



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Sen. Chuck Grassley
Chairman, Committee on Finance
Floor Statement to Open Debate on the Tax RELIEF Act
Thursday, May 17, 2001

Mr. President, we will start consideration right now, and there will be up to 20 hours of debate and action on the bill that is before us under the reconciliation provisions of the Budget Act on what will be the largest tax cut that has been given to the American people in the past 20 years. In this process, we are going to take a considerable and substantial sting out of the federal tax bite. This is the third-largest tax reduction in the last 50 years, to put it in some other perspective as well.

Before I get to the issues that are before us, I will say a little bit about the process of putting this legislation together.

I know we are all going to be thinking about what kind of tax bill we have, how much taxes are going to be reduced, the fairness of it all, and the equity of it all. But I would like to have my colleagues spend a little bit of time thinking in terms of how we got here.

First of all, almost 12 months ago, the President of the United States gave a speech saying that one of the foundations of his campaign was going to be a very substantial tax reduction because taxes have reached the highest point they have ever been in the peacetime history of the United States.

He campaigned on that and did not back off one iota when pundits made fun of it, when economists maybe took exception to it. It was very well thought out and intellectually honest.

He pursued full steam ahead through the highs and lows of the campaign -- through times when you might be depressed with the campaign going against you, through times when you were on a high in the campaign, and right through that campaign -- through the election, through the period of time when there was some sort of question as to who might be the next President because of what was going on in Florida and the counting of ballots, and from the time he was announced the winner to the time he gave his inaugural address on the day of swearing in.

So we are here today because we have a President who wants to make a difference, a difference for the taxpayers in this country, a difference for the economic advancement of our people, the creation of jobs, and the encouragement of investment.

Without this presidential leadership, we would have tax bills before the Congress this year but they would not be as substantial as what we now have before us. For the President of the United States, it is not substantial enough because, as we know, he proposed almost 20, 25 percent more than we are dealing with. Here again, the President must accept the will of the people expressed through the Congress. There was a compromise, a necessary bipartisan compromise on a level

somewhat less than what the President proposed, but the \$1.35 trillion we are dealing with in this bill.

The bill we have before us is a product of the process: The presidential election, the extremely important leadership of a President who is committed to principle and performing in office what he said he would do during the campaign -- and that is a rarity in politics, but this President is doing it -- and the legislative process in the Congress.

Compromise is always necessary in any Congress, whether it is overwhelmingly controlled by one party or the other party or whether it is evenly divided, as it is now in the Senate -- absolutely evenly divided, 50 Democrats/50 Republicans -- or in an almost evenly divided House of Representatives with the Republicans being the clear majority.

Process is pretty important. I want people to think of this process as we debate very controversial amendments over the next two days. The Senate Finance Committee is kind of a microcosm of the entire Senate, and perhaps people will think of the hard work Senator Baucus and I, and my colleagues on the Republican side and almost half of the Democrats, have put into crafting this legislation. It didn't happen in one 10-hour meeting on Tuesday, when we considered all the amendments that were in dispute, about the product Senator Baucus and I put together. It didn't happen in 10 hours. It happened over a long period, starting about mid-January. I will refer to some of the substantial things that happened to get us where we are today from where we were last January.

That is not to detract from what I said about the President of the United States contributing greatly to where we are today as well, maybe not in the specifics of the bill but the overall questions -- are taxes too high, and should they be reduced -- the President winning on the process that they should be reduced, and now going through the process of actually giving the American working men and women the tax relief they deserve. People will get tired of my saying it, but this is a bipartisan tax bill. My friend Senator Max Baucus, ranking Democrat on the Finance Committee, worked with me to put together a package of tax cuts that would receive solid support on both sides of the aisle. We knew this would not be easy, getting the people's business done, unless it was a bipartisan product.

That, again, is a reality of a 50/50 Senate. This bill came together after the Senator from Montana and I heard from our respective caucus members about their priorities.

You don't put together the biggest tax cut in two decades without considering all points of view. As we start this debate now, it is not just Senator Baucus and Senator Grassley who are at the table -- where maybe that was the situation from time to time over the last several months -- every Senator, all 100, is at the table as we now consider the product of the Finance Committee and its bipartisan cooperation. That is the nature of the Senate.

We talked to our members about their priorities, and then we put this product together. Two days ago, our efforts yielded the results we hoped for when we started out four months ago. This bill was approved by the Senate Finance Committee by a 14-6 margin, a clear demonstration of solid bipartisan support.

