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

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

THE PRESIDENT'S TAX CUTS AND THE MIDDLE CLASS

Mr. McDERMOTT. Mr. Speaker, I ask unanimous consent to take claim the time of the gentleman from Illinois (Mr. EMANUEL).

The SPEAKER pro tempore. Without objection, the gentleman from Washington is recognized for 5 minutes.

There was no objection.

Mr. McDERMOTT. Mr. Chairman, the President has signed into law a bill that guarantees a massive tax increase for the middle class. They just do not know it yet. Make no mistake. The President's tax giveaway to the rich will be paid for by the middle class for generations to come. In fact, Americans living overseas are already reeling from the President's fuzzy math. It is the largest single tax increase in 30 years for these Americans.

I will enter into the RECORD a story published on Tuesday in the International Herald Tribune entitled "Americans Abroad Outraged Over Tax Changes." Not only does the President's giveaway hurt Americans living and working overseas, his tax giveaway will actually encourage companies to hire executives in other countries because the new law is so onerous for Americans.

The President declared "Mission Accomplished," but the words ring as hollow now as they did on that aircraft carrier when he declared an end to major hostilities in Iraq on May 1, 2003, almost 3 years ago.

What the President signed yesterday is a massive $70 billion tax giveaway. Americans earning $1 million a year will enjoy an average $41,000 windfall every single year through 2010. The President handed out $16 to the average middle class family.

There is no money to pay for this presidential giveaway, just as there is no money to pay for the President's Iraq War. He keeps signing credit card slips for the U.S., but what kind of credit limit does he actually have?

The Washington Post called it the "Day of Reckoning for the next President in and Congress. I will enter into the RECORD a May 4 story. The story of the "Day of Reckoning" is January 1, 2011. Let me read a paragraph out of the Post story:

"At that moment politicians will face a choice: Either allow taxes to rise suddenly and sharply on everyone who pays income taxes, is married, has children, holds stocks and bonds, or expects a large inheritance, or impose mounting budget deficits on the government far into the future."

I urge you to read the rest of that story, which will be in the RECORD.

This is not voodoo economics; this is black magic. The President and the Republican majority have made the surplus disappear. They have replaced a Nation enjoying strong financial security with a country insecurely surviving on a growing addiction to massive foreign debt. They are transferring the wealth of our Nation to the very rich and leaving the bill for the reckless plundering of the Treasury to the middle class, and they made sure the pain will not begin until the President leaves office.

Two generations ago when income tax rates exceeded 70 percent, economists could argue that a tax cut could fuel economic growth. But that logic is as scarce today as gasoline at $1 a gallon.

To independently confirm this point, I turn to none other than the very conservative Cato Institute. Here is what they said in the Los Angeles Times story on May 14, which I will put into the RECORD: In the story the Cato Institute shows that since 1981 for every dollar in tax cuts, the government spending increased by 15 cents. So they kept going. They gave away $1 and they spent $1.15. The President and his surrogates are pretending otherwise. The bills are piling up and so is the debt on the American middle class, until we stop.

But the Republicans did the opposite. They rammed through a reckless budget bill yesterday. This much we know: The Republican budget is all gain and no pain for big oil. The Republican budget is all riches for the rich and rags for the rest. The President and the Republicans are hurting the poor, the disadvantaged, the vulnerable kids, the seniors, and the middle class. And the Republicans are passing on a legacy of debt, not to their children but to their grandchildren.

When the President signed the latest tax giveaway, he gave those earning $1 million a year, earning $1 million a year, an extra $41,000. That is the average salary of the middle class in this country. For doing nothing. He just simply gave it to them. They will not work a single day for it. Meanwhile, the House Republican budget will add another $254 billion to the deficit to pay for that. They are going to borrow from the Chinese to give it to the rich. So the debt ceiling had to be raised again yesterday. Buried in the bill for the fifth time under Mr. Bush, we have raised the debt ceiling. Their spending is so out of control, they do not know how to stop. But that is not the half of it. In 2007 the rich will receive even more funding.

There is no end to their spending. The only way is to take them out in November.

By 2010, the Republican giveaway will cost as much as all of the funding for the Departments of Education, Veterans Affairs, Homeland Security, Housing and Urban Development, State, and Energy.

And, median family income in America is down.

Under this President, the tallest mountain in the world is no longer Mt. Everest; it's Mount U.S. Deficit. The rich are sitting on top with Republicans. Rock slides are crashing down on the rest of us. And the landslide is coming.

