

health care benefits they can count or not. That is another major issue which could be decided in the next few days. I am here to tell my colleagues and the American people that there is simply no choice but for us to stand up for hard working American families and give them the family tax credit they were promised, and the health insurance coverage their children need.

It defies common sense to allocate \$85 billion in net tax cuts—as called for under the bipartisan budget agreement—and leave out the working families who need it most. The President's proposal directly benefits families who work and who pay taxes—it is not welfare—it is the helping hand they need.

These families deserve to share in the benefits of the tax cut. These families are the families of a rookie cop in West Virginia, a public school teacher, a bank teller, or a fireman. Middle class families deserve a break, so do families who are lower-middle class, and we don't have to choose between them. Working families all can benefit from the child tax credit as it is constructed in the President's child tax credit proposal. It would treat the children of all working families equally—all the families who are working hard and pulling the proverbial wagon should benefit from the child tax credit.

The Children's Commission unanimously endorsed this kind of child tax credit. This tax bill is where we can deliver.

I am here to report that in the next few days or over the next few weeks as we complete our work on this historic budget agreement, I will not stop fighting for the families in West Virginia who deserve a child tax break, who deserve health care coverage for their kids, and who deserve our help, now.

#### FAIR TAX RELIEF FOR WORKING AMERICANS

Mr. KENNEDY. Mr. President, as the Clinton administration and the conferees on the tax cut bill work out their differences, we need to do all we can to guarantee that fair tax relief is delivered to the American people. The last thing Congress should do is enact a tax relief bill that offers plums to the wealthy and crumbs to everyone else.

Who deserves the tax relief? Is it the average hard-working family on Main Street, or the wealthy millionaire on Wall Street? Is it the rookie policeman walking the beat? Or is it the heirs of fortunes worth millions of dollars? Is it the nurse trying to raise a family on \$27,000 a year? Or is it the financier buying and selling stocks and bonds?

That is what is at stake this week and next week, nothing less. There are two key questions: will Congress target the scarce funds available for tax cuts to working Americans in blue-collar shirts or to tycoons in designer suits? Will the amount of tax relief be responsible, or will it explode in the out-years and unbalance the budget we are trying so hard to balance?

Everyone at the negotiating table now agrees that \$85 billion is a realistic figure for tax relief over the next 5 years. The debate is no longer about how much tax relief we should enact for that period. Now the debate is over who should benefit from that tax relief, and how much they should benefit.

Our Republican friends want to target the vast majority of the benefits of tax relief on those who have already benefited the most from the Nation's soaring economic growth—the wealthiest individuals and corporations in our society.

Clearly, this tax bill cannot close the widening income gap in our society. But just as clearly, it should not make the gap wider.

Over the last two decades, the rich have gotten richer, and everyone else has fallen behind. During the 1950's and 1960's, all income groups in the population participated in the economy's growth. We all advanced together. But, in the 1980's and 1990's, we grew apart. The benefits of economic growth have tilted heavily toward the rich.

Instead of reducing this inequality, the Republicans would add to it. Their tax cuts are weighted heavily to the rich. According to the Treasury Department, the House Republican tax plan would give two thirds—two-thirds—of its benefits to the richest fifth of the population.

And that estimate is conservative. Citizens for Tax Justice included the estate tax cuts and corporate tax cuts in their analysis and calculates that the richest fifth would get 80 percent of the benefits.

By contrast, under the President's proposal 83 percent of the tax cuts would go to working families and the middle class, and only 10 percent would go to the wealthy.

The largest tax breaks in the Republican plan are the lower tax rate on capital gains, the indexing of capital gains for inflation, the estate tax cuts, and the expansion of IRAs and other tax-preferred savings accounts. All of these provisions benefit the wealthy, not average Americans.

In addition, the Republican proposal opens the way for more tax loopholes and other special interest tax breaks. The changes to the corporate alternative minimum tax alone will make it easier for large corporations to earn billions of dollars in profits but pay little or no taxes.

The most unbalanced giveaway in the Republican bill is the capital gains tax cut. Under the Republican bill the rich will see their capital gains tax rate cut in half. The lowest bracket taxpayers will only see a reduction of one-third.

The Republican tax break on capital gains will be worth all of \$6 to the average family with median income. But it will be worth over \$7,000 to those in the top 1 percent of the population.

