

"It has not been the goal of this committee to target any tax provisions other than the AMT," the Harlem Democrat said at the outset of the hearing, which featured 20 witnesses. "However, it is fair to say that since the AMT is such an expensive revenue loser—because the revenue it brings in was never expected—that naturally we have to look at the entire tax code."

Created in 1969 to ensure that the wealthiest Americans assumed at least a minimum tax burden, the AMT, because it is not adjusted for inflation, increasingly is affecting middle-income taxpayers and has drawn criticism from both sides of the political aisle. More than 23 million Americans could be subject to it this year.

"It's the perfect storm of bad tax policy," the director of the Urban Institute's Tax Policy Center, Leonard Burman, told lawmakers yesterday, adding that the AMT is "hideously complex."

Yet the cost of repealing the AMT is estimated at more than \$800 billion over the next decade, leading to the proposed tax hike on private equity. A bill sponsored by Mr. Rangel and Rep. Sander Levin of Michigan would more than double the tax rate that hedge fund and private equity managers would pay on their investment gains, known as "carried interest." Carried interest is currently subject to the capital gains rate of 15 percent, but the proposed change would treat it as income subject to the marginal rate of as much as 35 percent.

Citing annual incomes for managers as high as \$500 million, one Democrat, Rep. Artur Davis of Alabama, made no secret of his view that the party should look for revenue from "individuals who are making massive amounts of money," saying they "frankly won't really miss the difference."

Economists and tax lawyers testifying yesterday debated the likely impact of the tax increase on the financial sector and the economy, as Republicans on the committee pressed them on whether it would drive investment overseas or whether managers would shift the burden to investors by charging higher rates.

A Republican congressman from Virginia, Eric Cantor, said Democrats were on a "hunt" for new revenues and that the private equity proposal "targets one of the most innovative sectors of the economy."

In a prepared opening statement, the ranking Republican on the committee, Rep. James McCrery of Louisiana, warned that the proposal "will move us backward while the rest of the world moves forward to improve their competitive position." He added: "I seriously doubt this proposal will become law during the 110th Congress."

The debate over the taxation of hedge funds and private equity has raged on Capitol Hill amid heightened scrutiny of the \$2 trillion industry and of the vast profits the firms have taken in.

The effort to raise the tax rate on carried interest faces opposition from the private equity industry, and more recently from the U.S. Chamber of Commerce and a coalition of minority and women business groups.

As he did at a Senate committee hearing in July, Bruce Rosenblum, the chairman of the industry's lobbying group, the Private Equity Council, warned that a tax hike on carried interest could discourage investment and hurt American competitiveness.

The proposal has divided New York's two senators. Following her top Democratic rivals in the presidential campaign, Senator Clinton has come out in favor of the tax hike. Senator Schumer, the third-ranking Democrat in the Senate, has signaled his opposition, citing the potential harm to Wall Street and New York's competitiveness worldwide. He also has said targeting part-

nerships only in the financial sector would be unfair, suggesting that a similar increase be considered for partnerships in the oil and gas industries. Mayor Bloomberg, meanwhile, has mostly stayed silent on the issue.

The Senate Finance Committee held its third hearing on the issue of carried interest yesterday, focusing on pensions.

[September 10, 2007]

CONFRONTING HIS MONSTER

(By Grover Norquist)

The House Ways and Means Committee, chaired by Rep. Charles Rangel, held a hearing this month supposedly about simplifying the tax code for middle income families. What it really was about was a monster Mr. Rangel created, fed, defended, and now has turned on its master: the Alternative Minimum Tax. This tax was changed around a bit throughout the 1970s, and found its modern form in 1982. That year, Mr. Rangel voted for an AMT rate of 20 percent, which still only affected several thousand taxpayers.

In 1986, he voted to raise the AMT rate to 21 percent, and several thousand more taxpayers were affected. Mr. Rangel did not vote for an increase in the top rate to 24 percent that followed.

In 1999, Mr. Rangel voted against repealing the AMT beast and slaying it forever. Had that bill become law, the AMT would have been permanently repealed on December 31, 2007—this year. Instead, Mr. Rangel is forced to deal with a monster of his own creation. The monster has gotten hungry. According to official estimates, failure to restrain the AMT will lead to 27 million taxpayers having to pay this tax. A tax that would be dead, gone and buried this year if not for President Clinton and Mr. Rangel.

The irony is almost poetic. The typical AMT taxpayer lives in a state like Mr. Rangel's New York, Nancy Pelosi's California, and Robert Menendez's New Jersey. They have a jumbo mortgage, sky-high state income taxes, a couple of kids, and a six-figure income. For the most part, these are the inner-suburb-urbanite, center-left voters who supported the AMT authors in the first place. It is unlikely that there is a thousand dollar contributor who is not paying the AMT.

