



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 104th CONGRESS, FIRST SESSION

Vol. 141

WASHINGTON, TUESDAY, MAY 23, 1995

No. 86

Senate

(Legislative day of Monday, May 15, 1995)

The Senate met at 8:30 a.m., on the expiration of the recess, and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Let us pray:

The earth is the Lord's and all its fullness, the world and those who dwell therein.—Psalm 24:1.

Creator and Sustainer of all, Lord of all life, Sovereign of this Nation, and owner of all that we are and have, we humbly accept Your calling to be stewards of the resources and riches You have so bountifully given our Nation. You have written Your signature in the beauty of our land, blessed us with opportunities, and entrusted us with material prosperity. We ask for only one thing more, Lord: Give us a grateful heart.

In gratitude, we press on in the crucial discussion of the budget today. We will talk in terms of billions and trillions. At times we may be tempted to think that we control the money to be budgeted. Instead, we turn to You for guidance in these fiscal matters so that what is decided will be creative for the people of this Nation, now and for future generations. Lord, help us to listen for truth as intently as we seek to speak our understanding of it. We praise You that we live in a dynamic democracy in which great leaders like these Senators can give this quality and quantity of time to the crucial issues of this budget. God bless them, and through their deliberations and decisions, bless America. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The acting majority leader is recognized.

SCHEDULE

Mr. THOMAS. Mr. President, this morning the time for the two leaders has been reserved and the Senate will immediately resume consideration of Senate Concurrent Resolution 13, the concurrent budget resolution.

Rollcall votes are expected throughout the day on or in relation to amendments to the budget. The Senate will not recess during the afternoon today for policy luncheons, but will continue in session debating the budget.

CONCURRENT RESOLUTION ON THE BUDGET

The PRESIDING OFFICER (Mr. CAMPBELL). The Senate will resume consideration of Senate Concurrent Resolution 13.

The clerk will report the pending business.

The legislative clerk read as follows:

A concurrent resolution (S. Con. Res. 13) setting forth the congressional budget for the U.S. Government for the fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002.

The Senate resumed consideration of the concurrent resolution.

Pending:

Roth Amendment No. 1121, to express the sense of the Senate that the number of Federal full-time equivalent positions should be further reduced.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, thank you. I simply say that as we open this very important day, it will be a very long day on the budget resolution. I would simply say that as usual at this particular time we have an inordinate number of amendments that have been suggested from Members on both sides of the aisle.

I simply say that we very likely—if we are going to finish this up tomorrow some time, which we must, given the

time constraints that we are under—we are going to have to have some give and take today. We will have to begin the process very early today of trying to come to some specific time agreements. With the large number of amendments that we have to offer, we obviously are heading for one of those traditional situations that we do on the budget resolution where a great number of amendments to the bill are going to be offered and we are not going to have time to debate those.

Under the rules, all amendments that are offered can be voted on if a rollcall vote is ordered, which indicates to me very clearly that tomorrow afternoon sometime we are going to have a great number—and I mean a great number, maybe 2 to 3 hours—of successive votes on many amendments that will not have been thoroughly discussed or debated at all in the U.S. Senate.

Therefore, I would hope that we could all conserve time as best we can. Last night, the Senate completed debate on an amendment offered by the Senator from Delaware, on that side of the aisle. Under the usual procedures, the next amendment would be offered from someone on this side of the aisle.

I see Senator BRADLEY is here to offer an appropriate amendment that had been scheduled for some time. Depending on what the acting majority leader would like to do, we are prepared to offer the amendment that had been scheduled to be offered by the Senator from New Jersey, unless there is intervening business.

Mr. THOMAS. Mr. President, I believe the plan is to move forward with the amendment by Senator BRADLEY.

Mr. EXON. Mr. President, I am, therefore, pleased to recognize the Senator from New Jersey.

Would he please indicate to me about how much time he thinks would be necessary?

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



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Mr. BRADLEY. I say to the distinguished Senator from Nebraska I expect that we would need several hours on this amendment. I know there are many people who want to speak, and I will just have to see how many people come to the floor.

Under the rules, we are allowed 2 hours equally divided, an hour on each side. We could start with that and see if there are others who want more time.

Mr. EXON. I thank my friend from New Jersey, and I yield the floor.

The PRESIDING OFFICER. The Senator from New Jersey [Mr. BRADLEY] is recognized.

AMENDMENT NO. 1122

(Purpose: To lessen tax increases on working families by using amounts set aside for a tax cut)

Mr. BRADLEY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Is there objection to laying aside the pending amendment?

Without objection, it is so ordered.

The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. BRADLEY], for himself, Mr. BREAUX, and Mrs. MURRAY, proposes an amendment numbered 1122.

Mr. BRADLEY. Mr. President, I ask unanimous consent that further reading be dispensed with.

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

The amendment is as follows:

On page 74, strike lines 12 through 24 and insert the following: "budget, the appropriate budgetary allocations, aggregates, and levels shall be revised to reflect \$16,900,000,000 in budget authority and outlays of the additional deficit reduction achieved as calculated under subsection (c) for legislation that restores the full current law earned income tax credit under section 32 of the Internal Revenue Code of 1986.

"(b) REVISED ALLOCATIONS AND AGGREGATES.—Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if a conference report is submitted), the Chair of the Committee on the Budget of the Senate may submit to the Senate appropriately revised allocations under sections 302(a) and 602(a) of the Congressional Budget Act of 1974, budgetary aggregates, and levels under this resolution, revised by an amount that does not exceed the additional deficit reduction specified under subsection (d)."

Mr. BRADLEY. Mr. President, the amendment that I have sent to the desk makes one simple point: Although we need to balance the Federal budget, we should not do it on the backs of America's working and middle-class families.

The budget resolution before the Senate attempts to claim that it will balance the budget without raising taxes. However, buried deep in this budget proposal is a \$20 billion tax increase—a \$20 billion tax increase—on America's working families.

The amendment that I have introduced on behalf of myself, Senator BREAUX, Senator MURRAY, and others,

would correct the numerous problems posed by the current earned income tax proposal in the budget resolution.

The amendment would repeal the worst aspect of the \$20 billion tax increase on working families. Specifically, the amendment would repeal the \$12.8 billion tax increase on working families with children and the \$4.1 billion tax increase on working Americans without children.

At the same time, however, the amendment would ensure that we continue to improve the program's administration to fight against any potential fraud or abuse and to ensure that the benefits of this program go to those for whom it was intended.

Mr. President, since its creation in 1975, the earned income tax credit has been one of the most important sources of support for working and lower-middle-class families. In 1996, the earned income tax credit will provide a tax cut for over 21 million workers and their families.

In my own State of New Jersey, the earned income tax credit provided 372,000 taxpayers with families with an average of over \$1,000 in tax relief in 1993, a \$1,000 tax cut for over 300,000 New Jersey families.

The EITC helps families move off the welfare roles and into the work force. The incentive only goes to working families. No one on welfare gets this. These are working families. If you do not work, you do not qualify for the tax cut. It is as simple as that.

Social Security taxes and various means-tested programs create disincentives for welfare recipients to work. Without the EITC's offsetting tax reduction, the working poor lose benefits and pay higher taxes for each extra dollar that they earn.

The historic 1993 deficit reduction package expanded the earned income tax credit. Just as a point of reference, in my State about 40,000 people ended up paying higher income taxes because of that deficit reduction package and nearly 400,000 ended up paying less taxes because of the earned income tax credit. So, as a result of that deficit reduction package, nearly 10 times more people in my State got a tax cut than got an income tax increase.

When fully phased in, the credit will be available for families with two or more children, earning up to approximately \$28,500. Two children and family, up to \$28,500, that is roughly half the median income for a family of four. So what we are saying here is roughly a fourth of all families with two kids will qualify for the earned income tax credit. These are working families.

Because the minimum wage has not kept pace with inflation, without these changes in the EITC many working families have fallen deeper into poverty as a result of higher taxes and lost benefits. The EITC works in a very important way for working families. For every added dollar a lower income working family earns, payroll taxes take 15.3 cents and certain other bene-

fits drop. For example, food stamps drop 24 cents for every additional dollar. The EITC was intended to offset some of these disincentives by providing a tax reduction of 40 cents for every dollar earned by a working family with two children. In other words, that means the EITC can make a big difference in people's lives.

Most eligible families earning between \$5,500 and \$15,500 will qualify for at least \$1,000 in credits. That is another \$1,000 in someone's pocket that can go to pay for food, for utility bills, for tuition to parochial school, for health insurance, or for mortgage payments.

Not only does the EITC help families work their way out of poverty, the EITC is good for business. It puts more purchasing power in low-income consumers' pockets and lets them keep more of what they earn. It also increases the effective wage rate paid by employers, providing the neediest Americans with an even greater incentive to go to work. By helping these families we also ease the burden on public services provided by State and local government.

Even President Ronald Reagan recognized the value of the earned income tax credit. At the signing of the 1986 Tax Reform Act he stated that the bill's expanded EITC provisions were a very important thing. Ronald Reagan called the EITC provisions "the best anti-poverty, the best pro-family, the best job creation measure to come out of Congress."

In addition to President Reagan, the EITC has received widespread bipartisan support, including that of Presidents Ford, Carter, Bush, and Clinton. However, the current budget proposals would repeal many of the gains realized under this bipartisan group of leaders during almost two decades.

So, what is the impact of this tax increase on working families? In the face of declining real wages and Republican proposals to cut important aid programs, more and more American families are going to face increasingly tough times. These are working families who need every penny of the wages they earn just to make ends meet. We simply should not tax these families into poverty by cutting the earned income tax credit.

The goal of the 1993 expansion of the EITC was to ensure that individuals who work full time do not have to raise their children in poverty. Achieving this goal is just as important today as it was 2 years ago. By the year 2000, roughly 17.8 million taxpayers, 80 percent of the total recipients, would feel a tax increase as a result of the proposals that are embodied in this budget. On average, taxes would be raised for affected working families by over \$600 each.

In New Jersey, working families will face a \$452 million tax increase. Over the next 7 years that amounts to about \$1,500 for the 297,000 recipients of the

earned income tax credit who are working families.

The tax increase on working families with children amounts to \$329 million. On an average, that would raise taxes by \$1,733 over 7 years on 190,000 New Jersey families with children. So this is a significant tax increase in the middle of a budget proposal that purports to have no tax increase.

Who are the people who receive the earned income tax credit? Let me just give you a snapshot of a couple of people.

Michael Thompson from Newark, NJ, is 32 years old, married, with two daughters. He earns \$7.75 per hour working in a warehouse for the Community Food Bank in New Jersey. His wife worked over 5 years for a large health insurance company but was laid off in 1994 and has been unable to find new work. Last year the Thompsons received an earned income credit that they used to pay the rent and to make up back payments on their utility bills.

How about Deborah Hammerstrung from Barnegat, NJ, a clerical supervisor for the Visiting Home Care Service in Ocean County. When Mrs. Hammerstrung and her ex-husband separated 2 years ago, she could not afford to move into an apartment on her own. Instead, she was forced to move back with her mother. By providing her with a small credit against the taxes she has paid, the EITC is helping Ms. Hammerstrung pay the utility hookups for her own apartment.

And last year, Ms. Linda Bailey, of Elizabeth, NJ, received a small earned income tax credit. Ms. Bailey worked as a registration clerk at St. Elizabeth's Hospital and is the mother of two children aged 6 and 14. She used the \$1,000 credit she received to help pay her gas and electric bills.

These are only a few examples. I could give you countless other examples in my own State of New Jersey where the earned income tax credit has allowed struggling families to send a child to parochial school, to begin to make a payment on college tuition, to fully pay the utility bills, and on and on. These are struggling working Americans. The earned income tax credit has put a little money in their pockets so they can get by. This is not the time to increase taxes on these working Americans.

Like most other working Americans, the recipients I have described live from paycheck to paycheck. As a credit against taxes they paid, the EITC provides these families with a little breathing room.

They are not using the EITC to pay for fancy meals out or hire high-paid lobbyists. No, they are not using it for that. Instead they use the EITC to help buy clothes for their kids, to pay utility bills, and to put meals on the table.

The higher taxes this budget will impose on them will make it increasingly more difficult for New Jersey families to meet these basic needs and work their way out of poverty. Of course,

working families in New Jersey are not the only ones who will suffer as a result of the Republicans' proposed tax hike.

Almost 30 percent of all taxpayers in Mississippi will lose under this budget. There taxes will go up. Twenty percent of the families in Texas will face a larger tax burden as a result of these proposals. And in Oklahoma, almost 215,000 working families will find it harder to make ends meet after the proposed tax increase by the changes in the earned income tax credit.

Recently, I have heard statements that these cuts in the EITC are not really a tax increase because recipients do not have an income tax liability. Critics of the EITC would have us believe that just because someone receives a tax refund that person could not be paying more tax.

Mr. President, if the Federal Government owes you a \$1,000 tax refund and we change the Tax Code so you end up getting only a \$500 refund, then we have raised your taxes, notwithstanding the fact that you still get something back.

In addition, there are claims that this budget is not increasing taxes because some of the EITC recipients do not owe any income tax. That claim ignores all the other taxes that working families have to pay. When working families receive their paychecks, the stub does not just show how much they pay in income tax withholding. It also shows what was subtracted for Social Security taxes, for Medicare taxes, for State taxes, and others. The EITC is intended to help offset these taxes, as well as Federal income tax.

Let me demonstrate this point by an example. Imagine a young married couple with two children. If this family earned \$16,500 per year, they will be just above the poverty level. Although they would not owe any individual income tax, they would incur \$2,525 in Social Security taxes. That is what they would have to pay. Under current law, they would qualify for an EITC that offsets practically all of that Social Security tax, \$2,532, just enough to offset the Social Security tax liability. But under the proposal that is in this budget the EITC would fall, and their taxes would go up by over \$300, a tax increase.

Mr. President, it is important to recognize that the proposal in this budget is a straight tax increase on working families. None of the proposals do anything, beyond what the administration has already suggested, to reduce errors in the program.

The amendment that I offer would implement the compliance provisions, such things as matching Social Security numbers, et cetera—there are many different elements of the compliance provision—and thereby build on our past efforts to eliminate tax fraud and ensure that the EITC goes on only to those most in need.

Further, the Republican attack on the EITC stems from reports of fraud

in the program. In a small January 1994 study the IRS found 13 percent of all EITC refunds could be in error. It is important to note that many of these errors result in ordinary mistakes that taxpayers make on all kinds of tax returns. We have already taken a number of significant steps to eliminate fraud and to focus the benefits of the 1993 tax cut on those most in need. We have also made some additional changes in the last year or so to narrow eligibility for the EITC.

In the Uruguay round legislation, for example, we prohibited the EITC from going to undocumented aliens. We deny the tax break. Also, we allow the IRS to use simpler procedures with certain types of questionable returns. We deny it to individuals who have \$2,350 in investment income. So the eligibility has been narrowed.

