COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus, Chairman
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Floor Statement of Senator Max Baucus (D-Mont.)
Regarding American Recovery and Reinvestment Act

This afternoon, the Senate returns to its seventh day of work on this important jobs bill. And the case for this bill continues to grow stronger every day.

Last week, we learned that 3.6 million Americans have lost their jobs since this recession began. The unemployment rate has risen to 7.6 percent and is still rising. Job losses appear to be accelerating.

Last year, more than three million families lost their homes to foreclosure. And many more foreclosures appear to lie ahead.

We face the worst economic disaster in the lifetimes of most Americans alive today. History will judge how we respond. Let us not let the nation down.

In the late 1920s and early 1930s, there were those who questioned vigorous government response. There were those who fretted about the short-term deficit. History has not judged them kindly.

Rather, the consensus of economists came to agree with the great British economist John Maynard Keynes. Keynes argued that in times of high and rising unemployment, the government has an important job to do.

Government must make up for lagging demand in the private sector. And the Keynesian school teaches that the best way to increase demand involves getting money into the hands of those most likely to spend it quickly.

Yes, some economists question the Keynesian consensus. But those questioners are very much on the fringe of economic thinking.

And so, our time of testing is upon us. The broad consensus of economic analysis informs us what to do. The question before us is now one of political will.

Will this generation have the courage to confront the economic storm of our time? Or will this generation be like that which preceded the New Deal?

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Will our generation, by its inaction, be found wanting? Or will our generation rise to the challenge of our times?

The path to address this crisis lies ahead of us today. At about 5:30 this evening, the Senate will conduct a roll call vote on the motion to invoke cloture on the Collins-Nelson substitute. The Collins-Nelson substitute is the best, clear chance for the nation to respond to the economic crisis that we face.

Under the previous order, if the Senate invokes cloture on the amendment, then the Senate will be able to complete action on this bill with a vote at 12:00 noon tomorrow.

If a Senator raises a budget point of order against the amendment, then the Senate will vote tomorrow on a motion to waive the point of order.

Otherwise, under the previous order, the adoption of the amendment will still be subject to a 60-vote threshold. And the Senate would then vote on passage of the bill.

Either way, the Senate faces two 60-vote hurdles for this important legislation: one this evening at 5:30, and another tomorrow at noon.

And that familiar arithmetic dictates the path before us. The amendment before us provides the one clear chance to surmount that 60-vote hurdle. The Collins-Nelson substitute provides an opportunity for Congress to respond, and respond swiftly. Let us take that opportunity.

The Collins-Nelson substitute is a principled compromise. Yes, if I had my way, I would have written it differently. I brought a slightly different bill to the floor on behalf of the Finance Committee. But the Collins-Nelson substitute makes the change that we need to make to achieve the broad consensus we need to pass this bill.

In the Collins-Nelson substitute, we agreed to trim the underlying bill. But I am pleased that the compromise does not sacrifice the main thrust of the bill.

So, what is the compromise?

The Collins-Nelson substitute would trim the COBRA subsidy. It would provide a 50 percent subsidy for 12 months for the purchase of health insurance for those who have lost their jobs. This saves $5 billion.

The agreement trims the health Information Technology proposal. It would cap the amount of funds that a critical access hospital can receive under the health I.T. provisions at $1.5 million per hospital. This change saves $5 billion.

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The Collins-Nelson substitute also cuts back on some of the tax incentives. The agreement eliminates the general credit carry-back provision, saving about $9 billion.

The agreement trims the Recovery Zone Bonds by providing $10 billion in private activity bonds and $5 billion in refundable credit bonds. The agreement provides a 35 percent tax credit for Build America Bonds for 2009 and 2010, with a 40 percent tax credit for small issuers. This change saves $2 billion.

The Collins-Nelson substitute trims the number of people eligible for the Make Work Pay Credit by beginning the phase out of the credit at $70,000 in annual income for singles and at $140,000 in annual income for couples. This change saves $2 billion.

And the refundable child tax credit threshold is decreased to $8,100, saving $3 billion.

Other than these changes, the underlying tax provisions are essentially intact. The bill remains a balanced approach to getting our economy back on track.

The bill would continue to provide more than $300 billion in tax cuts for individuals. The bill would help working families with the Make Work Pay. Seniors, disabled vets, and SSI recipients would receive a one-time payment of $300.

Families with children would also get help. The bill would still expand the Earned Income Tax Credit and the refundable child tax credit. Families would still get benefits for college with the American Opportunity Tax Credit and the expansion of 529 college savings plans.

The bill would expand the Homeownership Tax Credit beyond first-time homeowners and double the amount of the credit. For those receiving unemployment benefits, the first $2,400 would not be taxed as income.

There are also tax incentives for commuters and those buying automobiles.

The bill would also provide a 2009 AMT patch, so that people can keep the tax cuts they receive.