Now there is considerable pressure on Mr. Rangel to help these constituents. So, he has been supporting a plan to eliminate the AMT—and raise taxes on everyone else to pay for it.

He has to find a way to "pay" for AMT repeal because of the return of PAYGO rules with the new Democrat majority. You can't cut any taxes, according to these bizarre rubrics, without raising other ones.

If Mr. Rangel can't find enough tax increases to kill the AMT, he can try a "patch" that will keep the AMT-paying households at "only" several million taxpayers. This requires fewer tax increases, all of which will be permanent, in order to pay for only one year of this AMT "patch."

There is a better way. Senator Grassley, the ranking member on the tax-writing Senate Finance Committee, has a good way of describing the AMT: It's a mistake. It is not doing what it was intended to do. Instead, thanks to proper care and feeding by zookeepers, the AMT beast is threatening to ensnare tens of millions of American families.

To paraphrase Mr. Grassley, "you don't 'fix' a mistake, or 'patch' a mistake—you correct the mistake." In this case, that means a clean kill of the AMT. Revenue losses shouldn't be counted, since the AMT mistake is yielding a windfall of income never intended by policymakers.

There is legislation to do just that in both chambers of Congress. This legislation is not sponsored by the likes of Mr. Rangel, who ostensibly wants to help AMT taxpayers, but by conservative Republicans who want to kill the AMT because it's the right thing to do. Phil English of Pennsylvania, and has 54 cosponsors. In the Senate, it's sponsored by none other than Mr. Grassley as S. 55. Quite simply, it would fully and totally repeal the AMT immediately.

Some prefer a more incremental approach, which is also fine. Forty percent of the AMT problem would be eliminated if Congress were to simply repeal the Clinton AMT that Mr. Rangel supported. That is, Congress could simply undo the AMT tax hike that was part of the 1993 Clinton tax increase. Doing that would take the top AMT tax rate from the current 28 percent to a lower 24 percent.

The "AMT Rate Reduction Act of 2007" does just that and reduces the current top rate of 28 percent to 24 percent. It's sponsored by Rep. Ed Royce of California and Eric Cantor of Virginia in the House as H.R. 2253 and has 20 cosponsors. In the Senate, it's sponsored by Senator Specter as S. 734.

In politics, you have to wear bifocals—long and short sight. Repealing the Clinton AMT may be the best we can do this year, so supporters of full AMT repeal should also be supporters of Clinton AMT repeal.

In any event, taxpayers should see through Mr. Rangel's bluster. He's not riding in on a white horse, saving the middle class from the AMT. Rather, he's desperately running through the countryside, trying to get everyone to forget that the Frankenstein monster was one he helped create.

IRAQI REFUGEES

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 5 minutes.

Ms. NORTON. Mr. Speaker, I have a conflict making it impossible for me to remain for the very important hour that the Congressional Black Caucus has taken on Iraq. I am about to go to the Senate floor tomorrow, though, as there is a test on whether there will be a filibuster on the D.C. voting rights bill even as D.C. residents are on the ground in Iraq fighting, even as I have gone to funerals at Arlington Cemetery because of this war.

We have a President who has announced a token drawdown at the same time he is Koreanizing the war, making sure we remain there at least as permanently as we have been in some parts of the world, like Korea and Germany already. He wants to make a piggy bank of the Congress of the United States, and the test is whether we are willing to go along with these now-clear goals of the President.

I want to devote my 5 minutes to asking a question that really needs to be asked. We are looking at the battle. I want to ask, is there really still an Iraq? Three million refugees have left the country since 2003. Another 3 million have been internally displaced. Some have called it ethnic cleansing. I believe it is involuntary ethnic cleansing, because in a civil war you want to win, not chase the other people out. We

didn't want the Southerners to go; we just wanted to win the Civil War.

There is a kind of ethnic cleansing going on in Iraq, and let me show it and urge Members to focus on it. Thousands leave every month, and 95 percent remain in the Middle East. What kind of a cauldron are we making in the Middle East?

Syria has been best in taking them, and they are full up. Iraqis are the leading nationality seeking asylum in industrialized countries. Three hundred Iraqis returned after the fall of Saddam Hussein. So encouraged were they that they came back to their land, many of them from Iran.

By 2006, hundreds of thousands of new refugees were fleeing the country, and last week we heard there is less violence? Sure, those people that are leaving. They are being driven out of their own country as a result of a civil war.

What is most shameful as I looked at the data was to find who was taking the refugees. We know who is responsible for them leaving. We know who invaded their country. Well, the U.K. has taken 22,300, a much smaller country than we. Australia has taken 11,000, and the United States has taken 6,000. And they say if we leave, there will be a major fratricide. So why aren't we taking some of these people? Why are our allies willing to take them, even though they had less to do with the fleeing in the first place.

