thinking, and she said, ''She's dead.'' And I said, ''Well, you're right, Pocahontas is dead, but this is the day that she got married on a long, long time ago, many years ago.'' Then Arabella said, ''Oh, you mean she got married on Monday?'' And I said, ''Well, no, she really got married on April 7.''

But it is funny how kids interpret things when we talk to them. You never quite know when they are listening or how they are listening and so forth. But I enjoy talking to children, I enjoy talking to small kids and to seniors in high school and college kids and so forth. One of the things I often ask small kids in schools, ''How many of you have an allowance?'' Inevitably half the class has an allowance. ''What do you make?'' Two or three dollars a week. Some of them make $5. Some of them are well-heeled, I guess, they make $10 a week. I said, ''Let me ask you this. You make $10 a week, how much do you spend?'' And they always kind of giggle, ''Well, I spend a little bit of it but my dad and mom like me to save some so I don't spend all of it.''

''Let me ask you this. You make $2 a week; do you ever spend $2.10?'' They look at me like I am crazy. ''Do you ever spend $2.25?'' ''No.'' ''Do you ever spend $2.50?'' At this point they know I am crazy, and they are wondering what the heck is this guy talking about. I say, I am your Member of the U.S. Congress. Did you know that the U.S. Congress also has an allowance? We call it tax revenue, and we get a certain amount a year; sometimes it is about $1.3 trillion. But do you know what we do? We grownups, we professional men and women who are paid to represent you and spend your money, we spend more of that allowance than we make. You send us $1.3 trillion and we spend $1.5 trillion. It seems to be the case, Democrats or Republicans, we overspend.

These kids cannot believe it. These kids, who have such innocent faces and such belief in mom and dad and the United States of America look at me in disbelief. Why would you spend more money than you bring in? Why would you spend more than your allowance? How can you spend that? And then we talk about the national debt and it is a very real problem. It is not something that, well, this is an amusing story to talk about my niece Arabella. This is truth. This is reality. When Members of Congress go out and they try to be the big mom or dad spending all the money, expanding social programs, talking about we need this for the United States of America, they are not spending their own money, they are spending little children's money. I see today in the gallery some children. Guess whose tab they will be picking up in the future?

Our debt, Mr. Speaker, right now is $5.1 trillion. Let me give the definition of $1 trillion. Shaq, the famous basketball player, Shaquille O'Neal, makes $30 million a year. Do you know how many years he would have to play to make $1 trillion? Thirty-three thousand years, just to make $1 trillion.

Another definition. If you have a boxcar full of thousands of dollar bills crammed to the top, you have $65 million in the boxcar. Do you know how long the train would have to be, Mr. Speaker, to get to $1 trillion? The train, with boxcars of $65 million each, would have to be 240 miles long to get to $1 trillion. And we, the big spenders in Congress, have left a debt, are looking at a debt right now of $5.1 trillion. Yet the sad thing is we still have deficit spending. We still are spending more of our allowance money than we bring in. The children of America will be picking up this money. It will take years and years to pay down this debt.

But the first step is to balance the budget. We have not had a balanced budget since 1969, which, as you remember, was when Woodstock was the big thing and everybody wanted to get out of Vietnam and Richard Nixon was President and the ''Mod Squad'' was on TV. That is how long it has been, Mr. Speaker. The time is now to stop this. This Congress, this year, let us pass a balanced budget and get on to save the United States of America for our children.

The SPEAKER pro tempore (Mr. GUTKNECHT). Under a previous order of the House, the gentleman from Pennsylvania [Mr. GEKAS] is recognized for 5 minutes.

[Mr. GEKAS. addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. BONO] is recognized for 5 minutes.

[Mr. BONO. addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. RIGGS] is recognized for 5 minutes.

[Mr. RIGGS. addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

TAX EQUITY FOR INDIVIDUALS AND CORPORATIONS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New York [Mr. OWENS] is recognized for 60 minutes as the designee of the minority leader.

Mr. OWENS. Mr. Speaker, today is April 8. We are just 1 week away from April 15, the tax day that is dreaded by most Americans. In the past, my colleagues on the other side have talked about taxes and the need to lower taxes for American families. I am one Democrat on this side of the aisle that agrees with those who want to lower taxes for American families. I agree with any of my colleagues, whether they are Republicans or Democrats, if they want to lower taxes for families and for individuals. We need to lower taxes for families and individuals in the United States. At the same time, we need to have a fair taxation policy which balances off our revenue-gathering operation by raising the taxes on corporations that have had their taxes lowered a great deal.

The problem is that we are taxing families and individuals too harshly. Families and individuals are paying too much because corporations are paying too little. We need to maintain certain services. We need to maintain certain functions of Government. I am all in favor of downsizing Government, I am in favor of Government getting smaller, but there are certain basics that must be paid for and we must tax in order to do that. So let us not oversimplify and determine that we can lower taxes all over the place. We need to balance off our revenue-gathering operation by guaranteeing that corporations pay their fair share.

For example, in 1943, and I have said this before, corporations were paying almost 40 percent of the total income tax burden in this country, in 1943. Twenty-seven percent of the total income tax burden in 1943 was paid by individuals and families. That is quite a difference. Corporations, as we see, were paying the greater amount. In 1983, however, the amount of taxes being paid by corporations under Ronald Reagan's administration fell to as low as 6 percent, from 1943's high of 40 percent to 6 percent in 1983. That is what happened to corporations in terms of their share of the income tax. At the same time that corporations fell, went down from this 40 to 6 percent, individual and family taxes rose from 27 to 48 percent. There was a swindle there somewhere that the American people really were not aware of. Corporations went as low as 6 percent. Today corporations are still paying only 11 percent of the total tax burden.

Individuals went as high as 48 percent in 1983. Individuals and family taxes are still up there at 45 percent. We have a gross inequity. The share of taxes paid by corporations is only 11 percent while the share paid by individuals and families is over four times that amount, 45 percent.

U.S. tax policy must be reset. Corporations must pay their fair share. And the special interest tax loopholes must be closed. In America, the richest country in the world, it is unspeakable that our families are forced to bear the brunt of the burden of taxation.

What we need to take a close look at is how corporations got from 40 percent of the income tax burden down to 6 percent, and now are at 8 percent. What happened? Public policy made by Members of Congress. The Members of Congress did that to individuals and to

families. They raised the taxes on individuals and families while they were lowering the taxes on corporations.

Some people, of course, will contend that corporations should not pay any taxes or that rich people should not pay taxes greater than poor people or corporations or entities which generate profits for rich people; therefore, we are only persecuting the rich. Well, I am not going to get into all the theories of taxation, but I think that those who have the most benefit the most from Government, those that have the most gain the most from our military, our Army, our Navy, our Marines. It is all there to defend what we have, and those that have the most to defend certainly ought not be reluctant to pay a greater share of the tax burden: Those who own the most, those who have most at stake.