Then there are people who argue about the planned growth of the EITC. They are claiming that the EITC is expanding. To bolster these claims, some critics have carted out graphs and charts—and we will probably see some here today—that show the growth of the EITC since the early 1990's. Of course, these graphs present only a snapshot of the EITC and ignore the fact that the increases in the EITC are a result of a conscious effort by Congress and Presidents Reagan, Bush, and Clinton to expand the program and to provide a modicum of tax relief to America's working families.

Mr. President, if I could, as this chart demonstrates, once these changes are fully phased in, once you make eligibility, up to \$28,500 for a family of four, the EITC will grow only at the pace of inflation and population growth, a straight line.

So people on the other side who say this program is out of control because we tried to help lower middle-class families—and when you help lower middle-class families, you provide a bigger tax cut to more people; it is going to increase—they want to raise taxes on these very same people. But once the eligibility is fully phased in, it is a national revenue loss. In fact, beginning in 1996, if you simply took the EITC relative to the rest of the economy, it is on the way down.

So, Mr. President, at the same time that we have listened to the other side's attempts to explain why we need to raise taxes on working families in order to balance the Federal budget, we have not heard a single word about the truly uncontrolled growth in so many other areas of the budget.

Take, for example, one of the provisions in the Tax Code called section 29. Section 29 refers to a little known provision in the code that gives a handful of oil and gas producers billions of dollars' worth of subsidies at the cost of other taxpayers. Between 1989 and 1994, section 29 tax subsidies grew by over 1,000 percent. This uncontrolled growth—uncontrolled 1,000-percent growth in 6 years—dwarfs the planned,

controlled, and short-term growth of the EITC.

So why does the Republican budget raise taxes on millions of American families without touching a single penny in special interest loopholes like section 29, that went up 1,000 percent in 6 years? The answer I think is fairly simple. The supporters of section 29 and a lot of the other special interest corporate loopholes—loopholes that are used by the wealthy—like these subsidies and they spend millions of dollars each year to hire lobbyists to insert their special provisions in the Tax Code.

Mr. President, working families are too busy with their kids, trying to make ends meet, holding down two or three jobs, to have either the money or the time to come down to Washington and lobby for their provision in the Tax Code. As a result, taxes are raised on working families while special-interest loopholes proliferate.

In 1996, spending through the Tax Code will total \$380 billion. It is the second fastest increase of the deficit, beyond entitlements, \$480 billion, more than double the size of the projected deficit. Between now and 2002, tax expenditures will total more than \$4 trillion.

I support, like many Members of the Senate, some of these provisions: Home mortgage interest deductions, property tax deductions, charitable deductions. These are valuable tools. However, for every one of these provisions, there are numerous other loopholes, such as section 29, that simply benefit one industry or a few taxpayers over the large mass of taxpayers.

Mr. President, reducing the budget deficit will require shared sacrifice. However, raising taxes on millions of working Americans while consciously ignoring the billions of dollars that we give away each year through special interest tax loopholes is not my definition of shared sacrifice.

So this amendment is really just about setting priorities, determining how we should share the burden of balancing the budget. There is no serious disagreement between Democrats and Republicans on the need to balance the budget. In fact, this amendment would reduce the deficit by the exact same amount as the original budget proposal. The real question that this amendment raises is how we should balance the budget. 3 Either we can balance the budget by raising taxes on working families, as contemplated in the Republican budget proposal, or we can forgo a small proportion of proposed tax cuts for corporations and the wealthy, as this proposal would do. I believe the choice is clear: Tax cuts for lower-middle-class working Americans and no tax giveaways to corporate and wealthy Americans. That is what this amendment is all about.

The PRESIDING OFFICER. Who yields time? Does the Senator yield back the floor?

Mr. THOMAS addressed the Chair.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. THOMAS. Mr. President, I yield myself 5 minutes.

Mr. President, as we go forward with this debate, each day starts in about the same way: We should balance the budget but we should not do it on the backs of—fill in the blank. Every day it is a different one. Do not balance it on the backs—fill in the blank.

For example, let me talk just a minute about the earned income tax credit. Under the Republican proposal, the budget proposal that we are talking about, the EITC is not cut. It is slowing in the rate of growth. The EITC proposal contained in the budget plan simply reins in the explosion in Federal Government spending in this program. Under the Senate budget plan, the cost of EITC will increase from \$28 billion in 1996 to \$32 billion in the year 2002. Under the current law, EITC costs would go to \$36 billion in 2002, not exactly the flat leveling off the Senator had mentioned a moment ago.

In general, the EITC is one of the fastest growing programs in the Federal Government. The 1994 cost was \$21.8 billion, eclipsing the Federal cost of Aid to Families with Dependent Children, AFDC, and the program is fully indexed to inflation.

Unfortunately, errors and fraud are rampant. In 1988, the IRS found that 42 percent of the EITC recipients received too large a credit and 32 percent were not able to show they were entitled to any credit at all. Something does need to be done about it. Given the generosity of the program, it is not surprising the number of recipients has grown from 6 million in 1975 to 18 million today, and that growth continues.

Another way to increase the number of people eligible for the EITC is to raise the qualifying amount. For families with one child, the qualifying amount will rise from in 1995 \$24,396 to \$30,000; families with two children will rise from \$26,000 to \$33,000 to qualify in this particular program.

So, Mr. President, certainly it is hard to call this a cut when it goes up at this rate.

The baseline, if we leave it, will increase 48 percent between now and the year 2000, from \$20 billion to \$30.8 billion. Instead, under the chairman's mark, it grows at 31 percent from \$20.8 billion to \$27.2 billion.

Also, it is interesting to point out that the chairman's mark accepts the proposal of President Clinton's to deny EITC to undocumented workers and targets EITC to working poor with children.

Mr. President, we will go forward again today with our budget proposal, and we will cite, as we have in the past, the difference of philosophy in terms of approaching this business of cutting spending. And that is legitimate, to have a different view. It is appropriate to have a different view. The Republicans want to transform Government

to make it more efficient, more responsible, less expensive. On the other hand, the other side of the aisle supports the status quo: No plan to balance the budget, no options to save Medicare, no welfare reform proposal.

So, Mr. President, we will see a difference of opinion, and that is good. That gives us a choice, whether we want more Government and more spending or whether we want less Government and less spending.

We should take a look, I suppose, at the track record as to how we got here, raising taxes and expanding Federal Government. In 1993, of course, we had the largest tax increase in history, \$259 billion. President Clinton talks about only raising taxes on the rich.

Let me tell you that gas taxes increased in my State of Wyoming, where we have more miles to drive than any other State other than Alaska, it was not a tax increase on the rich, it was a tax increase on those least able to pay for it. The increase in Social Security taxes was another change that hurt more than just the rich.

The PRESIDING OFFICER. The Senator's 5 minutes he yielded himself have expired.

Mr. THOMAS. Mr. President, if my time has expired, I will yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. I yield 7 minutes to the distinguished Senator from Washington.

The PRESIDING OFFICER. The Senator from Washington is yielded 7 minutes.

Mrs. MURRAY. I thank the Chair. And I thank my colleagues, the Senator from New Jersey [Mr. BRADLEY], and the Senator from Louisiana [Mr. BREAU], and many other Senators who are submitting this amendment to help correct one of the troubling aspects of the budget resolution before us, the tax increases on working American families.

By cutting the earned income tax credit, by taking away a tax break for working families, this resolution will raise taxes an average of \$270 for low-income families next year. That is wrong.

Mr. President, frankly, I am amazed by this Republican proposal. The EITC has always received bipartisan support because it is a commonsense tax credit. It rewards work. It provides a real incentive, and it gives people the means to move from the welfare rolls to the work force.

In 1986, Ronald Reagan praised the earned income tax credit. As you know, I was not here in 1986. I was at home serving on my local school board in the State of Washington, but I remember watching the debate surrounding the Tax Reform Act of 1986. We might forget sometimes under all these television lights that the actions we take and the words we say matter a great

deal to average Americans across this country. I cannot forget that because I remember when Congress approved the tax reform package that included an expansion of the EITC, and I remember President Reagan signing that bill into law, saying the EITC is the best anti-poverty, the best pro-family, the best job-creation measure to come out of Congress. These were important words then, and they are important words today.

Mr. President, many hard-working American families are just trying to make ends meet, send their kids to school and provide some hope for the future.

Average Americans are worried about their jobs. They are anxious about the cost of education. And, there is genuine concern out there about the costs of health care. So, how does this budget respond to these legitimate and real concerns? It creates more fear and more insecurity. It takes away hope. And taking away this tax credit adds insult to injury.

Mr. President, the EITC keeps people off welfare. It offsets other forms of Federal assistance. It gives American parents the security they need to enter the work force. It is astounding that the other side has chosen this time to cut the EITC. Cuts to Medicaid; cuts to education; taxes on working Americans who can least afford them.

In my home State of Washington, more than 224,000 families earned the tax credit in 1993. This budget resolution will raise taxes on those families in my State by \$1,468 over the next 7 years.

Maybe this increase is not a big deal to some of our colleagues here in the Senate, Mr. President. But, believe me, these are real increases to average Americans. I know what it is like to drive to work every day, worrying about doctors' bills and school clothes. I know how it feels to be squeezed between caring for elderly parents and young kids. Maybe that is why I understand how nasty this cut is.

Mr. President, recently, there has been a lot of talk about tax cuts on Capitol Hill. The House of Representatives has already passed a tax plan that cuts taxes on capital gains and expands IRA deductions, and I expect we will hear a debate on a tax cut this week in the Senate.

A tax cut is a great idea as long as we pay for it in a sensible way, but a tax cut is a terrible idea if we pay for it by raising taxes on low-income Americans, or by raising the Medicare payments of our Nation's elderly.

Mr. President, we cannot balance the budget on our working poor, our elderly or our children. And, we cannot justify cutting taxes for the wealthy while increasing taxes on our poor.

Mr. President, I have said it many times in the past 2 weeks and I will say it again now, this budget has no conscience. This budget hurts the little guy—those who need help, those who are struggling to make a living and

provide for their children, and, it rewards the rich. This budget gives Goliath an advantage.

Let us put things back in perspective. Let us help those who really need our help. Let us not go back to the days of the Industrial Revolution; Back to survival of the fittest. Mr. President, I urge my colleagues to support this amendment. It tells working families that we are fighting in their corner. It says we are against increasing their taxes and we for ensuring their financial security. I urge all our colleagues to support this amendment.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BRADLEY. Mr. President, does the other side wish to make their case? We are anxious to hear their defense of this tax increase. Would the other side at any point like to argue the tax increase?

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. Does the Senator yield time?

Mr. THOMAS. Yes, I yield 5 minutes to the Senator.

Mr. NICKLES. Just in response to the Senator, I will make a few comments in just a couple of moments.

The PRESIDING OFFICER. Who yields time?

Mr. BRADLEY. Mr. President, I yield 8 minutes to the distinguished Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio [Mr. GLENN] is recognized for 8 minutes.

Mr. GLENN. Mr. President, I rise in support of the amendment by my colleague from New Jersey. I think it is an extremely important amendment.

You know, if we were to assign music to some of our proposals here on the Senate floor, I think a good theme song for this particular amendment would be "Bridge Over Troubled Waters," because what this amendment does is to say that those who are in trouble economically, those lowest on our economic scale get a helping hand. It is a bridge over troubled waters for those people on welfare into productive jobs in a productive society.

And for people who are paying taxes, too. That is who it is for. It is not just for people who are on welfare. They do not get this. It is for the people who are trying to get up the ladder. They are the poorest of the poor who may once in awhile even get more than they are paying in taxes because it encourages them to work, to job train, to try to get up that economic ladder instead of just sitting on welfare with little incentive to get off.

In early April, the Governmental Affairs Committee held 2 days of hearings on EITC. During those hearings, I heard all of the arguments for and against the EITC. I left those hearings more convinced than ever that this tax credit is one of the most important parts of our Tax Code.

It has suffered from abuse and mistakes and we have to crack down on

fraud and be tough on the error rates. I am happy to report that IRS has taken on this issue, and they are making progress with this. They have made improvements, and are continuing to crack down on those who abuse the system. Unfortunately, the cuts we are talking about in the budget resolution have nothing to do with improving this important tax credit.

Instead, the cuts seem to be all about trashing the credit. Instead of addressing fraud, we are going to decimate the EITC and effectively raise taxes on the working poor.

I cannot imagine that any Government that says, yes, we are family oriented; yes, we want to help the least advantaged in our society, is about to raise taxes on the working poor.

Let us not throw out the baby with the bath water. It is like cutting your arm to get rid of a wart on your finger. The earned income tax credit is too important for that.

The EITC has enjoyed bipartisan support since Russell Long helped create it in 1975. Republicans and Democrats alike have viewed the EITC as a non-bureaucratic way to make work/pay better than welfare.

President Reagan called the EITC "The best anti-poverty, the best pro-family, the best job creation measure to come out of the Congress."

That is not someone on this Democratic side of the aisle or this administration, that is President Ronald Reagan.

Senator PACKWOOD said in 1991 that the EITC is "a key means of helping low-income workers with dependent children get off and stay off welfare."

Senator DOMENICI said in 1990, "The EITC is a great way to help low-income families with the cost of raising their children. It sends assistance to those in need, to those who work hard and yet struggle to make a living and provide for their children."

And I agree with Senator DOMENICI in that statement.

Others who have expressed especially strong support have included Senators DOLE, HATCH, and GRASSLEY; Representatives ARMEY and PETRI; and former Representative Kemp.

The less fortunate of our society too often find themselves fighting just to feed their families, pay their bills, and stay off public assistance. They are not crooks. They are not tax cheats. They are working hard to earn their tax credit. It is not some sort of a handout. They do not get it if there is no earned income. And it is one of the best tools we have to bridge the gap—bridge the gap, a bridge over troubled waters—between welfare and work. We all talk about making work. We all talk about making work affordable. Well, the EITC is doing just that. In my home State of Ohio, more than half a million working families are getting a little extra back from their paycheck to help make ends meet. I would like to share some of their stories. I think they will shed some light on just what the EITC is all about.

Brenda Manders is a divorced mother of a 3 year old who lives in Columbus, OH. She has earned the credit for 3 years. Brenda, who works for Legal Services and has been training to become a legal secretary, this year received a total refund of \$2,740. This was very fortunate, because after a separation from her husband, Brenda and her child were left with no place to live. Faced with homelessness, she was able to use her tax credit to pay for a security deposit and rent on an apartment for her and her child. Without it, Brenda and her child may well have wound up on the street.

