stable rates just as I know yours do, Mr. Chairman. I ask if you would work with me in this conference to provide additional advance refunding relief to meet this urgent need in my State.

Mr. GRASSLEY. I agree that an additional advance refunding opportunity would be helpful and practical in your situation and in others. I will work with you in conference to see if there is an opportunity to accommodate you.

Mr. BAUCUS. Mr. President, tomorrow, an amendment will be offered—I am not sure by whom; it may be Senator NICKLES from Oklahoma—which accelerates the dividend exclusion provisions considerably beyond the provisions that are in the Finance Committee bill. Our understanding is it is a 50 percent exclusion in the first year, 2003, and 100 percent up through 2006, and after that the provision will be sunsetted.

I will make a couple of comments because we will not have time to comment on it tomorrow at any length. One is that this is a significant increase from the committee bill, which costs \$80 billion. My understanding is that this amendment will cost in the neighborhood of \$124 billion. How is the

\$40 billion difference going to be paid for?

Clearly, there is going to have to be cutting back on other tax cuts—whether it is the marriage penalty or whatever—to bring that to the attention of Members who may believe it is better to have a child tax credit or a marriage penalty and whatnot.

And I have not seen the amendment, so I am not exactly sure of the provisions, but from all indications, it will eliminate the provisions in the President's dividend exclusion, which will require that before a dividend can be paid, a company would have to pay income taxes in the prior year. If that provision is eliminated, that is going to mean that we are not only ending double taxation of dividends, in many cases we will be ending single taxation of dividends, which, in a sense, will mean dividends will be tax-free. All American wages will be taxed, interest income will be taxed, and other ordinary income is going to be taxed. But if a company did not pay taxes in the prior year, then the company will be basically giving dividends to shareholders, and there will be no tax on them, not at the individual level or the corporate level. That, I think, is a gross miscarriage of justice.

For that additional reason, I hope the Senate does not adopt that provision when we vote on it tomorrow.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

MORNING BUSINESS

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the Senate proceed to a period for morning business.

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

COMPLYING WITH PL 93-148

Mr. STEVENS. Mr. President, I ask unanimous consent that the letter I received today from President George W. Bush be printed in the RECORD. The letter was sent to me, as President pro tempore of the Senate, in compliance with the war powers resolution, Public Law 93-148.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE WHITE HOUSE,
Washington, DC, May 14, 2003.

Hon. TED STEVENS,
President pro tempore of the Senate Washington, DC.

DEAR MR. PRESIDENT In my report to the Congress of November 15, 2002, I provided information regarding the continued deployment of combat-equipped U.S. military personnel as the U.S. contribution to the NATO-led international security force in Kosovo (KFOR) and to other countries in the region in support of that force. I am providing this supplemental report prepared by my Administration, consistent with the War Powers Resolution (Public Law 93-148), to help ensure that the Congress is kept fully informed on continued U.S. contributions in support of peacekeeping efforts in Kosovo.

As noted in previous reports, the U.N. Security Council authorized member states to establish KFOR in U.N. Security Council Resolution 1244 of June 10, 1999. The mission of KFOR is to provide an international security presence in order to deter renewed hostilities; verify and, if necessary, enforce the terms of the Military Technical Agreement between NATO and the Federal Republic of Yugoslavia; enforce the terms of the Undertaking on Demilitarization and Transformation of the former Kosovo Liberation Army; provide day-to-day operational direction to the Kosovo Protection Corps; and maintain a safe and secure environment to facilitate the work of the U.N. Interim Administration Mission in Kosovo (UNMIK).

Currently, the U.S. contribution to KFOR in Kosovo is about 2,250 U.S. military personnel, or approximately 9 percent of KFOR's total strength. Additionally, U.S. military personnel occasionally operate from Macedonia, Albania, and Greece in support of KFOR operations. Nineteen non-NATO contributing countries also participate with NATO forces in providing military personnel and other support personnel to KFOR.

The U.S. forces are assigned to a sector principally centered around Gnjilane in the eastern region of Kosovo. For U.S. KFOR forces, as for KFOR generally, maintaining a safe and secure environment remains the primary military task. The KFOR forces operate under NATO command and control and rules of engagement. The KFOR coordinates with and supports UNMIK at most levels, provides a security presence in towns, villages, and the country-side, and organizes checkpoints and patrols in key areas to provide security, protect minorities, resolve disputes, and help instill in the community a feeling of confidence.

The UNMIK continues to transfer non-reserved competencies under the Constitutional Framework document to the Kosovar Provisional Institutions of Self-government (PISG). The PISG includes the President, Prime Minister, and Kosovo Assembly, and has been in place since March 2002. Municipal elections were successfully held for a second time in October 2002.

NATO continues formally to review KFOR's mission at 6-month intervals. These reviews provide a basis for assessing current force levels, future requirements, force structure, force reductions, and the eventual withdrawal of KFOR. NATO has adopted the Joint Operations Area plan to regionalize and rationalize its force structure in the Balkans. The KFOR has transferred full responsibility for public safety and policing to the UNMIK international and local police forces throughout Kosovo except in the area of Mitrovica, where the responsibility is shared due to security concerns. The UNMIK international police and local police forces have also begun to assume responsibility for guarding patrimonial sites and established border-crossing checkpoints.

The continued deployment of U.S. forces has been undertaken pursuant to my constitutional authority to conduct U.S. foreign relations and as Commander in Chief Executive. I appreciate the continued support of the Congress in these actions.

Sincerely,

GEORGE W. BUSH.

DEVELOPING ALASKA OIL

Mr. STEVENS. Mr. President, my colleague, Senator MURKOWSKI, recently wrote an article entitled "Developing Alaska Oil Is Good for the Global Environment," which was published on May 4, 2003 in the Anchorage Daily News.