If our society were to collapse, let us say we are not facing any threat from any outside force, we do not need the Army, the Navy, and the Air Force to protect us, the danger is not there. The danger may come from somewhere within. If the society structure collapsed, if there were no law and order, no rules and regulations, then who would lose the most? The people who are the greatest beneficiaries of law and order, of Government, of codes, of laws, they are the ones who are the richest, they would lose the most. This is not a far-fetched example or not a far-fetched statement. Take a look at the Soviet Union if you want to see a failed society. In modern times you had a society totally collapse, not as a result of any outside force. The Soviet Union was not conquered by an outside power. The Soviet Union collapsed from within. And the total of that society, the great majority of the people were losers as a result of a collapse of what they had and the failure to rebuild anything else even until today.

One of the big problems in the Soviet Union right now is that they cannot collect taxes. The big problem right now is that the Government makes a budget, the Government makes policies, and the Government cannot pay the pensions of the people who deserve pensions, the old folks who I guess they would be receiving it in the Soviet Union, it is not the Soviet Union now, it is Russia; in Russia they will be receiving the equivalent of Social Security. They do not make the Social Security payments on time. In fact, they are 3 and 4 months behind on making Social Security payments and pensions to workers and other equivalents of Social Security payments. The amounts are very small, so you have people literally starve as a result of not being able to receive their money that is due them from the government because the government is collapsed.

Despite the fact that they have a semblance of a government, one of the big things they have not been able to do is to collect taxes. The reason they cannot pay workers who have government jobs on time, they cannot pay the army, even their military is paid late, they cannot pay the people who are due their pensions, they cannot maintain their public facilities like hospitals, because in the collapse of the society, they have not been able to get back to the point where they can generate enough revenue to pay for the cost of running the society. It would be a terrible thing if in America we suddenly could not collect taxes, if people just decided they are not going to pay their taxes, the government cannot go and collect taxes. That would be a terrible thing, I think we would all agree.

I suppose that most of the people listening to me think that is an absurd notion. How could that ever happen? Americans are obedient people who care about their government and they care about the law. We do not care about the IRS. Nobody likes to pay taxes, nobody is going to pretend that they enjoy paying taxes, but by and large Americans pay their taxes, especially middle-class Americans, especially low-income Americans. I would suggest to anybody who wants to see who the IRS works with most, go to any tax office in the area where people have been summoned down, summoned down to negotiate or discuss or to be told about the need for them to pay some more taxes, something was wrong or something is being challenged. I have been to those offices a few times and I am always surprised that they are filled up with people who are obviously poor. The poorest people are always in the Internal Revenue offices waiting to have something ajusted, waiting to have the summons explained to them, and they usually end up having to find some way to pay the small amount of taxes that they owe, relatively speaking, sometimes quite small in terms of our global economy, in terms of the income made by middle-class people, but it is a large amount for a poor person to have to pay; but they are there, and they comply with the law. The middle class complies with the law.

I do not know which President said it, whether it was Nixon or Reagan, but there was a memo issued by one of the Presidents at the time when the Internal Revenue was having some problems with the staff and they wanted to show that they did not need more staff, I think, they said that Internal Revenue should not waste so much time with corporations and the very rich.

□ 1830

They required a lot of time. You have to negotiate with them. You have to chase them down. You have to figure out very complex sets of books and records.

They said, ''Go after the middle class. You ought to improve tax collection, going to bring the money in. Go after the middle class. They are obedient, they are compliant, they are patriotic.''

So the middle class pays its taxes, and I am sure that the same thing applies to poor people.

You know, my father very seldom had to pay taxes. He always filed the form though. My father never worked on the job where he earned more than minimum wage, and he had eight children. So eight children and the deductions for that plus minimum wage, and often he was laid off during the year. It was a very difficult life, I assure you. Minimum wage at that time was quite low and still is relatively speaking. So we never had to pay taxes. We had to file a form. He was always terrified to make certain that the form got filed on time.

The law impresses poor people, uneducated people, a great deal. They do not want to disobey the law no matter what the stereotypes might lead you to believe. The people who have most respect for the law, and there is fear involved in respect too, you know, are the poorest people. So they never disobey. If you go to one of those tax offices where people are sitting waiting to deal with their tax problems, you will see not the wretched of the Earth, but the anxious of the Earth. Some of the most anxious people in our society will be there and they are not middle-class professionals and they are not rich people, but they are poor people.

So it is a serious matter. April 15, a serious matter in 80 percent of the American households, taken very seriously.

I am sure that any American citizen would be appalled at the notion that there are certain people who blatantly refuse to pay their taxes, certain powerful people in powerful places in powerful institutions who just refuse to pay their taxes. They disobey the Internal Revenue Code. I think most Americans would be appalled if I said that they do it and nobody challenges them. IRS, that pursues some of my poor constituents for a few hundred dollars, has not bothered to pursue certain corporations that blatantly refuse to obey the Tax Code.

What am I talking about? Well, I was here a few weeks ago to introduce a letter that I had written to the Internal Revenue Commissioner. I wrote this letter and I circulated it and I talked to my colleagues about it, and I think we have about 30 Members of Congress who have signed this letter to the Internal Revenue Commissioner, the Honorable Margaret Milner Richardson.

Now I heard Ms. Richardson is leaving after the tax season is over. She is resigning, but she is still there. So we addressed the letter to Commissioner Richardson.

Now that was February 12, 1997. You know March 12 has come and gone. That is a month. Now April 12 is approaching. That will be 2 months, and the Commissioner of Internal Revenue Service has not bothered to answer 30 Members of Congress. We sent her a letter which reads as follows, and I will just tell you what it is about. It is about sections 531 to 537 of the Internal Revenue Code. We want to know from

the Commissioner of Internal Revenue, who will not let most Americans get away with more than a single dime out there—they will chase down people who owe taxes, and that is the way it should be. I mean we got a law, obey the law. It generates the revenue that runs the country. Nobody wants to be in a position where we contribute to the collapse of our country by disobeying the laws and having widespread disobedience that leads to the failure to collect the revenue we need to run the country.

So why does Commissioner Richardson allow certain corporations to disobey the law? Section 531 to 537, Internal Revenue Code, says simply that corporations in America are not allowed to buy back their own stock except for certain stipulated purposes. If they do not use it for reinvestment, to give stock options and certain things, they just buy back their stock and store it away, hoard it. It is illegal. The corporations are supposed to distribute the dividends of their profits and not use their profits to buy their own stock.

Now, they say that this originated because there were certain closely held corporations, family corporations, and they were avoiding the payment of taxes by buying back their own stock. That was where the idea originated, and for that reason the notion has been generated that this only applies to family corporations, closely held corporations, but it does not.

Congress made that clear in 1984. In 1984 Congress wrote in a statement in the Internal Revenue Code which says that this provision applies to all corporations. This provision applies to all corporations. Section 531 and 537 of the Internal Revenue Code applies to all corporations. It is very interesting that Congress said you cannot do this, it is against the law. But they did not say anybody would be put in jail. After all, you are dealing with America's powerful corporations, I guess, and they are not like the little guy out there who can go to jail for not paying his taxes. Corporations will not be put in jail; there is no penalty written into law. The law says they will be penalized though; the penalty will be a stiff one: 39.6 percent of the amount that you illegally buy back you must pay to the Government. That is a pretty stiff penalty; 39.6 percent is the penalty for buying back your own stock illegally.