And Zorida Hart of Cleveland, OH, is a single parent who works as a switchboard operator at the Council for Economic Opportunities. She received a credit of \$1,978 which she is using to pay for day care. And she's put \$900 of that credit in the bank to save it for a rainy day. I wish the U.S. Congress were as pennywise as Zorida. Over the past few days, I have heard from a lot of Ohio parents who rely on the EITC to help them with child care so that they can have a job. This is a tax credit that is working for Americans. More importantly, it is keeping Americans working.

We have heard several complaints about the EITC. I would like to address these one at a time, because I suspect we might hear them again and again. I hope we can put them to rest. First, the problems of fraud and error. This is a critical issue.

I think if we learned any lesson from the hearings that the Governmental Affairs Committee held in April, it is that we had better keep pushing to prepare the IRS for the 21st century through projects like compliance initiative.

Senator SIMON and I will be offering an amendment on this shortly to ensure that this important antifraud program continues. As one of the witnesses at the April hearings said, the IRS is seeking to crack down on fraud but is hampered by antiquated systems. We need to change that to uphold public confidence not only in the EITC, but in our Tax Code generally.

We have heard dramatic statistics about the EITC error rates. We are told that according to a 1994 IRS study they are as high as 35 to 45 percent. Well, those figures are very deceiving. They deal with those filers whose tax returns were off by just a few dollars and filers who incorrectly claimed too small an amount. Mr. President, I think that bears repeating. These large percentages include those who actually claimed too little.

The more important statistic involves not such small discrepancies, but rather whether the EITC was claimed in error. The IRS study found that about 25 percent of the EITC benefits claimed were claimed in error. While there was fraud, most erroneous claims were found to be unintentional. But this 25-percent figure still overstates the problem. It deals with what

was claimed, not what was actually paid out, and that is the bottom-line question. The IRS detected many of those erroneous claims, corrected them, and avoided making any overpayments. Unfortunately, the 1994 IRS study did not determine the actual EITC overpayment rate.

The error rate figure is deceptively high for another reason. The 1,000 returns examined in the study were not representative of the EITC returns filed in 1994. They were only the returns filed electronically during the first 2 weeks of the filing season. Error rate is likely to be higher among early electronic returns than among EITC returns overall.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BRADLEY. I yield 2 minutes to the Senator.

Mr. GLENN. Mr. President, what is most important is that the IRS, in response to the 1994 study, has initiated tough measures to scrutinize EITC returns. Before sending a payment, the IRS now verifies not only the Social Security numbers of all adult claimants, but also the numbers of all children in the EITC families to make sure that the claims are valid and that no child is claimed twice. Also, the GATT legislation enacted last fall included a provision requiring for the first time that Social security numbers be provided for all infants. Several million returns have been delayed this year because of discrepancies with Social Security numbers.

In addition, the IRS now pulls all EITC returns falling into error-prone categories, sends the families a questionnaire and requires the families to provide additional documentation.

So Mr. President, all the figures that we have heard, and are about to hear, are outdated. And given the new IRS compliance measures, they are not entirely relevant to the current debate. The IRS has recognized the problem, and its seeking to correct it.

Do not get me wrong. I am not saying that fraud and error rates are OK. I am the last one who would imply such a thing. But I believe that, instead of seeking to reduce working people's tax credit, we should instead work with the IRS to reduce error rates. The IRS is making a lot of headway here. And we should all work to make sure it continues. That is progress. Increasing the tax burden on our lowest income working families is not something that we want to sponsor.

Next, we have heard that the EITC is simply out of control. Well, I am here to tell you—it is not. The increases that we have seen in this tax credit have been mandated very specifically by Congress. We have scheduled increases by law and phased them in several years at a time.

The first major increase in this tax credit took place under President Reagan in 1986. The second was initiated under President Bush in 1990.

And in 1993 under President Clinton, the Congress approved this budget rec-

onciliation act which very specifically sets forth the years that program increases will take place. These expansions took place to make work pay. They were done in recognition of the fact that other policies to assist the working poor—like the minimum wage—have become much weaker. And they were done so that a parent who works full time throughout the year would not have to raise his or her family in poverty. In fact, the 1993 increase was designed to do just that—it was designed so that a family of four in which the parent works at the minimum wage would be lifted to the poverty line.

But even with these planned expansions, the disposable income of a working mother with two children will be up to \$3,000 lower, after adjusting for inflation, than in 1972 before the EITC was even created.

Mr. President, after the three expansions specifically enacted under Presidents Reagan, Bush, and Clinton, the tax credit will return to its normally low rate of growth. In fact, after 1997 it will grow at a rate less than the GDP. I am sure there are not many provisions you could say that about in the tax package that the House put together.

We have also heard allegations that 80 percent of the EITC goes to those with no income tax liability at all. Well, the truth of the matter is that the EITC was intended to offset not only income taxes, but also payroll taxes and excise taxes. More than 80 percent of the EITC goes directly to offset all of these taxes which are being paid by workers who are fighting to get out, and stay out, of poverty.

Some also say this program discourages work. The argument is that—because the credit phases out as family income increases spouses will be discouraged from getting jobs. It's an interesting theoretical argument. But what I find more persuasive is the way the tax credit has enabled people to work by helping them pay for things like child care, transportation or work clothes. I have heard from a lot of people who have used the credit for these things. But I have not heard from anyone who turned down job opportunities because it would affect their tax credit. Let me give another example from Ohio. Carol and Roy Wilmonts of Columbus, OH received the EITC for the past 2 years. They used it to help pay bills. And Carol has had the flexibility to care for their kids—Amber, Ashley, Autumn, and Nicholas. You see, that's part of the equation people ignore. Some use the EITC to pay for child care. Others use it to provide the financial flexibility for one spouse to stay at home and care for the kids. It is not a work disincentive for Carol. Roy received a promotion and is now manager at a Muffler King. He and Carol no longer receive a tax credit. But they are glad that they got one when they really needed it most.

We have also heard that you get the credit even if you work just a tiny little bit. Well—what do you know—then you get just a tiny little credit.

And we heard that those with little earned income but a lot of interest income can take advantage of the system. Well, at the request of the Clinton administration we are putting an end to that through language in the self employed health care deduction bill that has now become law.

Then we heard about the so-called marriage penalty. But no one bothered to mention that the EITC can also encourage marriages. Without the EITC, there is a great deal of financial risk for a mother on AFDC who does not work and is considering marrying someone with low earnings. If she marries, she and her children will become ineligible for AFDC and also lose some of their food stamps, not to mention the loss of Medicaid.

The EITC helps to offset those losses. By tying the knot, the couple will gain an EITC benefit of up to \$2,157 if they have one child and up to \$3,564 if they have two or more children. This will partially, and in some States fully, make up for the loss of AFDC benefits. Encouraging single mothers who are on welfare to marry into working families is certainly worthwhile in my book.

Some people may view the amount of credit that we are talking about as of little consequence. But let me offer an illustration provided by Dan Grunberg in testimony before the Governmental Affairs Committee. For someone who has a weekly take home pay of less than \$200, the average EITC payment of \$1,500 is almost 8 weeks pay. That makes a big difference.

Mr. President, it is hard to escape the harsh irony that we are discussing tax increases on those fighting to escape poverty, while at the same time the House is proposing a massive package of tax cuts that will benefit the wealthiest Americans and largest corporations. Since I came to the Senate, I have worked for fairness and progressivity in the Tax Code. The majority's EITC proposal, especially in the face of the House tax cut package, is neither fair nor progressive. It is Robin Hood in reverse.

So, Mr. President, count me as a supporter of the EITC. We can sit around here all day with fancy charts, graphics, and statistics. But nothing will substitute for the personal experiences of real people like Roy and Carol Wilmonts. They are working hard to get by. They needed that little extra help that EITC offers. And they worked hard for it.

Mr. President, I encourage my colleagues to support the Bradley amendment and oppose tax increases on the working poor.

The PRESIDING OFFICER. The Senator's additional time has expired.

Mr. GLENN. I appreciate the time.

Mr. BRADLEY. Mr. President, we will withhold further comment on this side until the other side has a chance

to state their case as to why they want a tax increase on working Americans. That is the basic question.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Who controls the time on the other side? Does Senator BRADLEY? How much time have they used so far?

The PRESIDING OFFICER. The Senator from New Jersey has used 40 minutes, and has 20 minutes left. The Senator from New Mexico has 55 minutes.

Mr. DOMENICI. The Senator from Pennsylvania, Senator SANTORUM, desires to speak for how much time?

Mr. SANTORUM. Five minutes.

Mr. DOMENICI. I yield 5 minutes to the Senator from Pennsylvania.

Mr. President, I designate Senator NICKLES to be the manager of the time remaining on this amendment in my behalf.

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

The PRESIDING OFFICER. The Senator from the Pennsylvania, Senator SANTORUM, is recognized for 5 minutes.

Mr. SANTORUM. Mr. President, I rise in opposition to this amendment. I was struck by the arguments presented by the Senator from New Jersey in favor of this amendment about this Republican budget being a tax increase.

Let me just first state, again, this goes without saying, all of the amendments that are being offered by the other side of the aisle are, in a sense, bogus because they take us off the path to a balanced budget. As a result, this money that they draw from, this \$170 billion that is being used to pay for this amendment, does not exist because once you put the tax credit back in, you then throw us off the line to get us to a balanced budget which then, according to the Congressional Budget Office, gets us the \$170 billion.

So by putting this amendment on, the budget is no longer balanced, there is no \$170 billion and, guess what? We do not have a balanced budget, we have no \$170 billion, and we are back to the same place as before, which is adding to the deficit, not getting to a balanced budget.

Anyone who believes that there is money here for this program—there just is not money here for this program. This blows the whole deal. This is another attempt by the other side to say we do not want a balanced budget because if we pass this we do not have a balanced budget. So let us put all this tax cut or no tax cut—that is a red herring. This proposal destroys the balanced budget, period. It destroys it, No. 1.

No. 2, I found it absolutely amazing that the Senator from New Jersey would talk about all these tax cuts or tax benefits or tax expenditures, \$480 billion in tax expenditures and then, admission against interest, he admitted most of those tax expenditures he supports. Of course, the lion's share of them, the biggest is health insurance;

second is home mortgage deduction; and third is property taxes and income tax deduction.

I am sure he does not oppose any of those. That is, by far, the lion's share. What does he point out as the big one? Section 29. Section 29. This little provision in the Tax Code for tight sands drilling of oil and natural gas.

Now, let us look at section 29, this big glaring one that makes everything else illegitimate. Section 29 applies only to wells drilled prior to 1993. This thing has been phased out. It is not even around anymore. It is only for old wealth. This was taken care of a few years ago. So he is arguing we should get rid of a provision we have already gotten rid of.

Mr. BRADLEY. Will the Senator yield?

Mr. SANTORUM. I will be happy to yield.

Mr. BRADLEY. Does the Senator deny that the provision in the Republican proposal will increase the tax on working families?

Mr. SANTORUM. The Senator will admit that by reducing the rate of growth in this program, people will not get the tax breaks that were intended under the Clinton 1993 budget, yes.

Mr. BRADLEY. Yes. So it is a tax increase on working families.

Mr. SANTORUM. It is not a tax increase. What it says is that people who are—I find it absolutely amazing to suggest that people who get a refund, and 90 percent of the people in this program do not pay any income tax. Let me repeat that, almost 90 percent of the people who get the earned income tax credit pay no Federal income taxes.

Mr. BRADLEY. Will the Senator yield for another question?

Mr. SANTORUM. I have not yielded.

Mr. BRADLEY. Will the Senator yield?

Mr. SANTORUM. Let me finish my point. I do not know how you can say that it is a tax increase if 90 percent of the people receiving this money do not pay taxes. To me, when you are giving money back, in fact you are giving a negative income tax to a group of people and you are saying you are not going to let that increase so they can get more negative income tax. I do not know how you consider that a tax increase, an increase in taxes. What we are saying is we are not going to give you more money that you have not paid already.

Mr. BRADLEY. Does the Senator agree that these working families pay Social Security taxes?

Mr. SANTORUM. This is a tax credit for Federal taxes. That is what this program is.

Mr. BRADLEY. I am sorry. We will hear later from the Senator from Louisiana, who can address the purpose of the originator, Senator Long of Louisiana. The point the Senator misses, and I think the other side admits this consistently—

The PRESIDING OFFICER. The time of the Senator from Pennsylvania has expired.

Mr. SANTORUM. Can I have an additional 2 minutes?

Mr. NICKLES. I yield the Senator 2 additional minutes.

Mr. SANTORUM. I will just suggest 90 percent of the people in this program do not pay any Federal income taxes, and that when you have a program, as the Senator from Oklahoma I know is going to point out, that is fraudulent to the point of—the Senator from New Jersey said 13 percent. There are reports it is as high as 45 percent.

I know myself, I am waiting for my tax return to come back, and the reason the Internal Revenue gave me, in writing, why I am 2 months delayed in getting my tax return back is because they are having so many problems in trying to track down the fraud in the earned income tax credit provision of the Tax Code. This program has a lot of problems.

I want to get back to the original point the Senator made, how we have all these terrible provisions in the Tax Code that benefit corporate America. He points out, one, section 29, which has been eliminated, he supports programs like section 936.

It is funny, the Senator from New Jersey did not comment on the preferential tax provision for drug companies in New Jersey, and in fact supported that provision as recently as the last budget go-around when the Clinton administration cut that program back and there was an amendment on the floor of the Senate to eliminate that program, and the Senator from New Jersey refused to eliminate it.

Now, we can play this double standard. Because they do not have oil in New Jersey, they are against section 29; but if there are drug companies in New Jersey, they are not against section 936.

That is the demagoguery that goes on around here. We will point to corporate tax cuts, unless of course, the corporation is in your State.

Mr. BRADLEY. Would the Senator yield?

Mr. SANTORUM. I have been very generous in yielding.

Mr. BRADLEY. The Senator is wrong. In 1993 we cut that provision by 40 percent. If the Senator is arguing that we should cut every other corporate provision by 40 percent, his argument would be consistent. I do not think he is arguing that.

Mr. SANTORUM. Reclaiming my time, Mr. President.

The PRESIDING OFFICER. The additional 2 minutes has expired.

Mr. SANTORUM. Mr. President, 30 seconds, Mr. Chairman.

Mr. DOMENICI. I yield 1 additional minute.

Mr. SANTORUM. If we look at the amendment on the floor to eliminate section 936, the Senator from New Jersey voted against it. He voted to keep section 936 for drug companies, many of whom are based in New Jersey.

So we can look through the entire Tax Code. There are lots of provisions

in there that benefit specific industries, some of them for very good reasons, others not so good. To suggest that the entire Tax Code is one big loophole for corporate America belies the numbers. No. 1, where most of the tax expenditures are, in fact, for the earned income tax credit, health insurance, property taxes, local income taxes, and the home interest deduction.