The bill contains $18.4 billion for businesses. There are several provisions geared toward small businesses. The bill extends bonus depreciation and 179 expensing. The bill also decreases the S-Corp holding period from ten years to seven years for built-in gains.

The bill would allow businesses to take accumulated AMT and R&D credits in cash in lieu of bonus depreciation. The bill provides a delayed recognition of certain cancellation of debt income. Net operating losses can be carried-back five years instead of two.

The bill still provides more than $19 billion in energy tax incentives.

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These incentives will create green jobs producing the next generation of renewable energy sources — wind, solar, geothermal — spur development of alternatives, and help to combat climate change by reducing our use of carbon-emitting fuels.

The bill would extend and modify the renewable energy production tax credit for qualifying facilities, in order to make the credit more useable in the economic environment.

The bill includes additional funding for clean renewable energy bonds to finance facilities that generate electricity from renewable resources and conservation bonds for states to use to reduce greenhouse gas emissions.

Energy efficiency is often cited as the low-hanging fruit — the easiest way for us to reduce our energy consumption and greenhouse gas emissions.

We have included incentives for energy efficiency. The value of the existing credit for energy efficient homes is increased and the limitations on specific energy-efficient property are eliminated. The credits for various types of energy efficient property, for both residential and business, are extended.

The bill has two new tax credits designed to spur our alternative energy and production.

The advanced energy research and development credit provides an enhanced 20 percent R&D credit for research expenditures incurred in the fields of fuel cells, energy storage, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration.

The second tax credit is an advanced energy investment credit for facilities engaged in the manufacture of advanced energy property.

These energy tax incentives will help to keep our alternative energy sector moving forward as we confront the growing demand for clean, renewable energy.

The bill would provide recovery provisions totaling $9.6 billion. The bill would provide for several types of bonds to help depressed areas, including Recovery Zone Bonds, Tribal Economic Development Bonds, High Speed Rail Bonds, and Broadband Bonds. The New Markets Tax Credit would be extended. The bill would accelerate the low-income housing tax credit.

The bill would also provide $14.3 billion in help for municipal bond markets. This recovery bill includes changes that will free up this market, unlocking cash for infrastructure investment.

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Banks would be able to inject more capital into projects, creating demand for municipal bonds, and driving down interest rates. And increasing the small issuer exception would increase the range of municipalities from whom banks could buy.

The bill would also eliminate tax-exempt interest on private activity bonds as a preference item under the alternative minimum tax. This change would draw new investors and help stabilize the market.

The legislation would also establish parity for Tribal governments on $2 billion of tax exempt bonds. This important change would put Tribal governments on equal footing with other government issuers.

The bill would maintain the new tax-credit bond option, giving state and local governments a new tool to finance infrastructure projects.

The bill would also eliminate the three percent withholding requirement for government contractors.

The tax components of the bill are diversified. They would spur our economy from several directions.

On health matters, the Collins-Nelson substitute preserves much of the health I.T. investment that the original bill proposed. These sound investments will pay dividends in the future. They would reduce health care costs and improve health care quality.

The health I.T. provisions preserved in this bill will also help patients to make better decisions about their health care. I am pleased that these provisions remain intact. And the provisions have been improved by the amendments offered by Senator Enzi last week.

The Collins-Nelson substitute also maintains the important protections that we provided in the original bill to state Medicaid programs. As we heard in the floor debate, the rise in unemployment has placed significant strain on Medicaid.

Decreased revenue coming in means less money to fund Medicaid. And experts warn that every percentage point increase in unemployment adds one million more people to the Medicaid and Children's Health Insurance Program rolls.

The substitute before us today would provide much-needed relief to every state through a temporary increase in the Federal share of Medicaid funding. This funding would prevent states from making further cuts to a program that is already in dire circumstances due to the economic downturn.

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And the substitute also preserved the critical extension of emergency unemployment benefits. It also maintains the improvements to our unemployment insurance program by increasing and extending benefits to those currently looking for work.

A key component of the economic recovery package helps unemployed workers maintain their health coverage. When workers lose their jobs, they lose more than their paychecks. They often lose their health insurance coverage, as well. Losing job-based health insurance can have tragic consequences.

The initial proposal provided a 65-percent subsidy for COBRA coverage for up to nine months. The Collins-Nelson substitute shaved that coverage back to a 50 percent subsidy for 12 months. By doing so, we saved $5 billion.

I am concerned that a 50-percent subsidy might not provide enough relief. In the future, I will look for ways to maximize participation in this program for people who want to keep their health coverage.

But the product before us today is the result of principled and bi-partisan negotiation. This is a compromise across the aisle in the finest tradition of the Senate.

But we don't have time to waste. We must act quickly to pass the Collins-Nelson substitute. We must work quickly with the House in conference to reach consensus and put this bill on the President's desk without delay.

Let us not repeat the dithering of the late 1920s and early 1930s. Let us summon the courage to confront the economic challenge of our times. And when the roll is called this evening, let us invoke cloture on the Collins-Nelson substitute.

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