Have they invoked that penalty? It could be that they have and we know nothing about it because the negotiations and the workings of the Internal Revenue Service are secret. They are confidential. So there may be corporations that have violated this law and been penalized and we do not know about it.

But we find a pattern, a pattern in corporate America, which says to us that they are not being penalized because many, many large corporations are buying back their own stock illegally instead of distributing them as dividends to the shareholders. They are buying back their own stock. The pattern is such that we know they are not being penalized. Why would they ask for a 39.6-percent penalty?

So we asked the Commissioner of Internal Revenue to tell us what is happening with section 531, 537.

Dear Commissioner Richardson: My colleagues in Congress who have joined me in signing this letter are very much concerned about a major loss of Federal tax revenues resulting from the failure of the Internal Revenue Service to apply against giant corporations the unreasonable accumulation of surplus provisions of sections 531 to 537 of the Internal Revenue Code. We believe that the IRS could and should immediately assess section 531 penalties on the more than $275 billion that America's largest corporations have spent to buy their own stock in 1994, 1995, and 1996. These penalties at 39.6 percent would total over $100 billion. Total buybacks by corporations are reported to have risen from $20 to $35 billion per year in 1990 to 1993 to $70 billion a year in 1994, just under $100 billion in 1995, and probably over $110 billion in 1996.

Stock buybacks by America's largest public corporations are all the rage these days according to the financial media. These enormous buybacks demonstrate that America's largest corporations are accumulating profits and earned surplus far beyond the reasonable needs of their businesses and in virtually every case they are paying dividends that are a small fraction of their earnings, often less than 20 percent.

For example, in the 2 years, 1955 to 1956, IBM earned about $9 billion or $21 plus per share. Now this amount is paid out in common dividends of only $1.4 billion, which is $2.80 per share instead of $21 per share. All of the rest of what IBM profited and then some went to buy its own stock back. In 1995, $5.5 billion was bought back, $4.6 billion common, and $870 million for preferred stock, and $2.3 billion in the first half of 1996, with a 2-year total probably of $10 to $11 billion. And it is true IBM has a multibillion dollar capital spending program, but this is much more than amply covered by its huge additional cash-flow of $10 to $12 billion for that same 2 years from sale of capital assets and from items that are deducted on the earnings statement but do not involve cash outlays, principal depreciation, amortization, and deferral of income taxes.

Now if you are getting bored then I can understand that, but we are talking to the Commissioner of Internal Revenue, and these are statements that are simplified about as much as you can simplify it in order to explain what we are talking about, and we also at the same time have to make the Commissioner of Internal Revenue understand we are serious, we have done our home work, we have done the research. This is part of a larger program of the Progressive Caucus and the Congressional Black Caucus of trying to pinpoint corporate welfare.

We have a lot of talk about welfare for poor children and welfare for poor mothers, and we have been outraged at the pennies that they might have misspent and we have done something about that. A lot of people feel happy about it. A lot of people out there are suffering needlessly because we recklessly wiped out the entitlement for needy children in the process, and I will not go into that in great detail. Let us just talk about what corporations are getting away with, what corporate welfare is all about, and this is just one piece in the corporate welfare setup.

This is the most outrageous piece because this is a situation where you do not need any new laws. Congress does not have to go back and close some loopholes that it made. No, the law already says they have to pay a penalty if they violate the law, but they are not doing that.

So we asked the Internal Revenue Commissioner, getting back to the letter, and I quote the letter:

We ask you this: Is there not here and in dozens of similar cases a clear-cut case for immediate assessment of the 39.6-percent penalty on all amounts used for stock buybacks? Is there any need to get into an elaborate discussion of reasonable needs of businesses as envisioned by sections 533 and 537? To be specific, these corporations are paying very small dividends amounting to a small fraction of their earnings. Their capital spending and other cash requirements are amply covered by their nonearnings cash flow. They are spending a substantial part of their earnings, in some cases all or more than all, to buy back their own stock. Therefore, since prima facie, the surplus they have used to buy their own stock has been accumulated beyond the reasonable needs of the business, the 39.6-percent penalty should be assessed. Our study of earnings statements, cash-flow statements and balance sheets leads us to conclude that in many cases the 39.6-percent penalty might reasonably be applied to even larger amounts than the stock buyback amounts, but that would trigger an extended discussion of needs of business and other considerations.

It seems to us that our suggestion has the virtue of elegant simplicity. You spend a billion dollars on stock buybacks, your penalty is 39.6 percent or $396 million. It is that simple. We expect the Commissioner could do this in a 1-page notice or a 2-page notice. It is up to the businesses to prove that they have not violated sections 531 to 537. We suggest penalties for 1994 to 1996 because it was during this period that public company stock buybacks exploded to 12 figure totals. You know, in 1984 the law was amended and made clear that you cannot do this. So we had a long period where corporations—I am sure they have the best legal advice in the world—when they looked at

the law and then decided we better not touch this—and that is true now of many, many corporations. Many of the Fortune 500 are not buying back their stock, and many corporations are not buying back their stock.

The question is, If it is such a lucrative, desirable venture for some, why have they not all done it and why are they not all doing it? My speculated answer is that their legal advisers tell them it is against the law, you are going to be penalized, and they are watching to see over the years as they go by whether any of their fellow corporations, and some cases they are competitors, are going to be penalized. There is a great, great benefit to the corporation in accumulating vast hordes of cash.

□ 1845

One of the things they do, that may also be illegal, because in the process of buying back their own stock, one could argue that they are manipulating the market. One could argue that when you buy back your own stock, you are raising the price, keeping the price artificially high, and therefore you are manipulating the market, but I will not get into that. I will leave that for others.

Mr. Speaker, to get back to the letter to the Commissioner, a letter to the Commissioner of the Internal Revenue Service, we suggest penalties for 1994 to 1996, because it was during this period that public company stock buybacks exploded to 12-figure totals. In addition, we are not clear as to whether the statute of limitations would bar these penalties for 1993 and earlier years. Even if it does, we suspect that many 1993 and earlier corporate returns are still open while other issues are being discussed and negotiated. In this connection we ask that you take note of the fact that while the dramatic surge in stock buy-backs began in late 1994, some very large amounts were spent many years earlier.

Several giant corporations have been buying back their stocks for 10 years or more, over the last 10 years or more. As you know, the unreasonable accumulation of service penalties provisions have been in the income tax law since it was adopted in 1913. It was first put into law in 1913. Despite the fact that the statute as originally enacted, and reenacted a couple of dozen times in successive revenue acts, made absolutely no distinction between publicly owned and private companies, the practice and the general understanding was otherwise.

As Mr. Justice Harlan put it in 1969, paraphrasing Bittker and Eustice, and I quote from the decision, in practice, the provisions are applied only to closely held corporations controlled by relatively few shareholders. This was a decision that was rendered by a regional court way back in 1969, which noted that in practice that is what happened. However, this de facto moratorium, and that decision was never challenged in the Supreme Court, by the way, but it is of no consequence now because this de facto moratorium on applications to public companies ended abruptly in 1985.

Congress, in the Revenue Act of 1984, amended the statute by adding section 532(c), and I quote section 532(c), which was added in 1984 by this body. Quote, the application of this part to a corporation shall be determined without regard to the number of shareholders of such corporation, end of quote.