I would just suggest, as the Senator from Oklahoma will talk about, this program has problems with fraud, is a very harsh program as far as work disincentive, and there is a lot of information out there how the folks in this program are, in fact, not full-time workers who are just above the poverty level, but in fact only part-time workers who get a subsidy.

I yield the floor.

Mr. BRADLEY. Mr. President, I find it ironic that the Senator from Pennsylvania is aggressively defending all the special interest provisions in the Tax Code, while at the same time he is for a flat tax.

How can the Senator be for a flat tax and want to eliminate all the special interest tax provisions.

I yield 5 minutes to the distinguished Senator from Louisiana.

Mr. BREAUX. I thank the Senator from New Jersey for yielding.

There is a great country and western song. I think country and western writers are some of the best philosophers that we will ever see in society. In one of the songs this guy is singing, he says, "After the breakup, she got the gold mine and I got the shaft."

If you are a working family in America that makes \$28,500 a year—which I would point out is most of the people in my State of Louisiana by a huge amount—you are getting ready to get the shaft; somebody else is going to get the gold mine.

Budgets are about priorities. There is no clearer priority than what we are talking about right now. What the budget that is pending says, "If you are a working family that works every day, works hard, pays your taxes, follows the law, and does what society tells you to do, you are getting ready to get the shaft."

We can argue about whether this is a tax cut or a tax increase, but the facts are very clear: What the budget proposal says, for a family that makes \$28,500 or less with two children in this country, that family is getting ready to have to pay a lot more to Uncle Sam. That family is getting ready to have to dig into their wallet at the end of the year and send money to Washington that they did not have to do last year because of this budget.

Now, somebody can say that is not a tax increase. But I must say, if a person has to pay more than they paid last year, that "ain't" fun. If a person has to pay more than they paid last year, call it anything, but that person is going to be hurt.

Now, we have heard people talk about what people said, and Senator

DOMENICI is on the floor, who talked about this program in the past. My predecessor in the U.S. Senate, Senator Russell Long, a person I have tremendous amount of respect for, says we have to start making work more attractive than welfare.

How many times have we heard speeches on the floor, "The problem is people don't work enough. We have too many people on welfare."

Ronald Reagan said this program, when it was passed, was "The best anti-poverty, the best profamily, the best job-creation measure to ever come out of the Congress."

Today, this budget says we are going to slash it, and we are going to give the shaft to the people of this country who are hard-working Americans who are trying to make ends meet, trying to send their kids to school, trying to make sure they do not go on welfare. We will make it a lot harder. That is one thing.

Again, budgets being about priorities, what are they doing with the money? It is one thing to cut people who work every day really hard and are barely making it, can barely afford to pay the rent, and say "We will take this money away from you, that we are trying to help you with," and we are going to try and give a tax cut to families that make up to \$200,000 a year—a tax cut of about \$5,000 over the next 5 years—and wealthy taxpayers earning up to \$350,000 get a tax cut of \$20,000 when all of their tax cuts are fully phased in.

Now, people say we do not want to get into class warfare. I am not talking about class warfare. I am talking about something called fairness. Is it fair to say to someone making \$28,000, "We will make you pay more," in order to say to people who make \$200,000, "You will pay less."

What are our priorities? Budgets are about priorities. It is one thing to say this program is not working exactly like it was supposed to. I would suggest it is. I would suggest the Senator from Pennsylvania who says that it only applies to offset income tax knows not of what he is speaking, because it is clearly not correct to say that. It is clearly not correct.

This program was expanded by a bipartisan effort, I would point out, to include not only income taxes. We know people making that amount of money do not pay a lot of income taxes. But we have increased a payroll tax five times. These people get hit with a payroll tax, get hit with a gasoline tax Congress passed, get hit with excise tax, and alcohol and tobacco and other products. All of these taxes can be used to offset the earned income tax credit, not just the income tax.

We know the figures, that a lot of the people do not pay income taxes, but everyone pays payroll taxes, excise taxes, gasoline taxes, and all the other things that get hit and keep them in the bowels of poverty.

Again, who is getting the shaft and who is getting the gold mine? I think it

is pretty clear that this suggestion says we will repeal any of the increases.

What else do they do with regard to this proposition? I think it is very important to know.

Here is what the proposal does: No. 1. It repeals the 1996 increase in deductions that people who are working and making 28,000 a year get. It repeals it outright. It also repeals the workers who do not have children, the credit that they would get.

Is it not fair to have people who do not have children to not be able to benefit in the program? In 1993 Congress added this section. In a bipartisan effort, under that credit, taxpayers without children would be eligible for some credit. This budget says they are out of here, forget them, we are not going to help them. I do not understand that. Well, you can say that is not a tax increase but, by golly, they are going to pay more money to the Federal Government. And I do not think it helps them or makes them feel better to say those people in Washington told me this was not a tax increase, but I am paying more money than the last time. How can that not be a tax increase? It definitely comes out of their back pocket at a time when Congress is saying: Get off the dole, go to work, support your family, follow the law and, by the way, we are going to make you pay more so we can give a tax cut to people making \$200,000 a year. Priorities. It is a question of priorities.

Now, I know some people are going to say, well, this program has increased so much and we have this huge increase, and it is just going out of control. Let me suggest that the growth rate is not explosive and it is not out of control. It is doing exactly what Congress intended it to do. It is growing because it was designed to grow because of expansions in the bill that were signed into law. The charts are going to show something that goes up like that. That is because Congress said, in a bipartisan manner, that in addition to income tax, we are going to cover things like payroll tax, which is the most regressive tax of all; we are going to cover the gas tax, which we have increased; the payroll tax, which is increased; the excise tax on products, which has increased several times. Of course, it has increased and it is starting to level off.

The PRESIDING OFFICER. Who yields time?

Mr. NICKLES. Mr. President, I rise in opposition to the amendment offered by my friends on the other side of the aisle because we need to restrain the growth of the earned-income tax credit. I want to make several comments, and I am going to insert several charts and figures into the RECORD.

I ask unanimous consent that at the conclusion of my statement, these charts be printed in the RECORD.

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

(See exhibit 1.)

Mr. NICKLES. Mr. President, my colleagues are certainly entitled to their own opinions, but they are not entitled to their own facts. The fact is that this program is growing rampantly out of control. It has been, without a doubt, the fastest growing entitlement program in Government. It is also probably the most fraudulent program we have in Government. I want to refute the statement I have heard almost all of my colleagues on the other side say—that this is a tax increase on the working poor. They are totally wrong.

The changes we are talking about making in the EITC program are not a tax increase on anyone. What we are doing is reducing the rate of growth of a program that is growing in cost by leaps and bounds. We are not talking about tax credits. We are talking about reducing the amount of checks that we are writing—outlays. This is a cash benefit program. Eighty percent of the money in this program is written in a check at the end of the year.

It is not a reduction in somebody's taxes. It is a payment; it is a negative income tax. In almost 99-plus percent of the cases, it is a check paid as a refund to people in a lump sum payment. These lump sum payments have been rising dramatically. My colleagues need to be aware of the exploding costs in this program. The numbers on this chart are what the Federal Government is actually spending. I will have this inserted into the RECORD so my colleagues can see it. The growth in this program is astronomical. I heard a couple colleagues saying Ronald Reagan and others were supporters of this program. Let us put their support in context.

In 1980, this program's outlays were \$1.4 billion. In 1986, they were \$1.5 billion. So in 5 or 6 years, the outlays almost had no increase. So it was very, very small, program. In 1986, we had some increases, and by 1990, this program's outlays were \$5.3 billion.

Mr. BRADLEY. Will the Senator yield?

Mr. NICKLES. I want to make a significant statement, and I will yield at a later time.

That is a pretty significant growth, from \$1 billion to \$5 billion. Look at this chart to see what happened since 1990, because now we are talking about a program that is going to be 30 billion dollars plus. Again, I am just talking about outlays, what the Federal Government is writing a check for. I am not talking about a tax credit that somebody has to reduce their taxes. I am talking about what the Government is writing the check for—outlays where the Government is writing a check.

These figures are exploding. In 1990, outlays were \$5 billion. In 1992, they doubled and went to \$10 billion. By 1995, the outlays went to \$20 billion, and they continue to escalate. In 1997, outlays for the EITC will be \$23.8 billion. Again, I will have these inserted into the RECORD. The growth rate for

the last several years in EITC outlays, beginning in 1990, was 14 percent, 55 percent, 22 percent, 21 percent, 42 percent in 1994, and 18 percent in 1995.

Those are increases in outlays where we are writing checks, not reducing someone's tax liability. Uncle Sam is writing a cash payment benefit. Again—this is 10 times the rate of growth of inflation over most of these years.

The cost of this program now exceeds the cost for Aid for Families with Dependent Children. We are going to talk about welfare reform very soon. Senator BRADLEY, myself, and others are going to be working on a welfare markup tomorrow. We will focus on AFDC because it has been the largest cash assistance program for welfare dependents. The EITC exceeds AFDC. It did not a couple years ago.

This chart maybe is a little more confusing, and thus needs explanation. You see the red, which is the outlays. The green here is the credit portion. So the total cost of this program, estimated by the year 2002, is going to be \$36.2 billion. That is an unbelievable explosion of a program that only cost a couple of billion dollars back in the late 1970's and even in the early 1980's. The total cost of the program in 1986 was \$2 billion. The total cost of the program in 1990 was \$6.9 billion. The total cost of the program in 1994 was \$21.8 billion. It tripled between 1990 and 1994—tripled; it went from less than \$7 billion to \$21.8 billion. By 1996, it goes up to \$28.4 billion. Again, the growth rate in the total cost of this program, outlays and credits, is astounding. In 1991, it went up 60 percent; in 1992, 17 percent; in 1993, 20 percent; in 1994, 40 percent; in 1995, 16 percent; and in 1996, 12 percent.

Now, the cost of the EITC is growing for a lot of different reasons. One, Congress has increased the amount of money people are eligible for. But I will give you some figures. The maximum credit in 1990 for two or more children was \$953. From 1976 through 1978, the maximum credit anybody could receive out of this program was \$400. In 1979, all the way through 1984, it was \$500. Then, in 1985 and 1986, it was \$550. Then it has increased substantially every year. In 1990, a person could receive \$953. So it basically doubled from 1979 to 1990—the maximum amount of credit that anybody could receive for two or more children.

Again, keep in mind that 99 percent of the people who file returns for this receive a lump sum payment. So \$1,000 is not a bad deal. More and more people found out about it and thought, hey, this is a pretty good deal. They can file an income tax return even though most of these people have income such that they are not going to pay any Federal income tax. Maybe they will pay some Social Security tax, but they will file a return and get \$953. Then more and more people became eligible. Congress increased eligibility and people became

aware that it could be very easily cheated.

The maximum amount went up dramatically. In 1995, it was \$1,511. It went up another 50 percent over that period of time. From \$953 in 1990; and in 1993, \$1,511. In 1994, Congress made some changes in a tax bill that not any Republican voted for. I do not remember anybody saying we are going to increase the maximum amount on the income tax credit from \$1,511 to \$2,528 in 1 year. The maximum tax credit went from \$1,511 to \$2,528. In 1995, the maximum tax credit is \$3,110. In a few years, we went from less than \$1,000 to \$3,110. It has tripled. No wonder the cost of this program is climbing up out of control. We went from a maximum credit for a family with two or more children of less than \$1,000 to \$3,000 in 5 years. You can see why there was an explosion in cost.

Unfortunately, there was also an explosion in fraud. For my colleagues to defend a program that has had this kind of fraud and error rate I think is unbelievable. I am just looking at a GAO study that was given to the Senate in March 1995. It says, "The most recent taxpayer compliance measurement program shows that about 42 percent of EIC recipients receive too large a credit and 32 percent were not able to show they were entitled to any credit."

Think of that, 32 percent of those surveyed could not show that they are entitled to receive any credit. One-third of the beneficiaries were not able to show that they were entitled to any credit? And we are expanding it on this kind of scale? People can receive \$3,100 and one-third could not even defend that they were entitled to receive it and 42 percent showed an error? Maybe some of those errors were small, maybe some of them were large, maybe some of them were intentional, maybe some of them were not, but about 34 percent of EIC paid out was awarded erroneously.

Mr. President, 34 percent was awarded erroneously? Wow, think of that. We are talking about a program that is bigger than AFDC, a program that is growing at this kind of rate, and it has that kind of fraud and error rate.

What are these radical Republican proposals that I keep hearing about that we are taxing working poor? That is false. I just totally deny that accusation. That irritates me. What we are trying to do is stem the tide of a program that is totally out of control. Republicans think we should control it. As my colleagues know, we are not passing tax law on the floor of the Senate. We are not rewriting the program. We are saying we have a program that is out of control and we ought to contain its growth.

Under the Republican package, let me mention, the total cost of this program grows from \$25 billion in 1995 to \$28 billion in 1996. It continues to grow about \$1 billion a year to \$32 billion by the year 2002. In other words, under the proposal we are suggesting to the Fi-

nance Committee, EITC would continue to grow, but it would grow about \$1 billion per year, a little over 3 or 4 percent per year, whereas under current law it continues to grow much faster than that.

Let me give a couple of specific examples. As I mentioned, right now under the earned-income tax credit, a person with two or more children is able to receive \$3,110. Under the plan that some of us are proposing, next year that person could receive \$3,119 and that figure would continue to increase every year so by the year 2000 a person with two or more children could receive \$3,560. So, again the maximum credit allowed would increase every single year. Granted, it will not increase as fast as provided under current law. A person could receive, again, lump sum payments under current law from \$3,110 in 1995 to over \$4,000 by the year 2000. We allow the increase to go from about \$3,110 in 1995 to \$3,560 by the year 2000. So we have smaller increases.

The current law says let us take it up to \$4,000. Again, keep in mind most people are receiving this as a lump sum payment. I think that is a great incentive for fraud. If you cheat on your tax return, not only do you reduce your taxes, which is what happens in most cases, but Uncle Sam is going to write you a check. Right now the check is \$3,110. We found a lot of fraud when people were getting just \$953. What are they going to do when they can get \$4,000? So we think we need to curb this abuse. We need to eliminate the fraud. We need to slow, not expand, this program. We did not even freeze the program. Maybe we should have.

A program this fraudulent probably should have been frozen. We did not do that. Actually, if you had frozen the program for 7 years I think you save \$50 billion. We did not do that. We just slowed the rate of growth. For my colleagues to insinuate that is a tax increase on the working poor, I beg to differ. I think that is totally false.

If we are ever, ever going to balance the budget, we have to curtail the growth of programs that are growing a lot more rapidly than inflation. I have already given the figures of the rapid cost of this program. We are trying to constrain it in our proposal. If we allow Uncle Sam to continue writing checks that grow from \$953 in 1990 to \$3,110 in 1995 to \$4,000 in 2000, this program will not be contained. These numbers will continue to climb off the charts and we will have deficit spending. Not only will we continue to have deficit spending but we are going to find that too many people are eligible for this program—I have read in one case where 30 to 40-some-odd percent of the District of Columbia is now eligible for this program.

