U. S. S E N A T E

# Republican Policy Committee

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*Exposing the Myths of the 'Guardians of Big Government'*

## Taxpayers Should Examine The Dole Economic Plan

Six Senators came to the floor of the U.S. Senate this week charging that Americans are being denied the full story about our nation's economic health, and how it can be improved by a meaningful economic growth plan, like that produced by Senator Dole. The Senators made these points:

- ***Taxpayers, reading their newspapers or watching TV, are justifiably confused:*** they *see and hear* the President and his messengers tell them they are better off economically, but as they leave to go to their second jobs, or have to cancel the family vacation plans, they don't *feel* that can be so. These feelings speak volumes. Most Americans *are not* better off under this Administration: their real earnings have fallen by hundreds of dollars; their total family income is less than it was a few years ago; and they pay more taxes. This *is* a weak economy, and it *has* hurt taxpayers, especially middle-class families.

- ***Senator Dole's plan is not just a tax plan but an economic growth plan:*** it calls for across-the-board income tax cuts; and, for reforming our unfair and overly-complex tax code; enacting a balanced budget constitutional amendment and a balanced budget by the year 2002; eliminating unnecessary government red tape; ending lawsuit abuse; and promoting education and job training. With this comprehensive economic plan, we can expect to see an annual growth rate far greater than what we're seeing today. This much healthier economy will increase the real income of the average American taxpayer.

- ***Americans deserve a meaningful tax cut.*** They can have a tax cut with continued deficit reduction if Congress controls spending. Under President Reagan's tax cuts, we experienced the longest peacetime economic expansion in history. More than 20 million jobs were created, so more people paid taxes, thereby raising government revenues. The deficit did not go down, however, because of a spend-happy Congress that doubled federal spending in 10 years. It's only been since 1994 that the party of President Reagan has regained control of the Congress, and begun the task of spending reform.

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[Senators' remarks can be found in the September 9, 1996, edition of the *Congressional Record* beginning on the following pages: Sen. Coverdell (R-GA): S-10058; Sen. Grams (R-MN): S-10058; Sen. Shelby (R-AL): S-10060; Sen. Inhofe (R-OK): S-10061; Sen. Thomas (R-WY): S-10062; and Sen. Mack (R-FL): S-10063.]

## TAX RELIEF AND TAX REFORM

Mr. COVERDELL. Mr. President, a little earlier today, the Senator from Massachusetts was talking about the tax relief proposal of our former colleague, Senator Dole, which, just to sketch it out, calls for replacing the current tax system with a simpler, flatter, fairer system; it cuts the personal income tax rates across the board by 15 percent, it cuts the top capital gains tax rate for individuals in half, to 14 percent; creates the much-debated $500 per child tax credit, and much needed, I might add; and expands individual retirement accounts. It goes on to offer a 1-year tax amnesty during the transition to a new tax system, eliminates tax returns for 40 million low- and middle-income taxpayers, it shifts the burden of proof from individuals to the IRS, which I have long thought should be the case.

We currently have two legal systems in the country. In most cases, you are innocent until you are proven guilty, but not if you are dealing with the IRS; then you are guilty unless you can somehow extract yourself from it. And it ends lifestyle audits, that is just speculation about, "You are driving sort of an interesting car, maybe we ought to look into that." I do not know of any agency in the United States Government—which is a real reach, when you think about it—that shares a lower reputation among the American people than the IRS. Anybody who has visited with Americans anywhere in the country knows it immediately.

I think that lowering the economic pressure on America's working families ought to be among our first priorities in this country. I have said many times here on the Senate floor that an average working family in my State is now forfeiting 53 percent of their earned wages to a government tax. It is absolutely unheard of.

I thought this was an interesting quote from Cal Thomas, in a recent article that appeared in the Washington Times. He says:

> When government wants to spend your money it's doing something noble. When you want to keep more of your money, you are greedy.

I think that perfectly defines what so much of the debate and language and rhetoric we hear here in Washington is. It is almost as if the Government owns all the fruits of your labor and once in a while allows you to keep some of it. I have to tell you, that is absolutely backward from what Thomas Jefferson had in mind. He warned us, time and time again, of governments that consume the fruits of labor and take it away from the laborer for their own purposes.

Recently, there was a story that I think appeared in Readers Digest, and also the Wall Street Journal, that asked every strata of American life what they thought was a fair tax burden, male/female; income groups from $30,000 to $75,000 or more; Republicans, Democrats, independents, conservatives, moderates, liberals—what is a fair tax?

It is almost stunning that it did not matter what their philosophy, what their gender, what their income strata was, they all had an almost identical answer. The appropriate tax burden on American citizens and workers should not exceed 25 percent. In other words, America believes the tax burden today, which is the highest level it has ever been, or the highest percentage of the gross domestic product, should be half what it is today; that the Government ought to be able to fulfill its responsibilities with half of what it is extracting from every working family.