Please understand, Commissioner, that this is a simple request from elected representatives of the American people that your office immediately take steps to enforce the law. We look forward to an early response from the Internal Revenue Service. And it is signed by 30 Members of Congress.

Now, if the Internal Revenue Service Commissioner feels she can do nothing to enforce the law, the least she can do is respond to the Members of Congress and say, ''I cannot do anything to enforce the law.''

We have gotten absolutely no response, 30 Members of Congress, in 2 months. We have gotten absolutely no response. We want to put the Commissioner on notice that we will not accept that, and I want to submit this letter again in its entirety for the RECORD:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, February 12, 1997.

Hon. MARGARET MILNER RICHARDSON,
Commissioner,
Internal Revenue Service,
Washington, DC.

DEAR COMMISSIONER RICHARDSON: My colleagues in Congress who have joined me in signing this letter are very much concerned about a major loss of federal tax revenue resulting from the failure of the Internal Revenue Service to apply against giant corporations the unreasonable-accumulation-of-surplus provisions of sections 531–537 of the Internal Revenue Code.

We believe that the IRS could—and should—immediately assess section 531 penalties on the more than $275 billion that America's largest corporations have spent to buy their own stock in 1994, 1995, and 1996. These penalties at 39.6% would total over 100 billion dollars. Stock buybacks by America's great public corporations are all the rage these days, according to the financial media. Total buybacks by corporations are reported to have risen from $20–35 billion per year in 1990–93 to $70 billion in 1994, just under $100 billion in 1995 and probably over $110 billion in 1996.

These enormous buybacks demonstrate clearly that America's largest corporations are accumulating profits and earned surplus far beyond the reasonable needs of their businesses, and in virtually every case they are paying dividends that are a very small fraction of their earnings, often less than 20%. For example, in the two years 1955–56, IBM earned about $9 billion, or $21.00 plus per share. Of this amount, it paid out common dividends of only about $1.4 billion (2.80 per share). All of the rest—and then some—went to buy its own stock, $5.5 billion in 1995 ($4.6 billion common and $870 million Preferred) and $2.3 billion in the first half of 1996, with the two-year total probably $10–11 billion. (True, IBM has a multi-billion dollar capital spending program, but this is much more than amply covered by its huge additional cash flow of $10–12 billion for the two years, from sale of capital assets and from items that are deducted on the earnings statement but do not involve cash outlays, principally depreciation, amortization and deferral of income taxes.)

We ask you this. Is there not here, and in dozens of similar cases, a clear cut case for immediate assessment of the 39.6% penalty on all amounts used for stock buybacks? Is there any need to get into an elaborate discussion of reasonable needs of the business as envisioned by sections 533 and 537?

To be specific: (1) These corporations are paying very small dividends, amounting to a small fraction of their earnings. (2) Their capital spending and other cash requirements are amply covered by their non-earnings cash flow. (3) They are spending a substantial part of their earnings (in some cases, all, or more than all) to buy their own stock.

Therefore, since prima facie the surplus they have used to buy their own stock has been accumulated beyond the reasonable needs of the business, the 39.6% penalty should be assessed. Our study of earnings statements, cash flow statements, and balance sheets leads us to conclude that in many cases the 39.6% penalty might reasonably be applied to even larger amounts than the stock buyback amounts. But that would trigger an extended discussion of needs of the business and other considerations.

It seems to us that our suggestion has the virtue of elegant simplicity: ''You spent a billion dollars on stock buybacks. Your penalty is 39.6% or $396 million.'' We suspect that the Commissioner could do this in a one-page notice—or two pages at most.

We suggest penalties for 1994–96 because it was during this period that public company stock buybacks exploded to 12-figure totals. In addition, we are not clear as to whether the statute of limitations would bar these penalties for 1993 and earlier years. Even if it does, we suspect that many 1993-and-earlier corporate returns are still open while other issues are being discussed and negotiated. In this connection, we ask you to take note of the fact that, while the dramatic surge in stock buybacks began in late 1994, some very large amounts were spent many years earlier.

Several giant corporations have been buying back their stock for ten years or more.

As you know, the unreasonable-accumulation-of-surplus penalty provisions have been in the income tax law since it was adopted in 1913. Despite the fact that the statute as originally enacted (and re-enacted a couple of dozen times in successive revenue acts) made absolutely no distinction between publicly-owned and private companies, the practice and the general understanding was otherwise. As Mr. Justice Harlan put it in 1969, quoting (or paraphrasing) Bittker and Eustice, ''In practice, the provisions are applied only to closely-held corporations, controlled by relatively few shareholders.'' (U.S. v Donruss, 393 U.S. 297).

However, this de facto moratorium on application to public companies ended abruptly in 1985. Congress in the Revenue Act of 1984 amended the statute by adding section 532(c), ''The application of this part to a corporation shall be determined without regard to the number of shareholders of such corporation.''

Please understand, Commissioner, that this is a simple request from elected representatives of the American people that your office immediately take steps to enforce the law.

We look forward to an early response from the Internal Revenue Service.

Sincerely Yours,

MAJOR R. OWENS,
Member of Congress.

And the following additional Members of Congress:

George E. Brown, Bernie Sanders, Donald Payne, Peter A. DeFazio, Maurice Hinchey, Matthew g. Martinez, Sheila Jackson-Lee, Juanita Millender McDonald, Lynn C. Woolsey, Eleanor Holmes Norton, Maxine Waters, Corrine Brown, Dennis J. Kucinich, Carrie R. Meek, Cynthia McKinney, John Lewis, John Conyers, Jr., Lane Evans, James E. Clyburn, Melvin Watt, Ronald V. Dellums, Bennie Thompson, Patsy T. Mink, Alcee L. Hastings, Earl F. Hilliard, Elijah Cummings, Danny K. Davis, Chaka Fattah, Louis Stokes, Eni Faleomavaega,

Mr. Speaker, I want to go a little further today, however, than just what we did before. We submitted this letter; we submitted a ''Dear Colleague'' letter before; we also submitted a statement which gives all the legal background for our contention that section 531 to 537 is not being enforced. All that has gone before. Now I want to go one step further and submit for the RECORD a list of corporations that are in violation of section 531 to 537:

MANY CORPORATIONS ARE USING ACCUMULATED PROFITS TO BUY BACK STOCK RATHER THAN TO PAY DIVIDENDS TO STOCKHOLDERS

Hundreds of American corporations are using their accumulated profits, which apparently are not needed in their businesses, to buy back their shares rather than to pay dividends. It is estimated that buybacks in three years 1994, 1995 and 1996 may have totalled $300 billion or more.

Many of these corporations have issued statements indicating that the purpose of the buybacks was and is to have shares available for issuance under employee stock purchase plans, executive stock options, stockholder dividend reinvestment plans and for conversion of convertible securities. This is an appropriate and valid reason for stock buybacks, but many corporations have bought back two times, or three times, or five times as many shares as they needed for these purposes. (In one case, 16 times.)

We have not been able to find an authoritative and accurate tabulation of stock buyback activity, which is being conducted by hundreds of publicly-owned American corporations. Reports in the financial media indicate that buybacks may have totalled $300 billion or more for the three years 1994–1996.