You are going to continue to have rampant, rampant abuse, I am afraid, because the dollars are so large. And that would be a serious mistake. So I will send a second degree amendment

to the desk and ask for its immediate consideration.

I will postpone that. I yield the floor.

EXHIBIT 1

EARNED INCOME TAX CREDIT—TWO OR MORE CHILDREN

| Year | Credit percent | Maximum credit | Min income for max credit | Max income for max credit | Zero credit income |
|------------|----------------|----------------|---------------------------|---------------------------|--------------------|
| Historical | | | | | |
| 1976 | 10.00 | \$400 | \$4,000 | \$4,000 | \$8,000 |
| 1977 | 10.00 | 400 | 4,000 | 4,000 | 8,000 |
| 1978 | 10.00 | 400 | 4,000 | 4,000 | 8,000 |
| 1979 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1980 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1981 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1982 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1983 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1984 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1985 | 11.00 | 550 | 5,000 | 6,500 | 11,000 |
| 1986 | 11.00 | 550 | 5,000 | 6,500 | 11,000 |
| 1987 | 14.00 | 851 | 6,080 | 6,920 | 15,432 |
| 1988 | 14.00 | 874 | 6,240 | 9,840 | 18,576 |
| 1989 | 14.00 | 910 | 6,500 | 10,240 | 19,340 |
| 1990 | 14.00 | 953 | 6,810 | 10,730 | 20,264 |
| 1991 | 17.30 | 1,235 | 7,140 | 11,250 | 21,250 |
| 1992 | 18.40 | 1,384 | 7,520 | 11,840 | 22,370 |
| 1993 | 19.50 | 1,511 | 7,750 | 12,200 | 23,049 |
| 1994 | 30.00 | 2,528 | 8,425 | 11,000 | 25,296 |
| 1995 | 36.00 | 3,110 | 8,640 | 11,290 | 26,673 |

| Current Law | | | | | |
|-------------|-------|-------|--------|--------|--------|
| 1996 | 40.00 | 3,564 | 8,910 | 11,630 | 28,553 |
| 1997 | 40.00 | 3,680 | 9,200 | 12,010 | 29,484 |
| 1998 | 40.00 | 3,804 | 9,510 | 12,420 | 30,483 |
| 1999 | 40.00 | 3,936 | 9,840 | 12,840 | 31,529 |
| 2000 | 40.00 | 4,068 | 10,170 | 13,280 | 32,596 |

| Senate GOP Proposals | | | | | |
|----------------------|-------|-------|--------|--------|--------|
| 1996 | 35.00 | 3,119 | 8,910 | 11,630 | 27,720 |
| 1997 | 35.00 | 3,220 | 9,200 | 12,010 | 28,634 |
| 1998 | 35.00 | 3,329 | 9,510 | 12,420 | 29,504 |
| 1999 | 35.00 | 3,444 | 9,840 | 12,840 | 30,620 |
| 2000 | 35.00 | 3,560 | 10,170 | 13,280 | 31,656 |

Provided by Senator Don Nickles, 05/18/95.
Source: Joint Committee on Taxation.

EARNED INCOME TAX CREDIT—ONE CHILD

| Year | Credit percent | Maximum credit | Min income for max credit | Max income for max credit | Phase-out income |
|------|----------------|----------------|---------------------------|---------------------------|------------------|
| 1976 | 10.00 | \$400 | \$4,000 | \$4,000 | \$8,000 |
| 1977 | 10.00 | 400 | 4,000 | 4,000 | 8,000 |
| 1978 | 10.00 | 400 | 4,000 | 4,000 | 8,000 |
| 1979 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1980 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1981 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1982 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1983 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1984 | 10.00 | 500 | 5,000 | 6,000 | 10,000 |
| 1985 | 11.00 | 550 | 5,000 | 6,500 | 11,000 |
| 1986 | 11.00 | 550 | 5,000 | 6,500 | 11,000 |
| 1987 | 14.00 | 851 | 6,080 | 6,920 | 15,432 |
| 1988 | 14.00 | 874 | 6,240 | 9,840 | 18,576 |
| 1989 | 14.00 | 910 | 6,500 | 10,240 | 19,340 |
| 1990 | 14.00 | 953 | 6,810 | 10,730 | 20,264 |
| 1991 | 16.70 | 1,192 | 7,140 | 11,250 | 21,250 |
| 1992 | 17.60 | 1,324 | 7,520 | 11,840 | 22,370 |
| 1993 | 18.50 | 1,434 | 7,750 | 12,200 | 23,054 |
| 1994 | 26.30 | 2,038 | 7,750 | 11,000 | 23,755 |
| 1995 | 34.00 | 2,094 | 6,160 | 11,290 | 24,396 |

| Current Law | | | | | |
|-------------|-------|-------|-------|--------|--------|
| 1996 | 34.00 | 2,156 | 6,340 | 11,630 | 25,119 |
| 1997 | 34.00 | 2,227 | 6,550 | 12,010 | 25,946 |
| 1998 | 34.00 | 2,305 | 6,780 | 12,420 | 26,846 |
| 1999 | 34.00 | 2,383 | 7,010 | 12,840 | 27,755 |
| 2000 | 34.00 | 2,462 | 7,240 | 13,280 | 28,584 |

| Senate GOP Proposals | | | | | |
|----------------------|-------|-------|-------|--------|--------|
| 1996 | 30.15 | 2,156 | 7,150 | 11,630 | 25,120 |
| 1997 | 30.15 | 2,225 | 7,380 | 12,010 | 25,934 |
| 1998 | 30.15 | 2,300 | 7,630 | 12,420 | 26,816 |
| 1999 | 30.15 | 2,379 | 7,890 | 12,840 | 27,726 |
| 2000 | 30.15 | 2,460 | 8,160 | 13,280 | 28,676 |

Provided by Senator Don Nickles, 05/18/95.
Source: Joint Committee on Taxation.

IMPACT OF REFORMING THE EARNED INCOME TAX CREDIT

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | Total |
|---------------------------|------|------|------|------|------|------|------|-------|
| EITC baseline (CBO) | 28 | 30 | 31 | 32 | 34 | 35 | 36 | 226 |
| EITC reforms | (0) | (3) | (3) | (3) | (4) | (4) | (4) | (21) |

IMPACT OF REFORMING THE EARNED INCOME TAX CREDIT—Continued

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | Total |
|-----------------------------------|------|------|------|------|------|------|------|-------|
| EITC baseline after reforms | 28 | 26 | 28 | 29 | 30 | 31 | 32 | 204 |

Source: CBO and Senate Budget Committee majority staff (billions of dollars).

Provided by Senator Don Nickles, 05/18/95.

EARNED INCOME TAX CREDIT

| Year | Total cost (billions) | Percent growth | Outlay cost (billions) | Percent growth | Revenue cost (billions) | Percent growth | Number of family beneficiaries | Percent growth | Average credit | Percent growth |
|------|-----------------------|----------------|------------------------|----------------|-------------------------|----------------|--------------------------------|----------------|----------------|----------------|
| 1975 | 1.3 | | 0.9 | | 0.4 | | 6,215,000 | | \$201 | |
| 1976 | 1.3 | 4 | 0.9 | -1 | 0.4 | 16 | 6,473,000 | 4 | 200 | 0 |
| 1977 | 1.1 | -13 | 0.9 | -1 | 0.2 | -39 | 5,627,000 | -13 | 200 | 0 |
| 1978 | 1.0 | -7 | 0.8 | -9 | 0.2 | 0 | 5,192,000 | -8 | 202 | 1 |
| 1979 | 2.1 | 96 | 1.4 | 74 | 0.7 | 166 | 7,135,000 | 37 | 288 | 43 |
| 1980 | 2.0 | -3 | 1.4 | -2 | 0.6 | -6 | 6,954,000 | -3 | 286 | -1 |
| 1981 | 1.9 | -4 | 1.3 | -7 | 0.6 | 3 | 6,717,000 | -3 | 285 | 0 |
| 1982 | 1.8 | -7 | 1.2 | -4 | 0.6 | -13 | 6,395,000 | -5 | 278 | -2 |
| 1983 | 1.8 | 1 | 1.3 | 5 | 0.5 | -8 | 7,368,000 | 15 | 224 | -19 |
| 1984 | 1.6 | -9 | 1.2 | -10 | 0.5 | -6 | 6,376,000 | -13 | 257 | 15 |
| 1985 | 2.1 | 27 | 1.5 | 29 | 0.6 | 24 | 7,432,000 | 17 | 281 | 9 |
| 1986 | 2.0 | -4 | 1.5 | -1 | 0.5 | -10 | 7,156,000 | -4 | 281 | 0 |
| 1987 | 3.9 | 96 | 2.9 | 98 | 1.0 | 89 | 8,738,000 | 22 | 450 | 60 |
| 1988 | 5.9 | 50 | 4.3 | 45 | 1.6 | 64 | 11,148,000 | 28 | 529 | 18 |
| 1989 | 6.6 | 12 | 4.6 | 9 | 2.0 | 20 | 11,696,000 | 5 | 564 | 7 |
| 1990 | 6.9 | 5 | 5.3 | 14 | 1.6 | -17 | 12,612,000 | 8 | 549 | -3 |
| 1991 | 11.1 | 60 | 8.2 | 55 | 2.9 | 78 | 13,700,000 | 9 | 813 | 48 |
| 1992 | 13.0 | 17 | 10.0 | 22 | 3.0 | 3 | 14,100,000 | 3 | 924 | 14 |
| 1993 | 15.6 | 20 | 12.1 | 21 | 3.5 | 17 | 15,200,000 | 8 | 1,027 | 11 |
| 1994 | 21.8 | 40 | 17.2 | 42 | 4.6 | 31 | 19,500,000 | 28 | 1,118 | 9 |
| 1995 | 25.3 | 16 | 20.3 | 18 | 5.0 | 9 | 19,800,000 | 2 | 1,283 | 15 |
| 1996 | 28.4 | 12 | 22.9 | 13 | 5.5 | 10 | 20,200,000 | 2 | 1,407 | 10 |
| 1997 | 29.6 | 4 | 23.8 | 4 | 5.8 | 5 | 20,400,000 | 1 | 1,452 | 3 |
| 1998 | 30.9 | 4 | 24.9 | 5 | 6.0 | 3 | 20,600,000 | 1 | 1,501 | 3 |
| 1999 | 32.2 | 4 | 26.0 | 4 | 6.2 | 3 | 20,800,000 | 1 | 1,548 | 3 |
| 2000 | 33.5 | 4 | 27.0 | 4 | 6.5 | 5 | 21,000,000 | 1 | 1,593 | 3 |
| 2001 | 34.8 | 4 | 28.0 | 4 | 6.8 | 5 | 21,200,000 | 1 | 1,639 | 3 |
| 2002 | 36.2 | 4 | 29.1 | 4 | 7.1 | 4 | 21,400,000 | 1 | 1,687 | 3 |

Provided by Senator Don Nickles, 05/18/95. Source: CBO.

Mr. LEAHY. Mr. President, I rise in strong support for the amendment offered by the distinguished Senator from New Jersey. This amendment makes sense. It restores \$21 billion in cuts over the next 7 years in the earned income tax credit in the Senate Republican budget resolution. Like their cuts in Medicare and education, the Republican's cuts in this tax credit are shortsighted and wrong.

At a time when many working Americans are struggling to make ends meet, the Senate Republican budget plan would hike taxes on low-income workers by as much as \$350 a year. It would repeal the final phase of the earned income tax credit expansion enacted as part of the 1993 budget act, and it would repeal the earned income tax credit for workers without a child.

I do not understand the desire to cut the earned income tax credit. Ronald Reagan, a President that I did not always agree with, had it right when it came to the earned income tax credit. President Reagan called the earned income tax credit: "the best antipoverty, the best pro-family, the best job-creation measure to come out of Congress."

President Reagan was right. This tax credit does reward low-income Americans for working. It makes a huge difference for families struggling to pay the rent and buy food for their kids.

The tax credit is available to low-income workers only. If you do not work, you do not get the credit. The credit starts phasing out at \$11,000 for families with children and at \$5,000 for workers without children. It ends for families with two children at \$25,296,

families with one child at \$23,755, and workers with no children at \$9,000.

In my home State of Vermont, the earned income tax credit has been a big success making work pay for low-income workers.

In 1993, 25,279 working Vermonters benefited from the earned income tax credit. Under the Senate Republican budget resolution, however, the earned income tax credit in Vermont would be cut by \$29 million over the next 7 years. The Treasury Department estimates this cut would increase taxes on 20,156 working Vermonters by an average of \$1,433 per taxpayer over the next 7 years.

Some of my colleagues on the other side of the aisle claim that these cuts are necessary because of some fraudulent claims involving the earned income tax credit. But that argument is more than a little disingenuous.

An IRS study has found some error rates in the credit, but the Clinton administration has responded aggressively to address this problem. Specifically, the administration has developed 12 measures to ensure simplicity and verifiability of the earned income tax credit. And the IRS is now matching social security numbers with tax returns to further verify credit takers.

The Senate Republican budget resolution, however, contains only one of the administration's antifraud proposals. Instead of adopting the administration's antifraud proposals or other antifraud measures, this budget resolution simply cuts the tax credit. In fact, this budget resolution cuts the earned income tax credit by \$21 billion over the next 7 years because it's a quick way to collect budget-cutting dollars

at the expense of a constituency that rarely votes—the working poor.

Cutting the earned income tax credit and raising taxes on the working poor is exactly the wrong thing to do now. Unfortunately, we are suffering through an era of stagnant wage growth. Just last month, the Department of Labor reported that median weekly earnings of nonsupervisory workers rose just 1.9 percent over the past year. While at the same time, consumer prices rose 2.8 percent.

And last year just continued the losing trend of the 1980's. During the 1980's, the gap between the rich and poor grew faster in the United States than anywhere else in the Western world. According to an April 1995 study by Prof. Edward Wolff of New York University, three-quarters of the income gains during the 1980's and 100 percent of the increased wealth went to the top 20 percent of families. The remaining 80 percent of U.S. families lost in real wage power.

Workers are treading water or worse against the rising tide of inflation. Now is not the time to cut a tax credit that rewards the poor for working. Instead, I urge my colleagues to support this amendment to restore the earned income tax credit.

Mr. KOHL. Mr. President, I rise in support of the amendment offered by Senator BRADLEY to restore funding for the earned income tax credit. The Bradley amendment would restore the EITC by redirecting \$16.9 billion of the proposed \$170 billion budget surplus to working lower income Americans. Simply stated, the Bradley amendment offers a clear choice to the Members of this body: We can impose a \$16.9 billion

tax increase on working Americans or we can ask well-to-do people to bear some portion of the economic sacrifice necessary to restore our Nation's economic vitality.