By contrast, under the President's proposal, everyone will get the same tax break of 30 percent on their capital gains. The President's proposal ensures

that the same breaks granted to the rich are also given to every taxpayer. It is simple fairness that everyone should receive the same treatment.

Another unbalanced provision in the Republican proposal is the estate tax reduction. The Republican provisions are aimed at the top 2 percent of all estates. They help those who have done extremely well in recent years. Median income taxpayers will see no tax reduction at all from these provisions.

The Republicans claim that they are helping families with the \$500 children's tax credit. But most families earning under \$30,000 will not be eligible to receive the full benefits of the credit under the Republican plan, and many of these hard-working, tax-paying Americans will receive no benefit from the credit at all. The President's proposal is far fairer in enabling these families to take advantage of the credit.

Furthermore, no tax bill can be considered fair if it does not address the needs of low and moderate income families for affordable health insurance coverage for their children. Ninety percent of uninsured children are members of working families. These parents work hard—40 hours a week, 52 weeks a year—but all their hard work does not buy the insurance their children need for a healthy start in life.

The Senate bill offered a downpayment on this problem by providing \$24 billion to help such families purchase affordable coverage. This coverage was financed, in part, by a 20-cent-per-pack increase in the cigarette tax. Whether to include this cigarette tax increase, and the additional \$8 billion in funding for child health insurance it will buy, in the final tax bill is now in dispute. In view of the immense costs that smoking inflicts on society and the critical need for children's health insurance for low and moderate income families, it would be a travesty if big tobacco prevails and eliminates these provisions from the final legislation.

Finally, the Republican proposal has serious defects in the long run that make it irresponsible and that will cause the deficit to explode in future years. According to the Center for Budget and Policy Priorities, the Republican proposal will increase the deficit by \$500 billion to \$600 billion in the 10 years after 2007.

We went down this deficit road once before, with the excessive Reagan tax cuts of the 1980's. We should learn from that history, not repeat it. It is a pyrrhic victory if the budget is in balance in 2002, and then grossly unbalanced in the years that follow.

Democrats are proud to stand for responsible tax relief that is fair to the American people. The Republican alternative flunks the test of fairness, and it flunks the test of responsibility. The choice is clear and the people will judge Congress by how we respond.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

#### A TAX CUT FOR PEOPLE WHO PAY TAXES

Mr. GRAMM. Mr. President, I understand our Democratic colleagues have been out today to proudly unfurl the banner proclaiming "redistribute the wealth." They have been looking at the tax cut that has passed the House and Senate, and they have discovered something that, to them, seems miraculous. I would like to take a few minutes this morning to address the issue. Our Democratic colleagues have discovered that the bottom 20 percent of all income earners in America do not get a tax cut under the tax bill that passed the U.S. Senate with 80 votes, and further that the top 20 percent of all income earners get a substantial tax cut. Our Democratic colleagues believe that this is grossly unfair and they want to do something about it.

Well, let me first set the record straight. It is true that, in our tax bill—at least the version that passed the House—the bottom 20 percent of income earners in America do not get much of a tax cut. It is also true that the top 20 percent of income earners will get a substantial tax cut.

But as Paul Harvey would say, let me tell you the rest of the story. The rest of the story is that, as a group, the bottom 20 percent of income earners in America pay no income taxes. The top 20 percent of income earners in America pay 78.9 percent of all the income taxes paid in America. So I do not understand why our Democratic colleagues are so shocked to learn that people who do not pay income taxes do not get an income tax cut when we are cutting income taxes. Nor can I understand why they are so shocked to learn that when 20 percent of the workers in America are paying 78.9 percent of all income taxes, it is that 20 percent which will benefit from a tax cut when we are talking about cutting income taxes.

Now, what our colleagues on the left would like to do, in following the President's proposal, is to take the tax cuts away from a working couple, both of them working full time, making a total of \$54,000 a year, and instead give it to people who do not pay any income taxes. Their argument is, if you are a working couple in America and you make a total of \$54,000 a year, then you are rich and, therefore, you ought not to get a tax cut. Our colleagues on the left believe that we ought to take away your tax cut and give it to people who pay no income taxes.