This mountain of debt will collapse on the American people. That's the record of a Republican President and Republican majority who have defined themselves as the party of one percent, representing only those with a seven figure income or above.

[From the Los Angeles Times, May 14, 2006]

BANKRUPTED BY VOODOO ECONOMICS

(By Jonathan Chait)

If you remember the 2000 election, you probably remember President Bush's warning about why we needed to cut taxes: if we did not return the surplus to the taxpayers, Washington would spend it. Well, we all know what happened next. Bush returned the surplus to taxpayers—and Washington spent the money anyway.

Conservatives have a number of analogies to explain why tax cuts will lead to spending restraint: Cut your child's allowance. Starve the beast. But the analogies are all wrong. The child has a credit card. The beast has a private meat locker. Washington can spend whatever it wants, regardless of how much it taxes.

The right has been congenitally unable or unwilling to grasp this lesson. Last week, though, there was a faint glimmer of recognition. William Niskanen, chairman of the fervently anti-government Cato Institute, did a calculation showing that, since 1981, every $1 in tax cuts tends to produce 15 cents of extra spending. Likewise, every $1 of tax hikes tends to reduce spending by 15 cents. The notion that tax cuts cause spending to dry up, or that tax hikes encourage more spending, is not just wrong, it's completely backward.

Now, Niskanen is not the first policy wonk to discover this correlation. Four years ago, Richard Kogan of the liberal Center on Budget and Policy Priorities discovered the same thing. I wrote about it in the New Republic—and nobody paid any attention.

But Niskanen's finding is getting some attention. Moderate libertarian Jonathan Rauch wrote about it in the Atlantic, and a Washington Post columnist picked it up from there.

You'd think conservatives would pay some attention to a study that empirically demolishes one of the central underpinnings of their domestic policy. Indeed, my fellow columnist, Jonah Goldberg, wrote on National Review's blog last Monday that "conservatives are going to have to respond to Jonathan Rauch's argument in the new Atlantic."

Of course, no response ensued. Indeed, the next day, National Review was on its merry way, editorializing for more tax cuts, as if Niskanen's study didn't exist.

The curious thing is why conservatives persist in supporting a strategy that is demonstrably counterproductive to their stated goal of shrinking government. The answer can be found in the same entry by Goldberg. He proceeded to write: "There are others better qualified to deal with the economic issues. But if tax increases can be demonstrated to shrink government in some significant way, I'm certainly open to them."

Indeed, there is plentiful evidence that tax hikes can slow spending. There is a sizable chunk of the Democratic Party that is willing to inflict pain on their constituents in the form of spending cuts as long as the rich bear some of the burden in the form of higher taxes. In 1982, 1983, 1990 and 1993, Democrats in large numbers voted for budgets that ratcheted back spending and raised taxes.

In 1995, many Democrats offered to cut spending and balance the budget. But Newt Gingrich and the Republicans quashed that move by insisting on huge tax cuts too.

The insistence on tax cuts tends to weaken fiscal restraint all around. Having tended to the rich with tax cuts, Bush had to buy off enough voters with spending hikes to win reelection.

Most conversatives are like Goldberg—they want to shrink spending. But most conservatives, also like Goldberg, tend to think that ''others are better qualified'' to make those decisions. Conservative option outlets tend to subcontract out their economic thinking to a handful of polemicists, and virtually all of them are committee advocates of supply-side economics. They're theologically committed to tax cuts and don't really care about spending cuts. They studiously ignore any evidence that weakens their case—which is to say, most of the evidence.

So, basically, you have a handful of supply-siders leading the rest of the conservatives around by the nose. The conservatives could cut a deal with the Democrats to tighten spending and taxes, but the anti-tax nuts are the ones who set policy for the movement.

It's funny. Almost all the conservatives, including Goldberg, are furious at Bush for raising spending. But it hasn't occurred to them to question the dogma of the voodoo economists who led them into this mess in the first place.

[From the International Herald Tribune, May 16, 2006]

AMERICANS ABROAD OUTRAGED OVER TAX CHANGES

(By Dan Bilefsky)

BRUSSELS.—Americans living abroad have reacted angrily to a decision by U.S. lawmakers to approve $70 billion in election-year cuts that will benefit wealthy taxpayers in the United States but impose what some experts have called the biggest tax increase on American expatriates in 30 years.

President George W. Bush is scheduled to sign the tax cut bill this week.