When the total buyback amount is reduced by subtracting issuance of shares under option and other programs, it would appear that net buybacks totalled $150 billion to $250 billion in the three years 1994–96.

If the Internal Revenue Service assessed the 39.6% penalty (on accumulation of corporate profits beyond the reasonable needs of the business, as mandated by Sections 531–537 of the Internal Revenue Code) on this $150–250 billion of net buybacks, it could produce $60 billion to $100 billion of additional Federal tax revenue in 1997.

The table that follows shows buyback activity by 40 large corporations, but note that these are not the 40 largest U.S. corporations. At the top of the Fortune 500 as published in April, 1996 are a number that have apparently not bought stock back yet: Exxon (#3) AT & T (#5), Mobil (#8), Texaco (#14), and Sears (#15) for example. Ford (#2) is expected to start this year according to Wall Street rumor.

These figures were generally obtained from each corporation's published annual and quarterly earnings reports covering 1994, 1995 and 1996. Figures marked ''EST.'' were estimated by taking the actual reported figures for 1994, 1995 and the first half or three quarters of 1996 and adding an estimate for the rest of 1996. The figures are net buybacks; that is, the dollar amount of total buybacks has been reduced by the dollar amount of shares issued in the same year under option and similar programs.

STOCK BUYBACKS BY 40 LARGE CORPORATIONS IN 3 YEARS 1994–96

	Net buybacks	IRS penalties @ 39.6 percent
General Motors [1]—initiated buybacks in 1997.	.....	
IBM	$9.0–9.5 billion est	$3.6–3.8 billion est.
duPont	5.408 billion	2.141 billion.
General Electric [2]	5.193 billion	2.056 billion.
Philip Morris	5.0–5.4 billion est	2.0–2.16 billion est.
Coca Cola [3]	3.8–4.0 billion est and an additional $6.0 billion est in 1984–93.	1.5–1.6 billion est.
Wells Fargo Bank	3.1–3.3 billion est	1.2–1.3 billion est.
BankAmerica	3.0 billion est	1.2 billion est.
Chrysler [4]	2.930 billion	1.16 million est.
Dow Chemical	2.8–3.0 billion est	1.1–1.2 billion est.
Citicorp	2.0–2.4 billion est	800–960 million est.
Intel	1.856 billion	735 million.
Merrill Lynch	2.0–2.4 billion est	800–960 million est.
Pepsico	1.4–1.7 billion est	560–680 million est.
Anheuser Busch	1.5–1.6 billion est	600–640 million est.
Merck	1.2–1.6 billion est	480–640 million est.
Disney	1.0–1.5 billion est	400–600 million est.
Microsoft [5]	1,162 billion	460 million.
Hewlett Packard	1,076 billion	426 million.
Kellogg	1.1–1.3 billion est	440–520 million est.
J.P. Morgan	1.0–1.2 billion est	400–480 million est.
3M	1.0–1.1 billion est	400–440 million est.
Reebok	1.0–1.1 billion est	400–440 million est.
American Express [6]	1.0–1.1 billion est	400–440 million est.
Amoco	800–950 million est	320–360 million est.
Bank of New York	800–900 million est	320–360 million est.
Norfolk Southern	800–900 million est	320–360 million est.
Eastman Kodak	800–900 million est	320–360 million est.
Caterpillar	700–900 million est	280–360 million est.
McDonalds	600–800 million est	240–320 million est.
Hershey	400–500 million est	160–200 million est.
Keycorp	400–500 million est	160–200 million est.
Coca Cola Enterprises	400–450 million est	160–180 million est.
Campbell Soup	296 million	117 million.
Kimberly Clark	200–300 million est	80–120 million est.
Weyerhauser	200–300 million est	80–120 million est.
Xerox	200–300 million est	80–120 million est.
Wal-Mart	200 million + est	80 million + est.
General Mills	187 million	74 million.

[1] General Motors, which had severe financial problems in the early 1990s, has recently seen some improvement. On January 27, 1997, the GM board authorized a buyback totalling $2.5 billion.

''Some analysts had expected a bigger buyback, but Mr. J. Michael Losh, [executive vice president and chief financial officer] argued that GM wanted to carry out its buyback program quickly, and that $2.5 billion was the biggest buyback it thought it could complete in 12 months or less.'' (Wall Street Journal, 1/29/97.)

On March 13, 1997, the Wall Street Journal reported, ''. . . Mr. Losh told analysts that GM was halfway through at $2.5 billion stock repurchase program. . . . The rapid pace of the stock buyback left some speculating that GM might announce an additional buyback by the end of the year.''

According to the New York Times of January 28, 1997, ''While GM occasionally purchased slightly more shares in the late 1980s than it reissued, today marks the first time that GM has announced a program to buy back stock so as to reduce the number of outstanding shares, said James J. Finn, a GM spokesman. Back in the 1950s and 1960s, when GM held half the American auto market and was strongly profitable, the company chose to share the proceeds with shareholders through special dividends rather than repurchase shares.

[2] GE said, in its 1996 annual report, ''Record cash flow allowed us to return more than $6 billion to shareowners: $3.1 billion dividends and $3.3 billion in the repurchase of GE stock.''

[3] This company is separate from the Coca Cola Company; although Coca Cola owns 44% of its stock. This company is a major Coke bottler accounting for just over 50% of all Coke product sales in the U.S.

[4] Chrysler said, in its 1995 annual report, ''We're even prouder of what we've been doing to increase the long-term value of your investment in Chrysler. After all, as one of our shareholders told us recently, 'We didn't give you our money to have you simply turn around and give it back to us.'''

[5] William H. Gates owns about 24% of Microsoft. The corporation projected future capital expenditures, as of June 30, 1996, of $293 million. Its net income was $2.2 billion in fiscal 1996 ending June 30, and $1.36 billion in the six months ending December 30, 1996. Its cash and equivalents increased from $4.75 billion on June 30, 1995 to $6.94 billion on June 30, 1996 and $9.16 billion on December 31, 1996. The last figure amounted to 71.6% of assets.

Although it did not need capital, the corporation raised $980 million in late 1996 through the sale of convertible preferred stock, and it said that ''proceeds from the offering are expected to be used to repurchase common shares.'' Wall Street analysts expressed the view that the real purpose of the offering was to provide a dividend-paying security for some investors who want dividends, since Microsoft paid no common dividend.

[6] In its 1995 annual report, American Express said, ''Some shareholders have asked why we are repurchasing shares rather than increasing our dividend as we did in years past. We believe that most shareholders prefer gains in stock price to receiving dividends because those payments are taxable annually.

We are coming close to April 15 when all Americans have to pay their taxes. It is time to take a look at which Americans, which institutions, which organizations are so powerful that they thumb their nose at the tax law. Where will this take us if other organizations and other entities decide they are just not going to obey some provision in the Tax Code?

There are those who disagree with me, of course. They have the obvious course of action, asking Congress to change the Tax Code. The Committee on Ways and Means could go to work and change the Tax Code tomorrow, next week. If the Tax Code does not make sense, that item in there which has been in there since 1913, which was revised and made clear in 1984, it does not make sense, take it out.