I hope the work that has gone into this product over the last four months is respected. Even though Members might not agree with it, could they do better? Each time people are down here casting a vote -- and they are going to vote yes or no -- I ask my colleagues, particularly on the Republican side, to think in terms not that they like everything that is in here but could

they have done better. If they can't do better, I hope they will show respect for the bipartisan approach we used.

More importantly, I hope they will respect the transparency that has been the hallmark of the Finance Committee's work throughout the first four months and the communication that has gone into this by individual Members communicating with others to say, "What do you think about tax legislation," to get specific points of view from specific Members and, most importantly, the people on this committee as well as others outside the committee.

It was not easy to arrive at a final agreement. Among the Finance Committee's 20 members, there were many opinions on what is important. In the end, no one got everything he or she wanted, including this chairman. Most of us got something we can support. We got a bill that will reduce taxes, will bring about tax relief for American working men and women in a meaningful way, in a way that taxpayers are going to notice and notice soon -- by this summer -- and they then will see it in fatter wallets.

I am very pleased Senator Baucus and I and other members of the Senate Finance Committee have been able to put together this truly bipartisan package. It is a testament to the Finance Committee that within one week after the budget resolution was passed, we now are on the Senate floor to vote on comprehensive tax relief for everyone who pays income taxes in America. I hope the Senate will express -- not to me, not to Senator Baucus, but to other members of the committee -- the spirit of cooperation that was evident throughout that process Tuesday. I want Members to know that I am proud of the Finance Committee in this process as well as the substance of this legislation.

Now I will turn to what is in the bill. The heart of the bill is across-the-board tax cuts in individual income tax rates. Again, a little bit about the process: Senator Baucus and I have met at least weekly for a long period of time since January. I met with individual members of the committee in their office -- not in my office, in their offices -- throughout the month of January and February, both Republicans and Democrats. I have had my staff meet with other staff on an ongoing basis, but very intensively, during and since the Easter break.

I have also had an opportunity to visit with members outside of my caucus and also Democrat members outside of the committee as well. And you always wonder when you go down this process -- it takes over three or four months -- whether it is time well spent. I wondered, as I would go to the next meeting, whether it was really worth my time.

Let me say, in looking back to all the time I have put in on this, and I think of my background as a farmer; you put the seed in the ground, as we are doing in Iowa, to grow the biggest corn crop that any state produces -- because we are No. 1 -- and for the first period of time before it emerges above the ground, three-fourths of that growth that first month is below the ground. You don't see it unless you dig in there with your fingers and inspect it.

And so Senator Baucus and I sowed that seed in January and that seed sprouted. I know now it sprouted; I didn't know then that it would sprout. It sprouted for those days between the middle of January and last Friday at 1:30, when we finally had an agreement.

So I conclude that whatever time I spent on this -- and I am going to conclude for Senator Baucus, and maybe I should not do that -- and whatever time he spent on that process was time well spent. Even though we are going to have honest disagreements, I hope we can be cordial and polite in this process of debate. I will have to remind myself of that from time to time as well.

Now to the product. The heart of this bill, as I said, is across-the-board tax cuts of individual income tax rates. This bill creates a new 10-percent rate that will apply retroactively to the beginning of this year. This new low rate will apply to income that is currently taxed at a 15-percent rate. So people who are hit first by the 15-percent rate now can already count going back to January 1 this year, that on their first dollars made they are not going to pay 15 percent; they are going to pay 10 percent. It will give immediate tax cuts to millions of American taxpayers and provide an immediate stimulus to the economy.

For married persons, the upper end of the 15-percent rate bracket will be expanded to include income currently taxed at the 28-percent rate. So for those people being taxed at 28 percent, they are going to see more of their income taxed at the 15-percent rate. The current 28-percent rate will drop to 25 percent. The current 31-percent rate will fall to 28 percent. The existing 36-percent and 39.6-percent rates will be lowered to 33 and 36, respectively. This legislation also includes immediate death tax relief and its eventual repeal.

This bill expands the child credit and earned-income credit, enhances pension protection and incentives to save, and creates over \$30 billion in educational incentives -- full deductibility of interest on student loans, deductibility on college tuition, and on educational savings accounts. It provides marriage penalty relief and relief from the individual alternative minimum tax.

Everyone in America will share in this tax cut. It is across-the-board relief for those who pay income taxes. That means that this tax cut will flow to every wallet on every Main Street in America. Over 100 million individuals and families will have their tax relief; 14 million elderly individuals will receive tax reduction, resulting in 12 million paying less tax on Social Security benefits; over 40 million couples will benefit from the marriage penalty relief; 3 million couples will no longer itemize deductions as a result of the standard deduction increase; 9 million individuals and families will benefit from the increased individual retirement account contribution limits from \$2,000 to \$5,000; 30 million families will benefit from the increased child credit.