Under the bill, which the Senate approved last week, Americans working abroad will be exempted from paying U.S. taxes on the first $82,400 of their foreign earned income, up from $80,000. But the tax exemption on foreign housing expenses will be significantly reduced, and investment income will be taxed at a higher rate.

In addition, the amount of foreign earned income that surpasses the level of exemptions will be taxed as though the income had been earned in the United States, at a much higher rate, and income from foreign retirement accounts, which previously did not reach taxable levels, can now be taxed.

''This is the worst hit to Americans living abroad for three decades,'' said Eric Way, a tax specialist at the Federation of American Women's Club Overseas who also works as a senior engineer in France for Volvo. He estimated that Americans abroad who earned $20,000 in investment income could expect to see their U.S. tax bill double.

A single manager living in Paris who earns $75,000 and whose company pays his $3,000-a-month housing would see his income tax bill rise to $5,110 from $600 because of the capping on tax exemptions for housing costs, Way said.

This changes, will apply to the 2006 tax year and were introduced in a modification to the tax bill, were guided through Congress by Charles Grassley, Republican of Iowa, chairman of the Senate Finance Committee.

In 2003, Grassley played a leading role in trying to eliminate the $80,000 exclusion on income earned by Americans abroad. He called the exclusion an unnecessary ''subsidy'' and contended that it did little to increase U.S. exports. His efforts to repeal the tax break failed, however, following a corporate lobbying offensive that extended to Bush.

Republicans are hoping that the current tax legislation will give a lift to Bush and the Republican-controlled Congress, which have experienced their lowest approval ratings in polls since his election in 2000.

But many Americans abroad protest that it unfairly targets them. The Joint Committee on Taxation in the U.S. Congress estimated that the new measures would cost $200 million a year in taxes for the 4.1 million Americans—excluding military personnel and Foreign Service officers—living abroad.

The United States is the only developed country that imposes worldwide income tax on its citizens working overseas. Tax experts say that new taxes on Americans working abroad could prompt U.S. companies to start hiring employees from places like Britain and Canada, while provoking American executives in Europe and Asia to return home.

American taxpayers working abroad can deduct some housing expenses, a benefit that has helped attract U.S. executives to jobs in high-cost European capitals such as London or Paris.

But under the new system, this tax exemption on housing will be capped at $11,536, although is some cases the Internal Revenue Service could adjust it based on geographic differences in the cost of living.

Lucy Stensland Laederic, a free-lance translator based in Paris and American liaison for the Federation of American Women's Clubs Overseas, said she was particularly aggrieved that her France-based retirement fund would not be subject to U.S. income taxes.

''We are 4.1 million ambassadors living outside the U.S.,'' she said. ''We buy American products, fly American airlines, send our children to American universities and improve the image of Americans overseas. Why are we being punished?''

[From the Washington Post, May 4, 2006]

TAX DEAL SETS DAY OF RECKONING

(By Jonathan Weisman)

With this week's hard-fought agreement on a $70 billion tax-cut extension, President Bush and congressional Republicans have effectively set a date for a fiscal day of reckoning for the next president and a future Congress: Jan. 1, 2011.

House and Senate negotiators reached agreement this week on legislation to extend the deep tax cuts on capital gains and dividends beyond their scheduled 2008 expiration date, through 2010. Final passage of the agreement must wait until Republican tax writers agree on a second tax bill that includes many of the tax breaks jettisoned from the measure on capital gains and dividends. If the deal wins congressional approval, every major tax cut passed in Bush's first term will be set to expire on the same day five years from now.

At that moment, politicians would face a choice: Either allow taxes to rise suddenly and sharply on everyone who pays income taxes, is married, has children, holds stocks and bonds, or expects a large inheritance, or impose mounting budget deficits on the government far into the future, according to projections by the nonpartisan Congressional Budget Office.

''It is now a decision-forcing event,'' said Robert L. Bixby, executive director of the Concord Coalition, a budget watchdog group. ''This is a potential calamity that cannot happen. They are going to have to deal with it and face the consequences.''

In a speech yesterday before the American Council of Engineering Companies, Bush hailed the agreement to extend his 2003 tax cuts on dividends and capital gains, and he implored Congress to make all his tax cuts permanent.

''If the people have their way who want this tax relief to expire, the American people will be hit with $2.4 trillion in higher taxes over the next decade,'' Bush said. ''A tax increase would be disastrous for business, disastrous for families and disastrous for this economy.''