Mr. President, tax expenditures are one of the fastest growing items in the Federal budget. Over the next 7 years, the U.S. Government will spend in excess of \$4 trillion—that's right, trillion—on tax writeoffs, loopholes, and hidden breaks. And while there are some tax expenditures that help middle- and lower-income Americans, most of our tax expenditures end up benefiting the upper end of the economic ladder.

The budget before us today does not touch tax benefits for the wealthy and powerful. We all know that situation exists because the special interests that benefit from our current tax scheme have both the resources and ability to protect their advantages. On the other hand, Americans who rely on the EITC are too busy working—or worrying about their children's health or education—or struggling to make ends meet in these challenging and difficult times—to know that the Congress is about to hit them with a hidden tax increase. Because that is just what a reduction in the EITC is—a tax increase.

Mr. President, the EITC provides a tangible economic incentive to lower income Americans to work for a living. In my own State of Wisconsin, 2,294,126 returns were filed for the 1993 tax year. Of this total, 189,831 returns contained earned income tax credit refunds, and a total of \$182,548,000 in EITC refunds were paid to Wisconsin citizens. The average refund in Wisconsin was \$961.63. Now that might not sound like a lot of money to some people from other parts of the country—or even to some in this Chamber. But make no mistake about it, to the Wisconsin taxpayers who qualified for those refunds, they made the difference between work and welfare; between hard work and a hand-out; and between self-worth and self-doubt.

Mr. President, I also recognize that few things in this world are perfect, and that includes the earned income tax credit. As a number of my colleagues have correctly observed, there are deficiencies in the current administration of this credit. In particular, Senators have identified problems associated with electronically filed tax returns that contain EITC claims. And while there is some disagreement over the severity of the problems, it is clear to all concerned that remedial action is required. The choice that we face today is whether we will retain the EITC and effect bipartisan reforms or whether we will drastically reduce one of the few tax expenditures that helps working class Americans.

I would urge my colleagues to continue the bipartisan approach that has been the hallmark of the EITC. My colleagues may recall that Presidents Reagan and Bush worked with Demo-

cratic Congresses to develop and expand the EITC. I hope that this Congress will continue that bipartisan spirit.

Mr. President, we are at an important crossroad in our history. We in Government have finally heard the message of the American people: That it is time to put our fiscal house in order. We must now decide whether we share the burdens that confront us equally or whether we exacerbate the growing disparities that exist within our society. I believe that the Bradley amendment is a step in the right direction. Senator BRADLEY'S amendment is a fair and reasonable proposal that helps working Americans. I therefore urge my colleagues—on both sides of the aisle—to support his amendment. I yield back the balance of my time.

Mr. ROCKEFELLER. Mr. President, I rise in strong support of the earned income tax credit [EITC], and Senator BRADLEY'S amendment to rescue one of this country's clearest incentives and rewards for hard-working families.

We are forced to offer this amendment to fix one of the worst parts of the budget offered by the other side of the aisle. Believe it or not, the architects of this budget are trying to cancel tax relief for the families in this country struggling every day to make ends meet so the funds—\$21 billion in all—can be redirected to households and corporations in the upper tiers.

They justify their attack on tax relief for working families by claiming that the credit—the EITC—is growing out of control. That is totally misleading, and deliberately so. Yes, the EITC is growing. That's because an economic and deficit reduction plan enacted in 1993 included an initiative to increase this tax credit for very logical reasons. There is nothing to hide or apologize for. Those of us who voted for that budget, with \$600 billion in deficit reduction and many cuts in spending, put our priority on hard working Americans who are working to make ends meet and raise their children. We wanted the EITC to grow because of its fundamental role in helping parents who are teetering on the economic edge to be able to choose work over welfare, independence over dependence, dignity over the indignities of the welfare system.

I am proud of my vote to expand the EITC because it is needed tax relief for more than 100,000 West Virginia families. That may be another statistic, but it stands for real people and families across my State working as hard as they can to make it each day.

The McCumbers of Frametown, WV, count on the EITC to make ends meet. She works full-time as a receptionist at the Mountaineer Food Bank, and her husband works full-time as a maintenance worker. They have two children, ages 8 and 10. For the past 4 years, the McCumbers have gotten tax relief thanks to the EITC. And let me tell you how they used that money. Three years ago, their EITC helped them

make a down payment on a home. They also have used it to pay property taxes and homeowners insurance. Another year, it covered glasses for their daughter, and a new bed for their son. The McCumbers family is like many of our neighbors next door. Parents who work hard, but struggle to pay the bills each month.

Let me tell you about another West Virginia family that relies on the EITC—the Helmicks of New Milton. He works full-time driving a truck for Mountain View Construction. She is a full-time homemaker caring for six children, ranging in age from their 15-year-old twins to a 4-year old. The first time this family used the EITC was when the twins were born and they needed extra baby furniture and twice as many supplies. Over the years, the EITC has helped the family buy a used truck to ensure Mr. Helmick had reliable transportation for work. It has helped them paint their home, put a concrete floor in their basement, and even put up a home basketball court so they could keep their teenagers close to home.

Hard working families like the McCumbers and the Helmicks deserve our admiration and support. We should not pull the rug out from under them and their children by eliminating the tax relief promised to them. And we certainly should not take tax relief away from hard working people who are struggling in order to give a bonus to wealthy Americans. That's what this budget resolution proposes to do, believe it or not. That's why we should pass the Bradley amendment, and reject an idea as dumb and unfair as robbing struggling families to give something more to the well off.

If the proponents of the Republican budget get their way on the EITC, it will mean that more than 80,000 West Virginia families will lose about \$1,494 over the next 7 years that they would have gotten for playing by the rules and doing something called work. That would renege on a promise to 12 million families in West Virginia and across our country.

I urge my colleague to support the Bradley amendment and the men and women who work hard every day, struggling to provide for themselves and their children.

The other side wants to focus on all the excuses for backing away from a policy of rewarding work and discouraging welfare. They talk about error rates, fraud, other problems. Where these problems need to be fixed, let's fix them. Let's not hide behind excuses to walk away from families who deserve every reward possible in a country that says it values work and children above all. The McCumbers and the Helmicks are my guidepost in this debate. They should serve as a reminder to every one of my colleagues that a growing EITC is exactly where our priorities should be.

OPPOSING CUTS TO THE EARNED INCOME TAX CREDIT AND THE REPEAL OF THE DAVIS-BACON ACT

Mr. AKAKA. Mr. President, as we continue to debate the budget resolution, I am concerned about Republican spending proposals that will balance the budget on the backs of children, middle-class families, the working poor, and the Nation's veterans. The more I study it, the more I realize that the majority's budget resolution will be a very bitter pill for hard-working American families to swallow. The budget resolution preserves special interest tax loopholes and other forms of corporate welfare. The wealthy will continue to receive billions of dollars in tax breaks and the proposed budget promises an additional \$175 billion in future tax relief.

The most troubling feature of the Republican budget proposal is the \$21 billion cut in the earned income tax credit. During the past decade, working families suffered a slow, steady erosion in their standard of living. Families simply had to work harder and longer to make ends meet. Despite their hard work and long hours, the number of working poor families and individuals living at or below the poverty line continues to grow.

The most effective way to improve the economic well-being of the middle class and working poor is to promote policies that reward work and lessen dependency. That is why the earned income tax credit was established. The earned income tax credit helps parents in low-income families remain in the work force. It also acts as a safety net for middle-class families confronted with a sudden loss of income.

Despite long-standing bipartisan support for policies that make work pay, the majority budget resolution would cut the earned income tax credit by \$21 billion over 7 years. Congress recently expanded the earned income tax credit to lift a family of four with a full-time working parent to a level at least equal to the poverty line. The Republican budget proposal abandons this policy. Their proposed cut in the earned income tax credit would increase Federal income taxes on millions of low-income working families with children. Under the majority proposal, the Treasury Department estimates that 7.8 million working families with more than one child will see their earned income tax credit reduced by \$270. A working family with two children earning \$20,000 would see a \$290 reduction in their credit.

Mr. President, only \$1 billion of this \$21 billion cut would result from the adoption of the Clinton administration proposal to deny the earned income tax credit to undocumented workers and implement procedures to reduce errors and fraud in the program. The remaining \$20 billion cut represents a tax increase for millions of working families, many of which live just above the poverty level. Why raise taxes on individuals who are struggling to work, make

ends meet, and avoid welfare? What message are we sending to America's working men and women? The last thing we need is a budget that raises the income taxes on Americans who are committed to work, rather than collecting welfare.

To add insult to injury, the Republican budget proposal cuts job training assistance by 25 percent. This cut will make it more difficult for our youth and adults to receive the technical training and job assistance necessary to gain employment in a technology-driven, global marketplace. Without job training and education programs, displaced, first-time, and entry-level workers will be relegated to low-wage, low-skill service sector jobs with no chance for economic or educational advancement. Has any consideration been given to the impact of a 25-percent cut in job education and training on long-term productivity and prosperity or on blue-collar families and their communities? I don't think so. These cuts will deprive workers of educational opportunities which could increase their earning power and productivity, along with the productivity and prosperity of businesses and the country. A rising tide lifts all boats, but only if the boats are seaworthy.

Mr. President, the budget plan also calls for the repeal of the Davis-Bacon Act. Repeal of Davis-Bacon would jeopardize the provision of fair, prevailing wages and labor standards on construction projects. For over six decades, the Davis-Bacon Act has assured local construction workers and contractors a fair opportunity to bid competitively on Federal construction projects. I believe dismantling the act would adversely impact local workers and contractors, and as a consequence, reduce the quality of construction on Federal projects.

In addition, Davis-Bacon ensures that workers on low-skill, low-wage jobs can participate in training programs to improve their skills and qualifications for better paying positions. Repeal of the law would remove most incentives for contractors to provide these workers such training opportunities.

Programs and agencies that promote safe and healthy working conditions and procedures also face drastic cuts. The Occupational Health and Safety Administration and other workplace safety agencies face a 50-percent reduction in funds which are necessary to ensure a safe working environment for working men and women.

Mr. President, the Republican budget dismantles the safety net for millions of working Americans and eliminates or cuts programs that are investments for a brighter, more competitive, and prosperous future for American families and our country. It is nothing more than a promise of a golden parachute for our wealthy.

TARGETING THE POOR UNDER THE GOP BUDGET RESOLUTION

Mr. BYRD. Mr. President, the Senate, in debate on the Fiscal Year 1996

Concurrent Resolution on the Budget, is in the process of considering many necessary spending reductions to achieve a balanced budget by the year 2002. There is a consensus in the Senate—on both sides of the aisle—on the need to balance the budget, and this Senator is committed to eliminating the Federal deficit. However, as expected, there exists much less unanimity on the appropriate spending cuts for reaching the goal of a balanced budget.

As approved by the Budget Committee, the Budget Resolution would reduce funding for the earned income tax credit (EITC) by \$21 billion over the next 7 years. Senator BRADLEY has proposed an amendment to the Budget Resolution that would restore \$16.9 billion in funding for the EITC. Senator BRADLEY would fund this restoration of the EITC with money earmarked by the Budget Committee for a future tax cut. In essence, Senator BRADLEY's amendment seeks to repeal a tax increase on America's working, low-income families by reducing a future tax cut that—if similar to the House-passed tax-cut measure—would primarily benefit upper-income families. A future tax cut is promised in the Budget Resolution if the "fiscal dividend" from deficit reduction is scored by the Congressional Budget Office.

Mr. President, it is important that the Senate consider the primary beneficiaries of the EITC, which is a refundable Federal income tax credit created in 1975 to supplement the earnings of low-income workers. The EITC primarily benefits low-income, working families—those with incomes below \$28,000—with one or more children. In light of the upcoming debate on welfare reform, can we in the United States Senate expect to provide viable alternatives for families receiving welfare benefits if we do not reward work for low-income families? The EITC does exactly that. It rewards work.

Critics of the EITC have pointed out that the program is subject to fraud and that it is too expensive. In response to these and other concerns, President Clinton included two legislative proposals in his Fiscal Year 1996 Budget that seek to reduce the cost of the EITC. First, the President proposed denying the tax credit to otherwise eligible recipients if they have substantial investment income. Earlier this year, the Senate approved and the President signed legislation (Public Law 104-7) that addressed this problem. Secondly, the President proposed requiring a valid Social Security number for all EITC recipients. The Budget Resolution includes the President's proposal and I support it. I do not support, however, the tradeoff proposed in the Budget Resolution that cuts the EITC over the next 7 years to pay for a future tax reduction for the wealthiest

in our society. It is interesting, even tendentious, that the only tax expenditure targeted by the Republican Budget Resolution is a program that benefits our Nation's low-income, working families. The Joint Committee on Taxation estimates the total cost of the more than 120 tax expenditures to be \$453.0 billion for Fiscal Year 1995. The EITC, by comparison, will cost approximately \$18.6 billion this year.

Mr. President, the Administration has estimated that a total of 12,200,000 working taxpayers in the United States receive benefits from the EITC. In West Virginia alone, an estimated 101,229 families received approximately \$99,323,000 in EITC benefits in 1994. That represents 14.6 percent of all West Virginia tax filers. As an elected representative of the people of West Virginia, I support the Bradley amendment because it seeks to repeal the effective tax increase on low-income working families by reducing the Republican-promised tax cut for the wealthiest in our society.

The PRESIDING OFFICER. Who yields the floor?

Mr. BRADLEY. Mr. President, how much time is remaining on my time?

The PRESIDING OFFICER. The Senator has 12 minutes.

Mr. BRADLEY. Mr. President, I yield 7 minutes to the distinguished Senator from Nevada.

The PRESIDING OFFICER. The Senator from Nevada is recognized for 7 minutes.

Mr. REID. Mr. President, the Budget Committee's mark would in effect raise taxes by some \$21 billion for people who make less than \$28,000 a year. That is a fact. About 7.8 million people who would benefit from this program, and their children, would be affected. Families with two or more children would be the hardest hit by the proposal that is coming from the other side of the aisle. Under the Budget Committee mark that we received, this would result in a tax increase for over 12 million Americans.

As the senior Senator of Nevada, I am concerned what effect this tax increase would have on the State of Nevada. The increase in taxes would affect almost 100,000 people who live in the State of Nevada. Nevada is a State whose large numbers of people are employed in the service industry. It would have a tremendous impact on them.

Over the next 7 years, these families in Nevada can expect to pay over \$100 billion more in taxes because of this policy. This results in a tax of about \$1,500 more per family. It would increase the taxes of families with children, it would result in a dramatic increase in annual taxes of \$250.