I reject that. I reject it because it is not fair. It is not fair because a tax cut is for taxpayers. If you do not pay income taxes, then when we are cutting

income taxes you should not expect to get a tax cut. Let me make it clear that I have voted for a lot of programs that provide benefits to people—over the past 15 years, we have substantially increased benefits to the very group that our Democratic colleagues have argued on behalf of here today. Let me just give you some figures. In 1981, the average payment that we were making to low-income workers—we actually give them money to work—was \$285. Today, that figure has risen to \$1,395. This is relevant because the last time we cut taxes on working families was in 1981. So our Democratic colleagues who have been out this morning talking about redistributing wealth say, look, we ought to take the tax cut away from families making \$54,000 a year as a joint income, and we ought to raise this so called earned income tax credit.

My point is that the last time working families who pay taxes got a tax cut, the earned income tax credit, on average, was just \$285.

Today the average beneficiary of this so-called earned income tax credit is getting \$1,395. In other words, we have had almost a 500-percent increase in subsidies for low-income workers since the last penny of tax cuts was provided for people who actually pay income taxes in America. The best data we have on the refunded portion of the earned income tax credit and after-tax income of taxpaying families is the following: Since 1986, the paid out portion of what we call earned income tax credit, a direct Government subsidy to low-income workers—which, by the way, I have supported—has risen by 860 percent since 1986.

Do you know what has happened to the after-tax income of working, taxpaying families since 1986? It has fallen .2 percent—from \$28,302 to \$28,249. So, while this subsidy to low-income workers has exploded—the paid-out portion has risen by 860 percent in the last 11 years—we have not had a tax cut in the last 11 years for taxpaying families, and during that time the after-tax income of working families has actually gone down.

What we have heard all morning is that we should take money away from taxpayers and give more subsidies to people who are not paying income taxes.

I believe that it is not unreasonable once every 16 years to have a bill that helps people who pay income taxes. What we are trying to do is to give a modest tax cut—\$85 billion in a \$7 trillion economy—and we are trying to give it to people who are actually paying income taxes.

I can not think of a more reasonable proposition.

Finally, let me say that we have this game going on where the White House wants to make everybody appear richer than they are so that in the process they can claim that it is only rich people who they would deny the tax cuts. Let me tell you how it works.

According to the Joint Committee on Taxation and according to the Census Bureau, the top 20 percent of income earners have a threshold income of about \$54,000 per family. But what the administration has done is they have inflated that income by over 70 percent. You think you are making \$54,000 a year, but the administration says, "Now, wait a minute. Do you not live in your own home? And you know, if you did not live in your own home, you could move out, live in a tent, and rent that house out." So they take what you could rent it for, and they add that to your income. They take unrealized gains, the cash buildup of your insurance policy, the value of your retirement program, private retirement programs, and they add all of that to your income. So your paycheck says, when you add yours and your wife's, that you made \$54,000. You did not feel too rich, quite frankly, making \$54,000. You are working hard to make ends meet. But the administration says your income is not \$54,000. They say if you moved out of your house and rented it out, and if you looked at the buildup of your life insurance policy, if you looked at the internal buildup value of your retirement program, you would have found that actually your income was over \$93,000, and that you are actually rich. Then they say, because you are rich, you do not deserve a tax cut so we are going to take it away and give it to someone who does not pay taxes.

Let me make two more points because I see several of my colleagues here who want to speak.

This whole debate pains me. I do not understand why, in America, anyone would try to pit people against each other based on their income. There is nothing more un-American, in my opinion, than trying to divide people up in classes based on how much money they make. We probably provide more generously than any society in history for people who are incapable of earning a living or people who are having trouble doing it. We are not debating those issues today.

What we are debating is when we finally, for the first time in 16 years, can afford to give reductions in income taxes, should those reductions go to people who pay income taxes, or do we have to pay tribute every time we try to help working families who pay income taxes by taking part of their tax cut and giving it to people who are not paying income taxes? That is the real debate.

Final point: If you are making \$54,000 a year, husband and wife working, maybe somebody at the White House thinks you are rich. Maybe there are people in Congress who think you are rich. But basically we are talking about middle-class, working Americans struggling to make a mortgage payment, struggling to pay for food and shelter, struggling to try to lead a quality life. It is just outrageous and