Do not ask the American people, 80 percent who are not part of the corporate elite, to pay their taxes, obey the Code, suffer all kinds of harassments, in their opinion, and have to deal with living up to the letter of the law, because if you have an Internal Revenue audit, they will tell you, the guy sitting there will tell you, ''It is my job to enforce the law. I do not have any discretion. You can weep if you wish, but I have to enforce the law. You have to go out and get a third job? But I have to enforce the law. You cannot pay your mortgage? I am sorry, I have to enforce the law.''

So what we are talking about here as we approach April 15, tax day, is a situation where there are several sets of corporations that in finite, dollar and cents terms, are not obeying the law, are not obeying the law.

IBM is a major offender. IBM is a major offender. Most of the figures I am going to quote cover 3 years, 1996, 1995, and 1994. The IBM figures that we have cover only 2 years because IBM in one year just decided they would not do it any more. They would not do it, they skipped a year, so there are no 1995 buy-backs. They resumed in 1996.

So the figures for IBM are 2-year figures. These are net figures. When I say net figures, I mean a corporation can buy back its stock for certain purposes. They can distribute stock options. There are certain things they can do. When we take away those purposes, they have an amount left that just goes into the treasury of the corporation. It is hoarded. It is hoarded money that was not distributed to the shareholders.

I also want to point out, some might have surmised that in our economy, we talk about the engine of our economy are small businesses, the engine of our economy are consumers. If the corporations distributed all of their different dividends as they should to the shareholders, you would have a much more prosperous economy. You would have more dynamism in the economy. All of

those people out there who did not get back their dividends would have their dividends, and they would either reinvest them themselves or invest them in some other business or go and spend it.

Our economy is driven by consumer spending, so let us not look down our noses at consumer spending, but we suspect that people who have large amounts of dividend returns coming will then reinvest it in some way, but they will reinvest it in their own way. A monolithic corporation should not sit there and hold the money, hoard it, hold it in their treasury chest.

So IBM is a major offender. More than $9 billion, close to $10 billion, $9.9 billion in a 2-year period. That is what their net is. After you take away the legitimate buy-backs, you have almost $10 billion which yields, in terms of penalties, $3.8 billion, almost $4 billion. The penalties, when you are assessing penalties at the rate of 36.9 percent, that means a lot of money. If the law was enforced, IBM would owe $3.8 billion or more to the Government, to the taxpayers, back to the coffers.

Mr. Speaker, think of all of the things we could do in terms of building schools, putting people to work, building roads, meeting the needs of our medical community, getting a health care plan that covers everybody. Think of all of the money, if we collect the total that is presented here which totals about, conservatively, $70 billion. The conservative total here is $70 billion. If we let our imaginations go in terms of corporations that we do not have records on, we are talking about $100 billion, collecting over a 3-year period, which means if you collected them all in 1 year or 2 years you would have a windfall revenue.

We would have, according to our coffers, an unexpected amount of revenue that could be used for capital expenditures, one-time expenditures. We could take half of $70 billion and give it over to the reduction of the deficit. The deficit could be reduced by $35 billion. We take the other half and put it in projects which relate to education. Let us have a one-shot deal where we spend a capital budget expenditure that does not recur to modernize all of the schools that need to be modernized, to get rid of the lead poisoning, to get rid of the asbestos, to build new schools so that in a place like New York City and other inner-city communities you do not have crowding to the point where 90,000 children last fall had no desks, no place to sit in New York City schools, 91,000. Ninety-one thousand children had no place to sit.

This is even after we improvise and we have hallway classes and we have classes in closets, and we get rid of the library and make it a classroom, and we have classes in the cafeteria, and we have some classes, a few classes, in the bathrooms. New York City had 91,000 children that did not have places for them. Now, they got embarrassed by that, and as we ask questions and time goes on, they claimed well, that was a statistical mistake or some aberration. They have all kinds of explanations.

So I have had some colleagues of mine, members of the central Brooklyn Martin Luther King Commission, which is an organization dedicated to improving education in central Brooklyn, to go out to the central Brooklyn schools where my district is located and actually go around to the schools and check on overcrowding, and they found some interesting things. The overcrowding is definitely there, but the principals have been brainwashed into believing it is not there.

They will tell you the school is not overcrowded. Then you ask a question: ''When this school was built, what was the capacity?'' And they will give you a figure that is one-half of the number of enrollment. A school built for 900 youngsters has 2,000, and they say there is no overcrowding. Well, what kind of arithmetic is that?

They say there is no overcrowding, but if you ask them, ''How many lunch periods do you have?'' they will tell you they have three lunch periods. In many New York City schools, elementary schools, children start to eat lunch at 10:30. They just had breakfast, but they have to eat lunch at 10:30. Why? Because the lunch rooms are too small for the large numbers of children and they have to have three lunch periods. The lunch period begins at 10:30 for one crew and does not end until 2:30, so the last crew eats too late and the first crew eats too early. The last crew, I am sure the children are really quite hungry, and I am sure something is being done to their metabolism and their nutrition and their bodies. This condition exists because there is rampant overcrowding.

So we need to build new schools. We need to put laboratories in schools. We need to do a lot of things that you can do with $70 billion.

IBM could cough up $3.8 billion. DuPont, buy-backs, the net buy-backs, $5.4 billion. Penalties would equal $2.1 billion. General Electric, $5.1 billion, personalities would equal $5 billion. General Electric said in its 1996 annual report, ''record cash-flow allowed us to return more than $6 billion to shareholders, $3.1 billion in dividends and $3.3 billion in the repurchase of GE stocks.'' They are saying that the repurchase of stocks is returning the money to shareholders, so they are aware of the fact that they are doing something wrong and they need to sort of explain something. Philip Morris, $5 billion. The penalties would be more than $2 billion.

□ 1900

Coca-Cola, $3.8 to $4 billion, the penalties would be $1.5 to $1.6 billion.

Wells Fargo Bank, $3.1 to $3.3 billion, the penalties would be $1.2 to $1.3 billion.

BankAmerica, $3 billion, the penalties would be $1.2 billion.

Chrysler, $2.9 billion, the penalties would be $1.1 billion.

Chrysler had a quote in its 1995 annual report. Chrysler said, ''We're even prouder of what we've been doing to increase the long-term value of your investment in Chrysler. After all, as one of our shareholders told us recently, 'We didn't give you our money to have you simply turn around and give it back to us.''' That is an interesting shareholder that does not want the money back. They do not want a return on their investment.

Dow Chemical, $2.8 to $3 billion in buybacks, $1.1 to $1.2 billion would be the penalties.

Citicorp, $2 to $2.4. billion, $800 to $960 million would be the penalty.

Intel, $1.856 billion, the penalty would be $735 million.

Merrill Lynch, $2 billion, the penalty would be $800 million.

Pepsico, $1.4 to $1.7 billion, the penalty would be $560 to $680 million.

Anheuser-Busch, $1.5 to $1.6 billion, the penalty would be $600 to $640 million.

Merck, $1.2 to $1.6 billion, the penalty would be $480 to $640 million.

Disney, $1 billion to $1.5 billion, the penalty would be $400 to $600 million.

Microsoft, $1.1 billion, the penalty would be $460 million.

