

will be asked by the regional OPO whether participation in the Gift of Life Medal Program is desired.

The OPO will give each donor or family member the option of receiving a Gift of Life Medal, recognizing that some may not want to participate. If requested, a public presentation will be made to honor the donor. A presentation by a local official, community leader, or Member of Congress would be a tremendous opportunity to increase the awareness concerning the desperate need for organ donation.

Every action has been taken to insure that the issuance of the Gift of Life Medals results in no net cost to the Government. In addition, I am proud to report that the legislation has the strong support of the United Network for Organ Sharing [UNOS] and the Coalition on Donation.

Any one of us, or any member of our families, could need a life saving transplant tomorrow. We would then be placed on a waiting list to await our turn, or our death.

So, I ask that our colleagues help bring an end to waiting lists and recognize the enormous faith and courage displayed by organ donors and their families. Please join us as cosponsors of the Gift of Life Congressional Medal Act of 1997. These donors offer others a second chance by providing the most precious gift imaginable, the gift of life.

TAX REFORM

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 30, 1997

Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington report for Wednesday, April 30, 1997, into the CONGRESSIONAL RECORD:

TAX REFORM

There is a great deal of discussion in Washington today on fundamental tax reform. The current tax system is widely perceived as too complicated and rigged for those who can hire experts to find the loopholes. Many believe that fundamental reform could sharply increase economic growth by encouraging more saving and investment, and there is considerable debate over whether the current tax system collects either too much or too little revenue. Many Hoosiers favor scrapping the current system and replacing it with something much simpler and fairer.

DIFFERENT APPROACHES

There are several different approaches to reform.

RETAIL SALES TAX

One proposal is to replace the income tax with a national retail sales tax. If all consumption were taxed, a national sales tax of about 15% would be needed to generate the same revenue as the current system. But in the 45 states that have retail sales taxes today there are large exemptions for education, medical care, food, and housing. If these were also exempted in a federal sales tax, the tax base would be sharply reduced and the rate would have to exceed 30%. Yet such high rate would be unpopular with consumers and could encourage evasion by retail businesses. Also, the tax would claim a larger share of the incomes of the poor than the rich, since lower-income households spend a large proportion of their income on food and basic necessities.

VALUE-ADDED TAX

A second approach is the value-added tax. Instead of being levied on the retail sale, this tax is collected from all businesses on the difference between their sales proceeds and their purchases from other businesses. Because it is collected at many levels, evasion has proven manageable in the more than 50 countries around the world that have value-added taxes. A drawback is that it too shifts tax burdens from the rich to the poor. There is also considerable uncertainty about its impact on the U.S. trade balance because such a tax would boost the price of our products.

FLAT TAX

A third approach is a flat tax, which imposes a single income tax rate on businesses and households while eliminating virtually all the deductions in the current system. Businesses would be allowed deductions for wage payments and pension contributions, and exemptions would basically spare low-income families from paying taxes. There are many variations of this proposed tax but one of the more popular would require a flat rate of about 21% to replace the income taxes we now have.

CONSUMED-INCOME TAX

A fourth approach is a consumed-income tax which combines a consumption tax on families and a value-added tax on businesses. Families would be able to deduct all of their net savings and investments, thereby receiving an unlimited savings allowance. This tax would be progressive, with lower rates for those with lower income. Such a tax would encourage saving and investment, but it raises major administrative problems. There would be powerful incentives to conceal assets, and policing such evasion would be very difficult.

SIMPLIFIED INCOME TAX

A final proposal would simplify the current income tax system, building on the 1986 tax reform which eliminated various deductions and exemptions in order to cut tax rates. Versions of this proposal would end individual deductions for state and local taxes and charitable contributions, and would end corporate tax breaks for pension contributions and health insurance. This broadening of the base would allow lower rates, such as a maximum rate of 34%, compared to almost 40% under current law.

ASSESSMENT

Each of these proposals raises difficult questions about what base to tax, what deductions to permit, and what rates to levy. Major tax reform inevitably redistributes tax burdens among taxpayers and changes the value of taxpayer assets. For example, the elimination of the homeowner deductions for mortgage interest and property taxes could cut the value of housing by 15-20%. Current tax law encourages employers to provide health insurance to their employees by exempting insurance premiums from personal income and payroll taxes. But health insurance under several of these plans would become taxable, and that could boost its cost by as much as 20%. Current tax law also promotes giving through the charitable contributions deduction, and proposals to eliminate it fuel intense concern among charitable organizations.

The impact of tax reform on income inequity must be carefully watched. In recent years, the gap between upper-income and lower-income Americans has widened significantly. Many of these proposals could increase that gap. In addition, current law permits the deduction of state and local income and property taxes. Eliminating these deductions would undercut the notion that people

should not have to pay taxes on other taxes they've already paid—a very popular concept. The point simply is that all of these proposals for fundamental tax reform would make major changes on the tax burdens of the poor, the strength of charitable organizations, the popularity of home ownership, the continuation of health insurance coverage, and many other similar concepts that have widespread popular support.

Underlying all the talk about fundamental tax reform is the impact on economic growth. Although some of the proposals have positive features, I don't think anyone knows exactly how fundamental tax reform would affect the economy's growth rate. Most of the proposals have never been tried before in the form proposed and they would each entail huge changes far and above any previous modification of the tax code.

CONCLUSION

The more I examine fundamental changes in the tax code the less attractive they become. I am increasingly interested in proposals to broaden the base and reduce the deductions, credits, and other sheltering devices in order to reduce overall tax rates, simplify the system, and provide better incentives for work and investment. Incremental reform along these lines would avoid the wrenching upheavals and the windfall redistributions that might accompany more radical change. I am certainly not interested in proposals that would increase our budget deficits.

(Material for this newsletter taken from "Setting National Priorities" by Brookings Institution.)

ANNUAL CONGRESSIONAL ARTS COMPETITION PARTICIPANTS HONORED

HON. RODNEY P. FRELINGHUYSEN

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 30, 1997

Mr. FRELINGHUYSEN. Mr. Speaker, once again, I come to the floor to recognize the great success of strong local school systems working with dedicated parents and teachers in raising young men and women. I rise today to congratulate and honor 48 outstanding high school artists from the 11th Congressional District of New Jersey. Each of these talented students participated in the Annual Congressional Arts Competition. "An Artistic Discovery." They are honored at a reception and exhibit last Friday evening, and their works were exceptional.

Mr. Speaker, I would like to list each of them, their high school, and their contest entries, for the official RECORD.

STUDENT, HIGH SCHOOL, AND NAME OF ENTRY
Leandro Flaherty, Bayley-Ellard—"to be advised".
Michelle Mechanic, Bayley-Ellard—"Pantheon With a Side of Rice".
Charlene Accinni, Boonton—"Untitled".
Stephanie Rartell, Boonton—"Untitled".
Kelly Ricciardi, Boonton—"Curiosity".
Larissa Schaffnit, Boonton—"Larissa".
Travis Lett, Chatham—"Troubled Town".
Jim Newton, Chatham—"Monkey in the Rain".
Melissa Quinn, Chatham—"Still Life of a Pitcher".
Kim Tucker, Chatham—"Glimpse Through the Window".
James Hughes, Kinnelon—"Co-op".
Alejandra Madriz, Kinnelon—"Creation".
Will Mowry, Kinnelon—"Untitled".