This is a tax bill for everyone, regardless of income level, size of family, your age, your marital status. I will give you a few examples of what we expect next year.

A married couple with two children and \$15,000 in income will pay no income tax because we expanded the earned-income credit and per-child credit. This family will receive an additional \$1,000 from the Government. A married couple with two children and a \$90,000 income will receive an additional tax reduction of \$1,050. A couple, age 65, married and filing jointly, with a \$30,000 income, will have a \$600 reduction. A single mom with one child and a \$25,000 income will receive a tax cut of \$400.

Keep in mind, these examples are for the year 2002, which is just the beginning of these tax savings. The tax rate cuts, child credits, and other benefits will greatly increase as they are phased in over the next several years.

I know most of us in this Senate also have personal stories about what this tax relief for working men and women will do for those same people back home. I will tell you about some of the people in Iowa and what this tax cut will mean for them.

Maurice Colby of Vinton, Iowa, retired after processing waste water for the Navy for 28 years. He works part time for his neighbor, a family farmer, during planting season. I will bet he works there during harvesting season as well. He does that to earn extra money.

As retirees, Mr. Colby and his wife worry about expenses. Their total tax bite is tough, especially when heating fuel and high gasoline prices are considered. The Colbys usually take a driving vacation most summers, but not this year. Mr. Colby said this: "It's time for relief. It has been a long time."

Ronald Harless, 76, and his wife Jean, 72, of West Des Moines, are retirees on a fixed income. Mr. Harless worked as a printer making telephone books. Mrs. Harless was an office worker. Mr. Harless says he lived frugally and saved his money for retirement. Despite a series of heart surgeries, he has never used the Veterans' Administration's health services, even though he is a Navy veteran who landed at Normandy during World War II.

Mr. Harless says he paid taxes all of his life, has never been a drain on the taxpayers and wants to keep it that way. Mr. Harless of West Des Moines, Iowa, wants to support himself and stay out of the taxpayer-funded nursing homes as long as he can. However, he says he and his wife are, in their words, "barely getting along" on their retirement income and, hence, would welcome the tax provisions of this bill to give them some needed relief.

Joseph McBride, Jr., of Fort Dodge, Iowa, works in sales and marketing for a food service company. His wife is a registered nurse. They have four children, ages 14, 12, 10, and 8. Mr. McBride says he would welcome a tax cut because he would like to have more money in his pocket to secure his children's future. He is very interested in saving money for his children's college tuition and will see that increase from \$500 up to \$2,000. The tax cut will be very beneficial.

He also wants to put a little extra money in the local economy. Fort Dodge's economy is not as good as he would like, and he wants to do his part to help it get better.

Another concern is energy costs. Mr. McBride in Fort Dodge says he remembers the recession and gas shortages during the Presidency of Mr. Carter. Mr. McBride said he paid more money in taxes last year than he ever has. Mr. McBride is right; he did pay more taxes last year than he ever has. That is because the Federal Government's collection of individual income taxes is now at its highest level in history.

As I have said many times, today's tax surplus in our Federal Treasury is caused by excess collections of individual taxes.

During the height of World War II, the tax collection from individuals was 9.4 percent of gross domestic product. Today income tax collection from individuals is an astounding 10.2 percent of GDP, nearly a full percentage point above World War II. More importantly, not just a little bit above World War II, but we have seen a 50-percent increase in individual tax collections in the last 6 years, from about just a little over 7 percent of gross national product to 10.2 percent now.

I might have a chart during the debate, but I can show where the revenues into the Treasury from the estate tax have been about level for the last decade. Corporate taxes have been level for the last decade. Taxes from fees and services have been about level. But we see a great spike in the individual income taxes coming into the Federal Treasury in the last six or seven years.

It is beyond belief in a time of unprecedented peace and prosperity that individual tax collections exceed the level required to defend the entire world, which is what the United States did 56 years ago. That is why we must move decisively to give working men and women this tax relief. We must not keep the money in Washington where there is a tendency for it to burn a hole in the

pockets of Members of Congress to a point where they have to spend it.

This will help in several ways. It will not build up Government spending to a level that is unsustainable so that if we ever go into a recession, income goes down but spending does not go down, and then we again have a deficit.