Mr. William Gates owns about 24 percent of Microsoft's stock. The corporation projected future capital expenditures as of June 30 of 1996 of $293 million. Its net income was $2.2 billion in fiscal 1996 ending June 30 and $1.36 billion in the 6 months ending December 30, 1996.

Its cash and equivalents increased from $4.75 billion on June 30, 1995, to $6.94 billion on June 30, 1996, and $9.16 billion on December 31, 1996. The last figure amounted to 71.6 percent of assets.

Although it did not need capital, Microsoft raised $980 million in late 1996 through the sale of convertible preferred stock. It said that proceeds from the offering were expected to be used to repurchase common shares. They raised the capital to repurchase common shares. Wall Street analysts expressed the view that the real purpose of the offering was to provide a dividend-paying security for some investors who want dividends, since Microsoft had paid no common dividend.

Let us move on to Hewlett Packard, $1 billion, $426 million would be the penalty.

Kellogg, $1.1 billion to $1.3 billion, the penalty would be $440 to $520 million.

J.P. Morgan, $1 billion to $1.2 billion, the penalty would be $400 to $480 million.

I am reading the figures of how much was spent to illegally buy back stock. They legally bought back stock, but these are the nets, the illegal amounts that I am quoting.

J.P. Morgan, and 3M, $1 billion to $1.1 billion, the penalty would be $400 to $440 million.

Reebok, $1 billion to $1.1 billion, the penalty would be $400 to $440 million.

American Express, $1 billion to $1.1 billion, the penalty would be $400 to $440 million.

In its 1995 annual report, American Express said and I quote: ''Some shareholders have asked why we are repurchasing shares rather than increasing our dividends, as we did in years past. We believe that most shareholders prefer gains in stock price to receiving dividends because those payments are taxable annually.''

That is an interesting quote, because that is exactly what Congress said they did not want to do. They put the provision in there to prevent people from avoiding the payment of taxes. Here it is in the statement, they have said we are doing this so you do not have to pay taxes on the amount we give back to you.

Amoco, $800 to $950 million, estimated, and $320 million would be the estimated penalty.

The Bank of New York, $800 to $900 million, $320 to $360 million would be the penalty they would pay.

Norfolk Southern, $800 to $900 million, $320 to $360 million would be what they would have to pay.

Eastman Kodak, $800 to $900 million, $320 to $360 million would be the penalty.

Caterpillar, $700 to $900 million, estimated, $280 to $360 million.

McDonalds, $600 to $800 million, buybacks, and $240 to $320 million would be the amount of penalty they would pay.

Hershey, $400 to $500 million, they would pay $160 to $200 million.

Keycorp, $400 to $500 million, they would pay $160 to $200 million.

Coca-Cola Enterprises, different from the other Coca-Cola, $400 to $450 million, they would have to pay $160 to $180 million as a penalty.

This company is separate from the Coca-Cola Co., although Coca-Cola owns 44 percent of the stock. It is a major Coke bottler, accounting for just over 50 percent of all Coke product sales in the United States.

Campbell Soup, $296 million in buybacks, they would have to pay a penalty of $117 million.

Kimberly Clark, $200 to $300 million, they would have to pay $80 to $120 million.

Weyerhauser, $200 to $300 million, they would have to pay $80 to $120 million.

Xerox, $200 to $300 million, $80 to $120 million.

Wal-Mart, $200 million, they would pay $80 million in penalties.

General Mills, $187 million, they would have to pay $74 million in penalties.

Why am I bothering to read this list? Because the Internal Revenue Commission has ignored us. Thirty Members of Congress wrote and they asked, why are you not enforcing the Code? I would like for other Americans to hear how the Internal Revenue Code is being blatantly disobeyed, ignored, and I would like you to know that we cannot get a response when we ask the Commissioner of Internal Revenue why.

Thirty Members of Congress cannot get a response. Maybe we are stupid. Maybe we do not understand the technicalities. Maybe we need to bring our brothers and sisters on the Committee on Ways and Means to a session and they will explain all this to us, and we will not have a Member of Congress stand here making a fool of himself about an issue that is moot, of no consequence.

Maybe there is not a great injustice being done here, and all those people out there who anxiously are sitting in the offices of the Internal Revenue Service to deal with their taxes, all those people who are being forced to go to extraordinary means to pay up what they owe, according to the law, all of them need not feel that they are being singled out unjustly. No taxpayer in America should feel that we live in a society where there is unequal treatment of taxpayers.

We can debate as much as we want the question of whether corporations should pay any taxes, and that is an esoteric argument among economists and Members of Congress, but the law is there at this point. It says you cannot buy back your own stock. If you do this, you have to pay a penalty of 39.6 percent. The reasoning of the law is that when people, when corporations buy back their own stock, they are avoiding taxes. They are helping individuals who get the dividends, who would receive the income, avoid paying taxes.

I suppose many of those individuals are grateful, but if I was in their shoes, if I was a shareholder, I would want to have the choice of give me back my dividends, I might choose to buy back, buy some of your stock. They rob the shareholders of the choice. They avoid the payment of taxes in the process.

There is a danger that they are also manipulating the stock market. This is a form of manipulation, in the final analysis. You keep the prices artificially high when large amounts of profit from the corporation are used to buy back the stock. But that is for the lawyers to take a look at.

I hope you are not bored. I hope that you understand that I am not on the Committee on Ways and Means. I am just a lowly Member of Congress, a member of the Progressive Caucus, a member of the Congressional Black Caucus. Last year, I developed an alternative budget. The year before that, I developed an alternative budget for the Progressive and the Congressional Black Caucus.

In the process of doing research for our budget, our aim was to meet a requirement that was made by the Speaker, the gentleman from Georgia [Mr. GINGRICH], and the Republican majority. Speaker GINGRICH and the Republican majority said to the members of the Black Caucus and the members of the Progressive Caucus, you cannot bring a budget to the floor unless you show a balanced budget by the year 2002. That is a requirement. You must balance the budget by the year 2002.

I think they assumed that we would go away and stop being a nuisance by bringing an alternative budget to the floor, because we could never balance the budget by the year 2002 and at the same time maintain the level of expenditures for programs that are most important to the poorest people in America, and a lot of the not-too-poor people, education programs, environmental programs. They thought we could not do it.

In the process of doing our research, we found that we had the option in preparing an alternative budget of raising taxes. If you can show a credible way to increase the taxes, it is acceptable in the budgeting process. We used only the figures that the Congressional Budget Office had already certified. We looked at the corporate loopholes. We said, if you take away this loophole, that loophole, you will raise money. If you bring corporations up to a level from 11 percent of the total tax burden, income tax burden, to 16 percent, they would still be way below the individual tax burden, which is 44 percent.

We learned a great deal. It was a very informative experience, because liberals and progressives, people who belong to what I call the caring majority, who care about America and who care about all the people in America, people who want to see our great wealth and riches divided in some way which benefits every sector of society, the people who want to see the best schools in the world, who want world-class hospitals and who want to see our children grow up in a world where everybody has a reasonable opportunity to fully develop themselves, all those people out there we think have ignored studying the revenue side of the budget.