This tax increase is being carried out for one purpose. That is to produce the crown jewel in the so called Contract With America. An enormous tax break for the wealthiest of this country courtesy of an enormous tax increase on working Americans.

In the budget proposal we are now debating, the tax cut is camouflaged. In

fact, it took the press a few days to pick up the fact that there was a \$170 billion earmark in this budget proposal that could only go to the Finance Committee and could only be used for tax cuts. This is not a fiscally sensible policy and it is not morally right either.

There has been some talk about fraud. It is really too bad we are talking about fraud as it relates to the poorest people who benefit from our tax policies. Why are we picking on people who are working, making under \$28,000 a year?

I think we should make sure there is no fraud or abuse in this program. There is no question about it. But why do we not look at some of the other problems we have. They are too numerous to mention, but let me talk about 73 percent of foreign corporations who do business in America that pay no taxes—none. We are losing tens of billions of dollars a year because they are not paying their fair share. Why do we not talk about doing something about that?

I think it is important we talk about policies and how they affect individual human beings. We talk about numbers but they become just statistics. What would this do to people in the State of Nevada? Let us take, for example, a woman by the name of Denise Mayfield. She is a single mother with four children. She lives in Las Vegas. She began working at a program called Head Start in Las Vegas in 1985 as a teacher's aid at the lowest possible salary, minimum wage.

She is now director of that program. Before she worked at Head Start she worked at the YWCA, and received welfare—Aid to Families With Dependent Children. This year, 1994, she received an earned-income tax credit of \$1,530.

She used this money to buy a washing machine for her family and clothes for her four children. That does not sound too unreasonable to me.

Kanna White is a single mother, has one daughter, and also lives in Las Vegas, is going to school, has a full-time job, and she is working toward a degree in child development. She received \$1,000 this year in earned income. She is using some of this money to pay for summer day care services. This earned income allows her to pay her bills on time and to do things that her daughter can now do that other families take for granted.

Kyle Estrada lives in Henderson, NV, and has three young children. She teaches parenting skills and job preparation skills at the Head Start Program. She has health coverage for herself, but like many Americans, is underinsured. She has no insurance for her children. She has three. She received a \$1,300 earned income tax credit in 1994. She has used this money to cover her rent. This program, she said, has kept her off welfare. How much money did she get from the earned income tax credit? She got \$1300. She would get this much perhaps in 2 months if she went on AFDC. But she

chose to continue working, like millions of Americans have done and thousands of Nevadans have done—to continue working rather than going on welfare. That was the purpose of this program. It is working well.

I conclude by saying that these three people are just a few of the thousands in Nevada of hard-working people who would rather work and support their families than go on welfare.

This is an example of three people in Nevada who are representative of tens of millions of people in America who are now working instead of being on welfare. We need to continue this program.

For me, this illustration represents the difference of philosophy between this side of the aisle and those on the other side of the aisle. We do not live in a Darwinian society. We cannot expect all Americans to succeed and make millions, like Bill Gates in the computer business or Forrest Mars in the candy business. They are good, there is no question about it. I applaud them for being entrepreneurial billionaires. But they were also a little lucky. Not everyone can be like them. We cannot expect everyone to be like Bill Gates or Forrest Mars. But we can expect everybody to continue to try.

That is what earned income is all about. On the other side of the aisle, they lecture about the need to eliminate handouts. What we do is do something to eliminate handouts.

Mr. President, earned income reflects the Democratic philosophy because it involves giving a hand-up, not a hand out.

It is unfair to raise taxes on 12 million hard-working Americans, and that is what this budget proposal would do.

I think this amendment should be adopted in a bipartisan fashion.

Mr. BRADLEY. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from New Jersey has 4½ minutes left.

Mr. BRADLEY. I ask the distinguished Senator from Oklahoma, is it his intention to offer the amendment at the conclusion of all time on this amendment?

Mr. NICKLES. The Senator is correct.

Mr. BRADLEY. At which point there would be, under the rules, an hour of debate on the second-degree amendment; is that correct?

The PRESIDING OFFICER (Mr. INHOFE). That is correct.

Mr. BRADLEY. It does pertain to the earned income tax credit?

Mr. NICKLES. That is correct.

Mr. BRADLEY. Mr. President, other speakers will be able to speak in that half hour. I would simply like to make a few points in the remaining minutes we have before this amendment will come to the point of second degree.

First, the argument that we are having is that there is an explosion in this program, that this program has exploded, says the opponent of this

amendment. Do you know why it has exploded? It has exploded because in 1975, if you earned over \$8,000, you could not get this benefit. You could not get any tax relief from this. Now you can earn up to \$28,000. There are millions more Americans that are now eligible for this tax cut. There are millions of Americans eligible for the tax cut. And, indeed, we have broadened it, as the distinguished Senator from Oklahoma has pointed out, from a few hundred dollars in the mid-1980's to \$2,500 today, heading up to \$3,000.

So it is a bigger tax cut. So lo and behold, a ray of insight, a stroke of wisdom; if you give a bigger tax cut to more people, it will cost more money. That is the explosion that the Senator is talking about. I thought giving tax cuts was a good idea. That is all we have heard from the other side. We want a tax cut, a tax cut, a tax cut. Here is a tax cut. But no. For families earning under \$28,000 a year, we want a tax increase. Oh no, no, no, they say. They do not pay any income tax.

Just for the record, 48 percent of the people who receive the earned income credit with children pay income tax; just for the record, the facts. But that is not the point. The point is the earned income credit is meant to offset not only income tax but other taxes, such as Social Security tax, and also the loss of certain benefits as you earn more money so that you are not pushed farther down the ladder.

So the fact of the matter is that this is a significant tax cut. It offsets not only income tax, if you pay income tax, and 48 percent of the families with children who are eligible for this do, but it offsets the Social Security tax. That is the cruelest tax on families, and it offsets the loss of certain benefits as you earn more income going up the scale.

So there is no dispute that under the proposal before us on the other side, that families earning under \$28,000 a year will pay more in taxes. They will pay more on the Social Security taxes that they do not have offset with this, or they will pay more in income taxes.

Let us make a point about the Senator's data. "Oh, what a terrible error rate; oh, what a terrible fraud, a waste." Of course, all of his numbers are from 1988. Well, a few things have happened since 1988 that tightened this program up. In fact, many things have happened since 1988.

For example, we repealed the supplemental credit for health insurance. We repealed the supplemental credit for children under the age of 1. We denied it to nonresident aliens. We denied it to anybody who is a prisoner. We required a taxpayer identification number. The Department of Defense is required to report both the IRS and the military personnel nontaxable earned income credit paid.

We also said if you have investment income over \$2,500 you do not get it. We said that now you have to have a Social Security number provided for

children, as well as adults, and on and on.

We have made major steps to correct this. This is not the time to increase taxes on working families.

I am really surprised that that is the position, inconsistent as it is with the espousal of the other insight.

The PRESIDING OFFICER. All of the time of the proponents has expired.

Mr. NICKLES. Mr. President, how much time remains?

The PRESIDING OFFICER. There are 31 minutes remaining.

Mr. NICKLES. It will be my intention to yield the balance of my time as soon as we have our amendment ready.

I continue to hear the proponents of this amendment say that our efforts to reduce the growth rate of EITC is a tax increase on working poor. I want to say that is flatly wrong. Eighty percent of the money in this program is going to people in lump sum, cash payments.

My friend from Nevada gave some excellent examples of people who qualified for the credit. I heard him say that one person received \$1,000, and another received \$1,200. Under the assumptions in this budget resolution, they could receive more than they received last year.

Let me repeat that. Under our proposal, they could receive more than they received last year. No one's payment, if they received an earned income tax credit and their income was the same, would be less. We did not roll back the program. We did not lower the credit or income eligibility amounts.

Again, here are the growth rates of this program, and it has exploded. For its first 10 years, the EITC cost less than \$2 or \$3 billion. Now the program has outlays of over \$20 billion in the last few years. Even under our proposal, it continues to increase about \$1 billion per year.

Granted, that is about a 3-percent growth instead of a growth rate that was at 20 and 40 and 55 and 60 percent. So it grows a lot more slowly.

I am putting all these tables into the RECORD. People right now, in 1995, can receive a \$3,110 lump sum; 99 percent of the people who qualify for this receive the benefit in a lump sum.

Now, my colleagues call this a tax increase, even though next year we would give them slightly more \$3,110. We say next year the maximum amount under our proposal would be more than that but it would be only slightly more than that. My colleagues on the other side say, well, wait a minute, next year we want to increase that to \$3,500, and in a few years we want to take it to \$4,000. We are saying that, no, we are going to be more conservative; we are going to increase it to \$3,560. So instead of giving somebody \$4,000, we are going to say we will give you \$3,560. Every year we are going to give you more than last year under our proposal, but our colleagues are calling this a tax increase.

I disagree. The handouts will be a little less. The cash payments will be a

little less under our proposal. They will be more than last year, but they will not continue to grow at this unaffordable rate. We cannot afford this. Our Government cannot afford it.

And again I was surprised to find that the cost of this program now exceeds the Aid to Families with Dependent Children, the largest cash welfare benefit program in our Nation's history.

The earned-income tax credit is a great name, but it does not fit this program. This is a negative income tax program. I have heard my colleagues say this affects anybody who makes under \$26,000—I will put tables in the RECORD on this subject. In 1995, the figure is \$26,673. That is the maximum amount of income you can make and still receive some EITC. But that figure increases. Under current law, by the year 2000, you can receive EITC if you make up to \$32,596. Under the so-called radical assumptions in this budget, you can receive EITC if you make up to \$31,656.

So the EITC still goes to the same people, but we just have just slowed the growth of the maximum credit amount.

What we have done, in my opinion, is respond to the studies of GAO. I heard my colleague say it was an old study. The IRS in 1994, in a 2-week study on electronic returns, said that 29 percent of those audited received too much earned income credit. That is a total of \$358 million. They said 13 percent were judged to have intentional errors, outright fraud. That was \$183 million.

That was just a short, little 2-week study. In 1988, another tax compliance measure showed that 42 percent of EITC recipients received too large a credit and 32 percent were not able to show they were entitled to any credit. That was when the program was much smaller, and that was when the incentives to cheat were much less. Now we have tripled the amount of money that individuals can receive. Now people have found out that you can get a big check if you make \$12,000—and it does not make any difference if you made \$12,000 working 40 hours a week or if you made \$12,000 working 100 hours a year. Maybe for some reason you are working part time, whatever. You can qualify for this benefit and be able to receive \$3,110 dollars. And when people find that out, there is a lot of incentive to cheat a little bit. In the past people cheated to reduce their tax liability, and now we find that people have other incentives; if you cheat a little bit now, we are going to give you a check, and the check is not just a few hundred dollars as this program used to be. It is not just \$953 as it was in 1990. Now it is \$3,110 and growing to \$4,068.

We think that is too rapid a growth. We think this program is too fraudulent. We think we should curtail the growth of that program. I tell my colleague from New Jersey, I will share with him a copy of the second-degree amendment I have. We are trying to

make sure it conforms with his amendment, and I will give that to him in just a moment.

I reserve the remainder of my time.

I suggest the absence of a quorum.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Will the Senator withhold the request?

How much time remains?

Mr. NICKLES. I withhold.

Mr. DOMENICI. I reclaim the time on our side.

The PRESIDING OFFICER. The Senator has 24 minutes 10 seconds.

Mr. DOMENICI. Mr. President, let me just recap and then I would like a quorum call charged to our side where I can talk with Senator NICKLES for a minute.

Mr. BRADLEY. Will the Senator yield just for a question?

Mr. DOMENICI. Sure.

Mr. BRADLEY. If the Senator still has time that will be unused, I have people on my side who do want to use time, and while Senators are in conference, does the Senator mind if they speak?

Mr. DOMENICI. Mr. President, I say to the Senator, I do not think I can do that because we are running up against a real shortage of overall time to get a lot of amendments in. We both get charged 50–50, or we benefit 50–50 on that time. I do not get the benefit of the whole 20 minutes. That side gets 10 of it in the overall, but I do not think I would do that yet.

Mr. EXON. Will the Senator yield?

Mr. DOMENICI. Yes.

Mr. EXON. Following up on this, it is pretty obvious we are coming down to crunch time. I am just going to make the suggestion now without asking for any commitment now of the chairman of the Budget Committee. It seems to me that after the Gramm amendment is offered, which I understand will be the next one up—and I am not trying to limit debate on that—I would suggest that we at least consider getting a unanimous-consent agreement on both sides that after the Gramm amendment all amendments to follow would be limited to some timeframe, I do not know, half an hour, 15 minutes, equally divided, or something of that nature, and possibly eliminate second-degree amendments. Otherwise, we are going to run into a real train wreck tomorrow about noon.

I just make the suggestion if we could consider contemplating after the Gramm amendment to enter into a unanimous-consent agreement on all amendments that would follow.

Mr. DOMENICI. Mr. President, in the Senator's usual way of helping things along, the Senator has made a good suggestion. Clearly, I cannot agree to that at this point.

Mr. EXON. I cannot either. I have not cleared it on this side. But we have to provide some leadership if we are going to allow any time at all to the whole stack of amendments that the Senator and I know are waiting on each side.

Mr. DOMENICI. The Senator asked that we contemplate it and we will contemplate it.

Mr. EXON. I thank the Senator.

Mr. DOMENICI. We are spending a little time, Mr. President, incidentally, trying to find out what the President's plan is. I saw in the paper today he may have a plan. I have never heard of it until I read it in the Post today. I do not expect any Democrat on the Senator's side has seen it yet. But in any event, we are working a little bit here to see if we can find out what that might be.

I just would like to recap this argument and then I will yield the time back to Senator NICKLES after a brief discussion with him.

Let me talk about this earned income tax credit this way. We would seek to return the earned income tax credit—that is the name it is given so that is the name I will use—to its original intention. Its original intention was that it should go to families with children, so it was not just an earned income tax credit. It was a family earned income tax credit. We return it to that: working families are entitled to this tax rebate in some cases or this check from the Federal Government in most cases.

The concept was a good one. It still is a good one. We have expanded it. We think it should be returned to the concept that came about when President Reagan was in office, about which I have been quoted in the Chamber as being a strong proponent. That is for working families to get an incentive to work instead of quitting work.

Now, what will happen if the assumptions in the budget resolution are ultimately adopted—families with one qualifying child in 1995, the maximum credit amount—that is, the check they get back—\$2,094. That is the maximum. In 2002, it will be \$2,630. That is a plus change, a positive change of \$536. The maximum income eligibility for that family with one qualifying child is \$24,396 now.

It will increase to \$30,659. That is an increase in maximum income eligibility of \$6,263.

Now let me just move to families with two or more qualifying children, remembering we are returning it to families, as was originally intended. So that single wage earners who are not earning sufficient money do not get a tax check back from the Government. This is intended for working families.