Taking a partisan turn, the president mocked Democrats who had opposed his tax cuts and had warned that they would lead to economic disaster. ''The Democrats' record of pessimism has been consistent: It's been consistently wrong,'' Bush said to loud applause.

But the decisions taken now inevitably will cause politicians in the future to confront difficult choices—a trade-off that Bush did not acknowledge in his speech.

Rudolpy G. Penner, a Republican and former director of the Congressional Budget Office, agreed that tax increases so broad and sudden would be a major shock to the economy.

Tax cuts that have accrued over five years of the Bush administration—lowering income tax rates, benefiting married couples, doubling the child tax deduction, cutting tax rates on investment returns and eliminating the estate tax—would disappear overnight.

''I can't even imagine that happening,'' Penner said.

At the same time, Republican and Democratic budget experts said they could not imagine all the tax cuts being extended simultaneously. According to CBO projections, if the Bush tax cuts are extended in 2011, a deficit of $114 billion forecast for the year of their expiration will more than double, to $274 billion. A budget surplus of $67 billion, anticipated for 2016 if all the tax cuts expired, would turn into a $310 billion deficit.

And the red ink would only grow worse from there, as the baby-boom generation swells Medicare and Social Security costs, said Douglas Holtz-Eakin, a former Bush White House economist who recently retired as CBO director.

In that sense, Holtz-Eakin said, synchronizing the tax-cut expiration dates will have a positive impact, forcing politicians to confront what they so far have refused to acknowledge: the mathematical disconnect between government spending and a tax system that can no longer finance those programs.

''The next president has to have a plan for this, at a minimum,'' Holtz-Eakin said. ''This is going to have to be elevated to the top end of the political spectrum soon.''

Both Bush and the Republican congressional leadership expressed no alarm yesterday. Speaker J. Dennis Hasert (R-Ill.) said sharp reductions in the tax rates on dividends and capital gains have boosted business investment, created jobs and buoyed the economy since their passage in 2003. That outcome, in turn, brought more revenue to the federal government, not less, he said.

Bush said the budget could be balanced by controlling spending while maintaining his tax cuts.

''The best way to reduce our deficit is to keep pro-growth economic policies in place so the economy expands, which will yield more tax revenues, and be wise about how we spend your money,'' the president said.

Democrats attacked the agreement to extend the tax cuts for dividends and capital gains as another gift to the rich. Senate Minority Leader Harry M. Reid (Nev.) declared: ''Bush's tax plan offers next to nothing to average Americans while giving away the store to multimillionaires.'' House Minority Whip Steny Hoyer (Md.) said Bush's comments on fiscal rectitude ''read like a passage from 'Alice in Wonderland.' ''

This kind of rhetoric bodes ill for future cooperation on tax and spending questions, Penner said. ''Unless there is some reduction in the vicious partisanship that has come to dominate our politics, it's very hard to imagine people coming together on anything,'' he said.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 5385, MILITARY QUALITY OF LIFE AND VETERANS AFFAIRS APPROPRIATIONS ACT, 2007

Mr. GINGREY, from the Committee on Rules, submitted a privileged report (Rept. No. 109–472) on the resolution (H. Res. 821) providing for consideration of the bill (H.R. 5385) making appropriations for the military quality of life functions of the Department of Defense, military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2007, and for other purposes, which was referred to the House Calendar and ordered to be printed.

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

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

HONORING THE LIFE OF SPECIALIST DAVID N. TIMMONS, JR.

Ms. FOXX. Mr. Speaker, I ask unanimous consent to claim the time of the gentlewoman from Texas (Mr. POE).

The SPEAKER pro tempore. Without objection, the gentlewoman from North Carolina is recognized for 5 minutes.

There was no objection.

Ms. FOXX. Mr. Speaker, it is with a heavy heart that I rise today to express the heartfelt condolences of a grateful Nation and to honor the life of Army Specialist David N. Timmons, Jr. of Lewisville, North Carolina. Specialist Timmons passed away on May 5, 2006, while serving in Afghanistan.

Specialist Timmons served our country as a calvary scout assigned to the 3rd Squadron, 71st Cavalry Regiment, 10th Mountain Division at Fort Drum, New York. His strong patriotism and desire to make a difference led him to join the army after attending Forsythe Technical Community College.

Specialist Timmons was a loving son and brother. He leaves behind his father, David Timmons, Sr.; his stepmother, Cynthia Timmons; and his sister, Shalante Timmons. May God bless them and comfort them during this very difficult time.

