



Committee On Finance

Max Baucus, Ranking Member

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Floor Statement of Senator Max Baucus at the Opening of the Tax Reconciliation Bill

Mr. President, let me begin by commending my good friend, the Chairman of the Finance Committee. I know that Senator Grassley sought to defend the Senate position in the conference committee. I only regret that the conference agreement could not have ended up more like the Senate product than it did.

Mr. President, this past Saturday, Lillian Asplund died. Ms. Asplund was the last American survivor of the 1912 sinking of the *Titanic*. She was the last survivor with actual memories of the event.

Ms. Asplund's life reminds us that people make choices. And those choices can have significant consequences.

Just as much, the bill before us today reflects choices. And those choices will have significant consequences.

Shortly after midnight, on that cold morning of April 15, 1912, passengers started evacuating the doomed ship. At first, women and children went first. But it was not long before that rule gave way. Soon it became clear that the privileged went into the rescue boats first.

About that time, the most extraordinary thing happened. Some of those privileged and wealthy passengers decided to give up their place in line. They decided to let others go first. Benjamin Guggenheim, the son of the colossally-wealthy mining magnate, sipped brandy and smoked cigars in a deck chair, while the ship went down.

Today, on this bill, we see no such valor. We see no such sacrifice. Rather, in this bill, ideological wants push their way to the front of the line, ahead of America's needs.

At the end of last year, 16,000 American businesses lost their tax incentive to create high-paying research jobs for American-based workers. But relief for them did not make it into this bill.

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At the end of last year, millions of school teachers lost a small but significant tax break for classroom supplies that they purchase out-of-pocket. But relief for them did not make it into this bill.

At the end of last year, millions of middle-income American families with kids in college lost the ability to deduct tuition costs. But relief for them did not make it into this bill.

These tax provisions are what people call the popular extenders. This conference gave them second-class status.

And to what did these popular already-expired tax provisions have to give way? Well, the first class passenger on this ship is a tax break for investors where not one dollar will be used until January 1, 2009.

But some will say that this tax break for 2009 is desperately needed today, to provide certainty. You might just call this bill the "2009 Tax Increase Prevention Act." Because this bill chose to prevent a tax increase in 2009, rather than prevent tax increases in 2006.

For the millions of families, teachers, businesses, and workers out there who lost their tax benefits on January 1 of this year, there is no tax increase prevention in this Act.

But some will also say: "Don't worry. Another bill may be, might be, should be coming soon." Yes, and the check is in the mail.

Some will say that these 2009 cuts on capital gains and dividend income benefit all Americans. And a blizzard of statistics and quotes will ensue.

I decided to go to the source. I represent Montana. The more than 900,000 residents of Montana are my employers. So I asked the Montana Department of Revenue where the benefit of these tax cuts would go. Of course, not everyone in Montana has this type of investment income.

So, the Montana Department of Revenue told me that just 400 households in Montana would receive an average benefit of \$14,000 from the capital gains tax cut. Roughly 90 percent of the households in Montana would get almost zero benefit from the capital gains cut.

With these numbers, it is very hard for me to understand why this 2009 tax break is urgent, while Montana teachers that lost their tax break last December must wait for the next rescue boat.

Of course, I am very pleased that protection from the Alternative Minimum Tax is included in this bill. And I am pleased that conferees included the full Senate-passed version.

As some will recall, it was a struggle to get it in the Senate-passed bill last November. The original version and the version that came out of Committee were not a full “patch.” Those versions would have left 600,000 more families paying AMT. We fought to improve the Senate bill to be a true hold-harmless. And we succeeded in doing so before the bill finally left the Senate. That version is retained today.

This protection from AMT will protect almost 17 million families across the country, including about 45,000 in Montana. The Montana tax collector tells me that AMT protection will help about a quarter of all households in Montana with incomes between \$45,000 and \$80,000. That group might otherwise have seen an average tax increase of \$1,700.

Unfortunately, there is little else in this bill to be proud of. Working families have been left behind. Congress has chosen ideological wants over America’s needs.

The Senate-passed bill did the tax business that Congress needed to do this year. In contrast, the bill before us today leaves work undone. And as a result, the deficit will probably be larger because the conferees made the choices that they did.

I’ll have more to say about the fiscal effects of this bill, Mr. President. In the end, those effects may be the real iceberg. The fiscal effects of this policy may be a real disaster.

So, Mr. President, I urge my Colleagues to reject the choices made by this conference. I urge my Colleagues to vote against leaving those families, teachers, and workers behind. And I urge my Colleagues to reject this disastrous bill.

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