The number of people displaced internally is shocking. It has risen in 2006 alone by 50 percent. Let me show you how we are failing in our duties. In 1992, 1993 and 1994, we were taking over 4,000 Iraqi refugees and settling them. Now in 2005, we report settling 200. This is a moral failing when you invade somebody else's country and you won't take their refugees and you insist upon staying there and fomenting violence when 80 percent say they want you out of the country.

Let me read from an independent journalist. I don't think you can say Iraq exists any more. There has been very effective systemic ethnic cleansing of Sunnis from Baghdad, of Shias from areas that are now mostly Shia, but the Sunnis especially have been a target, as have mixed families. With a name like "Omar," a person is distinctly Sunni. It is a very Sunni name. You can be executed for having the name "Omar" alone, and Baghdad is now firmly in the hands of sectarian Shiite militias, and they are never going to let it go.

The refugee story alone is reason enough to begin the exodus from Iraq tomorrow. That is what they want. That is what the majority of the American people want. That's what we must see happen before we leave this Congress this year.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. JONES) is recognized for 5 minutes.

(Mr. JONES of North Carolina addressed the House. His remarks will ap-

pear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. POE) is recognized for 5 minutes.

(Mr. POE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

CONSTITUTION RATIFIED 220 YEARS AGO

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arizona (Mr. FRANKS) is recognized for 5 minutes.

Mr. FRANKS of Arizona. Mr. Speaker, today marks the 220th anniversary of the ratification of one of the greatest documents written in the history of man.

In fact, Mr. Speaker, it is safe to say that other than the Bible and our Declaration of Independence, no other document has so impacted the course of human history and freedom throughout the world.

That is because 220 years ago, the Framers of our Constitution did something singular in the long account of tyrannies, governments, and institutions invented whereby man sought to govern his fellow man.

A small courageous set of soldiers, farmers, aristocrats and tradesmen banded together and forever threw off the yoke of the crown of England to "secure the blessings of liberty to themselves and their posterity."

Their resolve was ratified with the Declaration of Independence that was in fact a promise to future generations to never again subject our children to the unchecked tyranny of arbitrary human government.

In those tumultuous days, there was perhaps no better or more justifiable case for establishing a permanent monarchy than under the noble and flint-like leadership of General George Washington. Many urged the general to do just that. But, Mr. Speaker, instead those first Americans took it upon themselves to do something completely revolutionary. Those men, who had seized for themselves potentially unlimited power over a nascent state completely vulnerable to the dictates of tyranny, chose instead to place immovable checks and limitations upon their own power and upon all those in government who would follow them.

The European model of life said that God gave authority to kings and a government of kings who would hold the rights of men in their hands. The American model encapsulated the divine message of human dignity: We hold these truths to be self-evident, that all men are created, that they are all equal, and that they are all endowed by their creator with certain inalienable rights and that government exists to secure those rights.

Mr. Speaker, those first Americans understood that all men were individ-

ually accountable to God and that he first gave each of them the right to live. Without this first right of life firmly secured and clearly understood, they knew that all other rights would become meaningless; but with it, all other rights would follow.

They were right, Mr. Speaker. The Constitution of the United States built upon the Declaration of Independence and its proclamation of a self-evident truth that all men are created equal, and laid upon that foundation the rights of freedom of all kinds, of speech and religion, the right to own property, the right of individuals to bear arms, and the right to choose a government of the people, for the people, and by the people.

Mr. Speaker, the Constitution of the United States is a statement of eternal truths as much as it is a statement of principles that govern a nation. Now more than ever as we take this day to commemorate the framing and establishment of that Constitution that for 220 years has served as the archetype of free democratic nations and governments all over the world, it is absolutely incumbent upon all of us to desperately remember the meaning of those words and to renew our commitment to guard against every erosion of that document and the liberties it embodies. But most importantly, the protection of the right to live.

Daniel Webster's admonition to all of us is so appropriate. He said: "Hold on, my friends, to the Constitution and to the Republic for which it stands. Miracles do not cluster and what has happened once in 6,000 years may never happen again. If the American Constitution should fall, there will be anarchy throughout the world."

Mr. Speaker, Senator Webster's voice no longer sounds in these Chambers, but I pray that we hear his message anew in our hearts, and I hope we can renew our own oath to uphold and defend the Constitution of the United States, that miraculous document that has so valiantly and nobly served the cause of humanity for 220 years.

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OPPOSE PERU AND PANAMANIAN FREE TRADE AGREEMENTS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. HARE) is recognized for 5 minutes.

Mr. HARE. Mr. Speaker, I rise today in opposition to the pending Peru and Panama free trade agreements. Over 3 million American manufacturing jobs, one out of every six jobs, have been lost during the fast-track era. How many more manufacturing jobs will be lost with the passage of these two trade deals? How many more?

My district in particular has suffered the loss of 1,600 jobs when NAFTA forced Maytag to leave Galesburg, Illinois, for Sonora, Mexico. Every aspect of that town was hurt: its spirit, the