For working families with two or more children, the maximum credit today is \$3,110. In the year 2002, the tax credit will be \$3,806, an increase of \$696, almost \$700. The maximum eligibility, Mr. President, how much money you can earn—and this all has to be earned income—\$26,673 in 1995; \$33,845, for an increase of \$7,172, in the year 2002.

Frankly, there are some who might say that is not enough. There are some who would say it should be more because current law says it should be more. Well, we passed a law and now

we find ourselves with a new responsibility and it is a very simple responsibility. And it is to balance the budget of the United States. That is the responsibility.

If we were saying this good program should stop, we should take it out of the budget, cause it to cease and desist, then obviously we would be saying to working families, "We no longer want to give you an incentive to stay at work." We are not saying that. We are saying this is more like what we can afford. We think it is a pretty fair increase, not a cut, an increase.

Now, just to put it in perspective that this is not just a little program that indeed we came upon and Republicans helped put it in place, a President who supported it named Ronald Reagan, to say that it is not a significant program even after we asked for a little restraint in getting at a little bit or a lot of fraud—which I did not even mention, the Senator from Oklahoma did—this earned income tax credit will be a \$193 billion program for the years 1996 through 2002.

We will spend, in taxpayers' dollars—that is, we will collect money from taxpayers—we will give checks back to the working poor families in the amount of \$193 billion between 1996 and 2002; hardly abolishing a program; hardly taking away the basic concept of a program; hardly increasing anybody's income taxes.

It is taking income taxes and saying we want to help people to the tune of \$193 billion in checks we will give back. Those are the numbers when we are finished, I say to my friend.

The Senator would like it to be \$230 billion.

Mr. BRADLEY. Will the Senator yield?

Mr. DOMENICI. I am happy to yield.

Mr. BRADLEY. I do not dispute the numbers, but to argue that this is not a tax increase is a little bit like arguing that when Ronald Reagan wanted to phase in tax cuts over 3 years, if we did not phase in the third 10 percent of the tax cut, that would not have resulted in higher taxes.

Mr. DOMENICI. Does the Senator have a question?

Mr. BRADLEY. The question is, does the Senator dispute that under the proposal offered in the budget resolution working families will pay more in taxes? Does he deny that working Americans would end up paying more income tax or have less relief for Social Security taxes than under the amendment that is offered by the Senator from New Jersey?

Mr. DOMENICI. I say to the Senator, if I might respond, I do not agree at all. We have decided in our wisdom to say we are going to give money back to certain American taxpayers. We are going to give them a check. We did not equate that with income taxes. We just had a whole litany of things saying we just would like to relieve your burden.

You choose to call that raising the income tax. I choose to say that we are

not going to give a single individual a paycheck from other taxpayers of the United States because he does not have a family. We are not going to give him a \$500 check.

We are just saying this is for working families. It is an idea that we put some flesh into the law. Now today you are saying if we are not going to give it to that single person, we are taking a paycheck away from him. But it really is not income taxes rebated to him that he already paid. It is other people's income taxes that we collected and give to him in a paycheck. You can call it what you like. That is my description of it as best I understand the program.

So we choose to do that. For those who want to spend more and give that person I just described either \$300 or \$400 or \$500, fine. We choose to say the working family continues to get the money. And we just gave the numbers.

And for those who say it goes down, the number that we intend, if the Finance Committee passes it—and that is the irony; they may not even pass it. The Senator is on the Finance Committee. You may choose to do something else.

But we were compelled in the Budget Committee to tell you how we might get there, and this is one way we might get there.

Mr. BRADLEY. Will the Senator yield on that point?

Mr. DOMENICI. Yes.

Mr. BRADLEY. You do something else. You mean to equal the amount of revenues that the Finance Committee will be asked to raise under this proposal. You mean to raise other kinds of taxes as opposed to raise taxes on these working people. That is what you mean.

So, by the Senator's own admission, this is a tax increase. It is a requirement of the Finance Committee to raise taxes.

Mr. DOMENICI. Mr. President, that is not what I said. I say the Finance Committee has a lot of options, and they can choose to do this the way it is scheduled here or they can choose to do it a different way. That is in their hands.

We show one way to get to a balance. And this is part of the one way to get to a balance.

Now, frankly, I do not believe the American people would believe that what we have talked about today means we are raising taxes. We have the prerogative and responsibility to change a program that is rampant with fraud that we find we cannot now afford, but we want to keep its basic concept.

And for those who run to the floor on the other side, who say, "Well, you are cutting the millionaire's tax," that is not true, either.

The budget resolution before us says it is the sense of the Senate—it passed by every single vote of the Budget Committee except one—that any tax cuts, if they occur, will go 90 percent to

people with \$100,000 worth of income or less. So speaking of red herrings, that is one. That is all we hear.

Frankly, we just, every now and then, have to remind people they can take the budget resolution and read it and they will find it right in there. Senators BOXER and BROWN were the proponents of it and it passed overwhelmingly.

Now, Mr. President, we have some time left.

Mr. President, I suggest the absence of a quorum on our time.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DOMENICI. Mr. President, I yield the remaining time to Senator NICKLES.

Mr. NICKLES. Mr. President, I have a couple comments I want to clarify for my friend from New Jersey, I was hoping we could get some time reduction. I understand that he was not able to get that. My guess is that a point of order will be made when time expires on this side.

A couple points on this amendment. Right now we are spending a total, for the so-called earned income tax credit of \$25.3 billion per year. Under the budget proposal we have before us, if you add up the next 7 years, that total will be \$204 billion. A freeze would be \$176 billion. So we are spending about \$30 billion more than a freeze. So the total amount of money that we spend on this cash payment program still goes up. Most of the beneficiaries receive a lump sum. I am tired of hearing people talk about tax cuts and tax increases. The EITC is primarily a cash payment, a lump-sum cash payment to a lot of individuals, and the cost of the program is going up every year. It goes up even under our proposal. I wanted to make that perfectly clear.

I also want to inform people that if they received an earned income tax credit last year of \$3,110, next year they will receive, even if the Finance Committee passed this as we proposed, a little more. It will not continue to escalate as rapidly as it has. It cannot continue to escalate as rapidly as it has.

I might mention, if we do nothing, if we follow the guidelines of some people, the status-quo type budgets as they propose, this entitlement program will continue to explode, and it certainly has exploded. We will be spending \$226 billion over the next several years.

How can people call a program where 80 percent of the money is handed out in cash payments, where 99 percent of the benefits are received in an annual lump-sum payment, a tax cut.

I might mention, I am going to put in the RECORD a chart for the earned in-

come tax credit for two or more children. I also have one for persons with one child. The figures I was using before were two or more children. When a lot of people find out they are eligible for this, they are going to start filing. A lot of people are going to start working to have their income come in right on that level.

You say, how can you do that? I tell you, in the private sector, I used to hire some people who were retired from other companies, and they wanted to work just enough so they could make a little money before they started losing Social Security. So people can adjust their incomes; they can be paid just about that much. That happens.

Or they can work part time until they make this amount of money, and you do not have to work 2,000 hours to receive the maximum credit. There is no hour limitation. As a matter of fact, the average number of hours people worked in this program is 1,300. That is about 24 hours a week. That is not 40 hours a week. You could actually be a lobbyist or something and work 100 hours in a year, and if you happen to make about the right amount of income, you could receive a \$3,100 check from Uncle Sam.

We are talking about reducing the growth of these checks. We are not even reducing the amount, but we are saying they will not be growing as fast. I think that is important. Some people call that a tax increase. It means we are going to write smaller checks, these checks will not be growing as fast. It is not affecting anyone's tax cuts, tax rebates, or anything like that. Most of these people are receiving cash payments, so we are trying to curtail a program that has been growing seriously out of control.

Mr. BRADLEY. Will the Senator yield on that point?

Mr. NICKLES. Not quite yet. The growth in this program has been unsustainable. The people advocating this amendment want that growth to continue. We cannot afford it. If you are going to balance the budget, you are going to curtail the growth of entitlement programs. This is an entitlement program. This is one of the fastest growing entitlement program.

I mentioned before the cost of the program totally exceeds the cost to Aid to Families with Dependent Children. Aid to Families with Dependent Children in 1995 cost \$18 billion. This program in 1995 cost us \$25.3 billion. It is past AFDC big time. AFDC provides cash payments; this program provides cash payments. This program provides cash payments for a family with two children of \$3,110. With one child, it provides for a maximum credit of \$2,094. So you get an extra \$1,000 if you have two or more children.

Some people who are talking about changing the welfare program say they want to take some of the incentives away from having more children. This program is a big incentive for people to say, "We want our income to be at this

particular level so we can get a nice big check from Uncle Sam."

I have also found that in some cases, 20, 30, maybe even 40 percent of the people living in a particular area could be eligible for this cash payment program. Then you start finding con artists who will sign people up who do not pay taxes and have not filed returns in the past. They will go on a recruiting trip and encourage people to have their income fall into this category, file an electronic return and maybe split it with them because they weren't going to do a return in the first place.

There has been a lot of fraud in this program. I am quoting these figures from a recent GAO report. The most recent study shows 42 percent of EITC recipients receive too large a credit, and 32 percent were not able to show they were entitled to any credit—wow, 32 percent, the study showed, were not entitled to any credit. And then in 1994, the IRS did a 2-week study on electronic returns and showed 29 percent received too much EITC and 13 percent—

Mr. BRADLEY. Will the Senator yield on that point?

Mr. NICKLES. And 13 percent were judged to have intentional errors. That is a fraudulent program.

I will tell my colleagues, Senator DOMENICI wants to save an hour of time so that we can consider more amendments. I do not blame him. He has a lot of amendments pending.

I will tell my colleagues, I had hoped to offer a Sense-of-the-Senate amendment in the second-degree to tell the Finance Committee, "Reform this program and in the process we think you can save some money."

This happens to be a program that needs to have some waste, fraud, and abuse taken out of it. That was the essence of the Sense-of-the-Senate amendment I had intended to offer, saying to the Finance Committee, "Preserve this program in a way that you eliminate the waste and the abuse and the fraud that we see now and as reported by the GAO."

That is what we should be doing. I think the Finance Committee can do it. GAO says one-third of this program is fraudulent. We did not even cut it that much. We maybe should have frozen the program until we eliminated the fraud. We did not do that. We allowed the program to grow.

I urge my colleagues to vote against the amendment of the Senator from New Jersey. I will be happy to yield for a question.

Mr. BRADLEY. The Senator said one-third fraudulent. Could the Senator justify that? Could he give us some documentation that says one-third fraud?

Mr. NICKLES. Will the Senator hold a second?

Mr. DOMENICI. Mr. President, could I make a request before he answers the question? How much time do we have remaining?

The PRESIDING OFFICER. One minute fifty-two seconds.

Mr. DOMENICI. Mr. President, I say to Senator EXON, I have discussed with Senator NICKLES, and the Senator from Nebraska has discussed with Senator BRADLEY an arrangement that we might make. I am shortly going to make a point of order, and I understand either Senator EXON or Senator BRADLEY will move to waive it.

I ask unanimous consent that when I make the point of order and Senator EXON or Senator BRADLEY seeks to waive it, that the time be limited on the motion to waive to 10 minutes a side.

The PRESIDING OFFICER. Is there objection?

Mr. EXON. There is no objection on this side, and just so I understand what the Senator is suggesting, the Senator from New Mexico will move to waive, we will object to that and then we will limit debate to 10 minutes on this side and 10 minutes on that side on that motion to waive; is that correct?

Mr. DOMENICI. The Senator from Nebraska or the Senator from New Jersey will be making the motion to waive. The Senator is correct.

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

Mr. DOMENICI. Mr. President, I yield back the remainder of our time, which is a minute and something.

Pursuant to the pending amendment, the pending amendment is not germane to the provisions of the budget resolution. And pursuant to section 305(b)(2) of the Budget Act, I raise a point of order against the pending amendment.

Mr. EXON. Mr. President, pursuant to section 904 of the Congressional Budget Act of 1974, I move to waive section 305 of that act for the purposes of the pending Bradley amendment.

The PRESIDING OFFICER. Under the previous order, the debate is 20 minutes evenly divided.

Mr. DOMENICI. Mr. President, I ask unanimous consent that it be in order to ask for a rollcall vote on the motion to waive at this time.

The PRESIDING OFFICER. The motion to waive is pending.

Mr. DOMENICI. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

UNANIMOUS-CONSENT AGREEMENT

Mr. DOMENICI. I ask unanimous consent that the motion to waive with respect to the Bradley amendment be set aside after the debate and that the vote occur at a time to be determined by the two leaders, which is the way we have done the other ones.

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

Mr. DOMENICI. I will yield our 10 minutes to Senator NICKLES.

Mr. EXON. I yield the 10 minutes on our side to be controlled by the Senator from New Jersey.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. The distinguished Senator from Oklahoma says this is not a tax cut that I am trying to save, but, instead, that this is a spending program. And he continually refers to AFDC. Then why are you telling the Finance Committee to raise an additional \$20 billion? In effect, the budget resolution tells the Finance Committee to increase revenues by \$20 billion—that is what this does, by \$20 billion. Now, the Senator thinks he will do it by increasing taxes on families with under \$28,000 in income. The Finance Committee might choose to do something else. But make no mistake, this results in increased taxes.

Mr. NICKLES. Will the Senator yield?

Mr. BRADLEY. Certainly, on your time.

Mr. NICKLES. I will be brief. I would like to point out to my colleague that I think he is totally incorrect. The revenue numbers in our budget are the CBO baseline revenues. We did not change revenues. We did not direct the Finance Committee to change revenues. They have to reduce outlays. We do not raise revenues, we reduce outlays.

Mr. BRADLEY. The effect of this will be to increase either the offset for Social Security taxes or, for 48 percent of the people receiving the earned income tax credit, income tax increases. That increases net revenues.

I yield 2 minutes to the distinguished Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I rise to strongly support the Bradley amendment. It is amazing to me that the Budget Committee could review the totality of tax expenditures, \$480 billion, and yet has selected the one area that is for working people, working men and women. Who are the people that are going to benefit from the earned income tax credit? They are the construction workers, the secretaries, the janitors, the hard-working backbone of this country and its economy. They have been singled out.

The Budget Committee could have said we are going to take care of the billionaires' tax loophole, that benefits people who reject their citizenship in order to take their bounty and go to another country. But oh, no; they didn't go after the billionaires.

You do not get the earned income tax credit unless you work. We are trying to reward work and particularly, the work of men and women that have children. They are the group of Americans that are falling furthest behind over the period of the last 15 years. This is the one program that helps and assists them.

I do not know what it is about the Budget Committee that wants to single out working men and women who are making less than \$28,000 a year to raise their taxes. They are the ones who are going to be targeted by this budget resolution—having their sons and daughters that go to college paying more in