For years we have let the Committee on Ways and Means dominate the discussion. For years we have let the lobbyists who line up when the Committee on Ways and Means meets, there are long lines of people out there to get in and the Committee on Ways and Means has a major bill revising the Tax Code.

I remember they revised it under Ronald Reagan and they did some later correction. In the time that I have been here, 14 years, there have been two major corrections and revisions of the Internal Revenue. I watched the PAC contributions of every member on the Committee on Ways and Means. I sat and heard them talk about how the money was flowing in. I heard a few say, let us keep the suspense on longer, more will come in.

This is not to in any way put down my colleagues, but it is a phenomenon which is in motion and we know it. We have to be naive not to believe there is a correlation between the fact that this sector of society has gotten the biggest tax breaks since 1943. They were paying 40 percent of the tax burden in 1943. Now they are paying 11 percent, so the biggest tax breaks have gone to corporate America.

There is a correlation between the tax breaks corporate America has received and the kind of money they contribute. I do not want to get into a long discussion of the present campaign contribution scandal. There is enough being said on television, radio, cable television, all across the board, there is a lot of discussion about the great scandal of 1996 where more money was raised and spent on political campaigns than ever before in the history of the Nation. Very interesting. More money was raised, but we only had 49 percent, less than 49 percent of the people who came out and voted. It was a record low vote, despite the fact that large amounts of money were raised.

Mr. Speaker, I assure you, people who were contributing the money, they all came out and voted. Their friends voted. There is a correlation between wealth in America and voting. The richest people in America always vote. Always. Come down the line, the middle class, they hesitate sometimes. They do not come out large enough. When you get to the very bottom, they are the ones who do not vote at all. The people who need government most do not vote. Those who need government are willing to pay. The Center for Responsive Politics has a chart here in a report they issued on the PAC, Political Action Committee, expenditures for the Clinton-Dole campaign and the soft money.

Where did the contributions come from? It is very informative. If you want to know why one sector of our society feels that they do not have to, they pay less taxes now than they used to pay, and they do not have to obey a certain part of the Internal Revenue Code. They are so powerful, they are going to be taken care of. They have gotten the green light from somebody, but they do not have to obey the law.

Yeltsin has a problem with the Mafia in Russia. They go to collect taxes, they are just maybe gunned down. The Mafia has killed members of the legislature, they have threatened high-ranking officials. Things are totally out of hand in Russia, so they do not try to collect the taxes with too much zeal. The people who really have the money also have the muscle.

That is very crude, that is very savage. That is a failed society. We are not a failed society. If we allow this to go on, however, if they get away with disobeying the Code in this case, they will do it somewhere else. We will have a pattern that will lead other people at lower levels to say, we are not going to obey the law also.

□ 1915

We had a savings and loan swindle. They called it the savings and loan swindle, but it was the banking industrial complex of America swindle because the amounts of money that regular banks that were not savings and loans banks lost was pretty great also. The savings and loans swindle, it is estimated, will cost American taxpayers $500 billion before it is all over.

There was a Stanford University report that I read some time ago. I do not have the documentation here. But it said that, when you get through paying back the money through the Federal Deposit Insurance Corporation and the money that was appropriated directly by Congress to make up for what had been stolen and you get through with the administrative costs of all the various bodies we set up to recover the money, the American taxpayers are going to be out $500 billion.

They got away with that basically. The number of people who went to jail, the number of people who spent any reasonable time in prison is minuscule. The amount of money recovered is a tiny amount, a very tiny amount compared to the amount that was stolen. The biggest thief who was actually pinpointed and convicted, he became a personification for the rest, Charles Keating. Charles Keating in California was recently released on a technicality. They said, we made a mistake. Yes, you did cost the taxpayers $2 billion. Your Lincoln Savings Bank, your bank, your operation did cost us $2 billion. That we can document. But on some technicality, rich Mr. Keating is out. He claims he is penniless, but none of us were born yesterday. We are certain that a multimillionaire did not go to jail penniless and he did not come out penniless, but he is out. Charles Keating is out. And he was the most celebrated, the most highly publicized.

If he is out, then you know all those other folks that we did not even know about, they are out, too. Some high placed officials and their relatives, they were involved. So the savings and loan swindle was the biggest swindle in the history of mankind of its kind. And large amounts of people got away with it, became rich, stayed rich.

So you had a precedent there. Do not allow too many of these precedents to develop, Americans; you are on the road to a collapsed society. It is possible, if you keep doing this, to have no faith in law and order, certainly no faith in the regulations of our financial institutions.

Banks were closely regulated by the Government. They could not have done this without collusion from public officials, the savings and loan swindle.

In this chart, the financial sector, they have different sectors here. For the school children of America, you need to know that our laws are made by various complexes, industrial complexes. Do not believe what you read. The simple thing about the House of Representatives and the Senate and they get together. The most important thing is not discussed. The various complexes, the defense industrial, military industrial complex we all know about. President Eisenhower, when he left office, shook us and woke us up and said be aware. There is a military industrial complex which will drain large amounts of money away from the American taxpayers, and it has.

It has a record that keeps going on and on, the war is over, the excuse for it. The evil empire is defeated but the military industrial complex is still effective. They do not make the biggest contributions anymore. It is the financial industrial complex that makes the largest contributions. Close to $40 million for the Clinton-Dole soft money campaigns and the regular campaigns, close to $40 million went to the Republicans. Half that amount went to the Democrats from the financial sector.

In every other category, except labor, about twice as much was spent for the party in power in Congress, majority party, than for the Democrats or for the Republican candidate because these great industrial complexes, the financial industrial complex, the agricultural industrial complex, there is the construction industrial complex, the defense industrial complex, energy industrial complex, the health industrial complex, the transportation industrial complex.

Only organized labor, which is considered not a business complex, but it is listed here because it gave large amounts of money, only organized labor contributed more money to Democrats than to Republicans. That is interesting. And then of course there are others. The pattern is pretty clear that the buying of a point of view, the people advocating cutting corporations even further, they wanted capital gains cuts, people are advocating a huge tax cut for the richest Americans, the people who are advocating that we cut only those programs that go to the poorest people, the people who turned their back on the welfare, the corporate welfare, those are the people who get the largest amount of money from the various complexes and the financial complex where the corporations and the brokers and the whole set of people who make the most money, they give the most.

In conclusion, Mr. Speaker, we will hear more about corporate welfare. The gentleman from Ohio [Mr. KASICH] and the Republicans are also interested in cutting corporate welfare. But here is a piece all we need to do is tell the Internal Revenue to enforce the law. You could realize a large amount of money, take some of the burden off other taxpayers and have the result of making every American institution as well as individual pay their taxes, April 15 is coming. We should all pay for taxes.

SOCIAL SECURITY AND BALANCING THE BUDGET

The SPEAKER pro tempore (Mr. MANZULLO). Under the Speaker's announced policy of January 7, 1997, the gentleman from Wisconsin [Mr. NEUMANN] is recognized for 60 minutes as the designee of the majority leader.

Mr. NEUMANN. Mr. Speaker, in the interest of bipartisanship, I yield to the gentleman from Minnesota [Mr. MINGE].

FLOODING IN MINNESOTA

Mr. MINGE. Mr. Speaker, I would like to first thank the gentleman from