Also, since the Federal Government does not create wealth -- it only provides an environment for working men and women of America to create wealth -- we move the money from Washington back to the individual taxpayers of America, and there it is going to turn over many more times, because of the freedom of the marketplace, than it will if it is left in the Federal Treasury. There is a political decision of what ought to be done with it. There is a lot of efficiency with a political decision, but it does not have the potential for economic growth that it will have if my constituents in Iowa spend it and/or invest it.

Too often Members of Congress think this is not the people's money; this is the Government's money. It is the taxpayers' money, and Washington has simply collected too much of it, particularly too much from the income tax. There has been a 50-percent increase of gross national product over the last six years. So we are going to return this money. It is even wrong for me to say that because there is some implication that it is my money. We are going to let the American people keep more of the money they earn by passing this tax bill.

Over the next few days, we are going to hear a lot of talk about population demographics and about how this tax relief for American men and women is going to compromise our national priorities. Let me set the record straight at the very beginning. This tax relief for American working men and women in no way endangers our national priorities. The President has said that. I have said it. It is a fact. A majority of the Congress said that when they adopted our budget last week. We are here because a majority of the Congress, and a bipartisan majority of the Congress, said we ought to put more money in the pockets of working men and women than into the Federal Treasury.

The budget resolution did that. It did it through a blueprint for how the Government will fund its priorities. That blueprint provides record levels of funding for education, prescription drugs, and defense. I want to make very clear that we pay down every dollar that is possible to pay down on the national debt over the 10 years of this budget resolution.

That blueprint also says we have more than enough surplus to enact the tax relief for working men and women that is before us in this bill today. In fact, the bill before us refunds only 24 cents of each dollar of projected surplus.

How many people who are listening now or who will read this in the paper are going to say: How come you can't do better than that? The only answer I can give them is, it is part of the process of compromise by which we work in a bipartisan way to do the people's business.

Twenty-four cents out of each dollar is hardly what I would call a risky tax measure. We are going to hear this from a lot of our colleagues: Risky, risky. We are going to hear people say that the projections in the budget for the next 10 years are so uncertain that we should not be giving a tax cut. This caution by my colleagues is perfectly legitimate. We ought to always be cautious on almost every public policy decision we make. But check with those same Members to see that when they want to spend more money, do they worry about whether the budget projections are accurate for the next 10 years? No. It is only when we want to let the American people keep their hard-earned money that this issue arises.

For those who want to use the word "risky," those who want to say the projections could change and want us to be cautious, the only thing I ask -- it is perfectly legitimate for them to say that, but as they are talking about a new spending program that is going to spend out over the next 10 years, I encourage that same caution before people vote on that issue.

This is a responsible tax cut. We are at the highest level of individual taxation in history. It is a time to end that. Let's also get another thing straight. This bill in no way touches the Social Security or Medicare trust fund. This is a bipartisan tax bill that represents the best thinking from both sides of the aisle. It is a victory for the process of the Senate. The problem we now face is that some people around here preach bipartisanship but then turn around and attack the bipartisan compromise reflected in this bill. They will work to obstruct this bill's enactment, and they will demean the great efforts and political risks that Republicans and Democrats alike take to reach this bipartisan agreement. I imagine we are going to see plenty of this sort of thing on the Senate floor over the next few days. I don't think it will work because today we are about doing the President's business. This bill only contains tax relief for individuals. It is not larded with favors for special interests. You cannot draft bipartisan legislation such as that very easily. I think there is some purity of cause and purity, consequently, of content.

This bill before the Senate is a historic opportunity to prove we can join together, on a bipartisan basis, as common Senators, with a common purpose, to relieve a heavy burden from the people who sent us here. The Finance Committee has shown this can be done. Our committee has done what the Constitution and the rules of the Senate require. We have led the way. I am very proud of our Members and their efforts.

I urge all Senators to be vigilant in our deliberations, circumspect in rhetoric. The relief ordered by this bill is too needed by too many to be demagogued by the few. America is watching. America is waiting. What America is going to see over the next 3 or 4 days in this Senate is a product of a process that started about the second or third week of January when the Senator from Montana, then for a short period of time chairman of this committee, as the Democrats controlled this body for 17 days back then, said: I would like to meet with you and talk with you about the functioning of the committee. That was an hour and a half discussion. But some important few words were said by Senator Baucus on that day, which were that we could have a bipartisan tax bill if we worked at it. I thank Senator Baucus for that suggestion. I thank Senator Baucus for spending so many hours with me since then to make it happen. Most importantly, I thank him for his handshake at 1:30 last Friday when we had an agreement. I thank the Senator.