We owe this brave soldier and his family a tremendous debt of gratitude for his selfless service and sacrifice. Our country could not maintain its freedom and security without heroes like Specialist Timmons who make the ultimate sacrifice. Americans, as well as Afghanis, owe their liberty to Specialist Timmons and his fallen comrades who came before him.

Mr. Speaker, please join me in honoring the life of Army Specialist David N. Timmons, Jr.

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

(Mr. BROWN of Ohio addressed the House. His reamarks will appear hereafter in the Extensions of Remarks.)

HONORING FORMER CONGRESSMAN SONNY MONTGOMERY

Ms. KAPTUR. Mr. Speaker, I ask unanimous consent to claim the time of the gentleman from Ohio (Mr. BROWN).

The SPEAKER pro tempore. Without objection, the gentlewoman from Ohio is recognized for 5 minutes.

There was no objection.

Ms. KAPTUR. Mr. Speaker, I rise this evening to pay tribute to a former Member of this body, Congressman Sonny G.V. Montgomery of Meridian, Mississippi. Our Nation laid him to rest this week in his home State.

As a Congresswoman who arrived here in the early 1980s, it was my great privilege to serve on the committee which he chaired, the Veterans' Committee, which was his life here in the Congress of the United States. I can recall so many times, as a Member of that committee, what a gracious, gracious Chair he was. Even to the new young members who had much to learn. I remember so much of what he did and the camaraderie that he established as a very precious gift not just to the committee or to the Congress but to the Nation. And we could use more of that spirit here today.

I remember in 1984 when the Montgomery G.I. Bill passed in a Democratic Congress with his leadership, how generation after generation a young veteran would come to be able to afford an education and to obtain decent health care and what he did to strengthen our Armed Forces, including our Guard and Reserve, and given us the best Armed Forces that the world has ever known. He hardly ever claimed credit for that publicly, and yet he worked on it for years.

I can remember many State of the Union addresses where in what I called the Montgomery chair back there in the back row he would sit and he would welcome the Presidents from each party as they would come into this Chamber, and I cannot ever remember Sonny Montgomery losing his temper. If he did, I certainly never saw it.

I watched him when we struggled with the issue of Agent Orange. When some of the scientists who testified before the committee said, We really cannot show causality, we cannot show that, in fact, this veteran has cancer because he was mixing Agent Orange in big vats with paddles in Vietnam back in the 1960s and early 1970s. And there came a point in the committee when Sonny said, You know, there is a time when you have to do what is morally right even though it may not be scientifically provable. And for the first time in the Nation's history since Vietnam we were able to treat veterans who contracted serious illnesses as a result of their service. Special centers were set up, such as in New York, in order that we could assess and learn about these terrible, terrible illnesses that resulted from exposure to Agent Orange.

□ 2245

Sonny Montgomery traveled to the districts of the Members of his committee. I was so impressed, because many times we would get a veteran who, unfortunately, because of illness would be out of control in the audience, and Sonny had a way of moving his hand and talking to the veteran, kind of calming him down. He was an amazing, amazing man to watch.

He loved veterans. He loved Americans, but he had a special gift to be able to reach those who sometimes were distant. Half of the homeless in America are veterans. The work that he did as Chair of that committee helped us to recognize for the first time the problem of homeless veterans.

He got great assistance from a young Congressman then who had joined the committee, LANE EVANS of Illinois, who currently due to Parkinson's illness is in Illinois right now trying to heal himself. These men did so much for our Nation and for the improvement of the conditions under which our veterans serve.

I can remember when Sonny came to my district in Ohio. It didn't matter where you took him, to a Veterans Post, a Legion Post, a public meeting, people would stand and cheer. He was ''Mr. Veteran'' from coast to coast. And he left a legacy of improved education, of improved health care, of a veterans system that increased the number of health care clinics, both in urban and rural areas, to care for our veterans, and he took very seriously the slogan from Lincoln that is on the front of the Department of Veterans Affairs, ''To care for them who shall have borne the battle, his widow or widower, and his or her orphan.'' He lived it.

He traveled the world. We improved cemeteries around the world for our veterans. We worked on housing programs to go beyond the GI single-family home mortgage to multiple family home construction.

He did so much so quietly and so effectively. Personally, he worked with me many, many years as we were trying to build the World War II memorial here in Washington in three different committees of jurisdiction, and yet was