Of course, we are hearing a lot of moans and groans from the other side. "Oh, my heavens, what is the Government going to do if it is unable to extract all these resources from our working families?" As though the Government's priorities come ahead of every one of those mothers and fathers who are trying to feed their children, educate them, house them, and give them higher education, prepare them spiritually. It is just amazing to me. You would think it was the other way around, that this money all belonged to the Government and every now and then it passes a little favor out to you.

I read over the weekend a story, the headline, "France to Cut Taxes $5 Billion in Effort To Reduce Deficit."

> PARIS, September 5. France will follow Republican Presidential nominee Robert J. Dole's prescription for economic health and cut taxes to the help reduce its budget deficit in the face of a shrinking economy.

That is what happens. When the Government consumes too much it chokes the economy, it causes people to lose jobs, it causes new businesses not to be formed. I never thought the French would be ahead of us on this.

It goes on to say they are adopting Senator Dole's prescription for economic health, cutting taxes to help reduce the budget deficit in the face of the shrinking economy.

> The Prime Minister announced tonight—[that is September 5]—the $5 billion tax cut for next year and further reductions in following years will make France virtually the only nation in Western Europe to reduce taxes so far this decade.

That is quite an amazing turn of events, that France would be following the advice of Senator Dole and we have nothing but rejection from the Senator from Massachusetts. That is a very, very interesting comparison.

Then we see here the Senate minority leader Tom DASCHLE, South Dakota, said, "* * * he detected very little desire in the Democratic caucus to act on a tax cut bill before this election." I guess it is understandable, considering that that caucus is who gave us the highest tax increase in American history, and little wonder—nor should we be surprised—they have very little interest in leaving these dollars in the checking accounts of America's families.

As a matter of fact, this average family I was talking about just a few moments ago now has 2,600 fewer dollars in their checking account since the arrival of this administration in Washington. In just 4 years, they are now consuming over $2,000 more out of these beleaguered working families in our country.

Mr. President, I see we have been joined by my distinguished colleague from Minnesota. I would like, if he is agreeable, to extend up to 10 minutes to the Senator from Minnesota on this very, very important subject of tax relief and tax reform—much, much needed in our American economy. More important, around the kitchen table and in the checking accounts of just the poor average family trying to make it.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 10 minutes.

Mr. GRAMS. Mr. President, I wanted to add, as my colleague mentioned about the tax cuts that are being proposed for France, I think we note Germany is also proposing tax cuts because of the huge unemployment rate in that country. Again, the same thing, as more government taxes have begun to choke that economy as well as in Sweden, so other nations around the world are looking for ways to encourage economic growth through a reduction in their governments. Like the Senator from Georgia said, it is hard to believe they would be ahead of the United States making those determinations.

But, Mr. President, America's working families, as we have been talking about, face greater hardships now than at any time in the last decade and the

impact of the Clinton Presidency is being felt on all fronts: the economy is flat, taxes are on the rise, while take-home pay is not going anywhere at all.

Despite his administration's claims to the contrary, the economy has merely slogged along since Bill Clinton took office, growing at a barely perceptible 2.4 percent and making this recovery the slowest of the past century. The projected growth for next year is only 1.9 percent. At the same time, the Government's tax collectors are making new demands of working Americans and siphoning away more of their dollars than at any other time in history. In too many cases, workers are actually taking home less in their pay envelopes than they did 4 years ago.

It did not help when Bill Clinton vetoed the balanced budget legislation passed last year by Congress. Without a balanced budget to keep interest rates in line, families are paying significantly more to finance necessary expenditures: an extra $36,000 for a home mortgage, for example, or $1,400 more for a student loan and higher interest fees again because of a vetoed balanced budget by this President. Those are dollars that could have been spent saving for a child's education, or purchasing health care, insurance, and other basic family needs.

If families feel as though they are being squeezed between high taxes, a White House that cannot stop spending, and a stagnant economy, they are right—and it is called the Clinton crunch.

Under economic policies perpetuated by the Clinton administration, our cities are suffering as well. Since 1965, 15 of the 25 largest U.S. cities have together lost over 4 million residents, at the same time the Nation's population has grown by 60 million. As residents bail out in record numbers, America's job creators have joined the flight. Dozens of Fortune 500 companies, once headquartered in New York City have relocated since the 1970's, and the statistics are similarly grim in other major cities such as Cleveland, Detroit, Philadelphia, and St. Louis.

The urban centers in my home State of Minnesota are no exception—according to the U.S. Census Bureau, St. Paul and Minneapolis are shrinking, too. In the 4-year period between 1990 and 1994, the population in my State's two largest cities dropped by nearly 4 percent. A study recently released by the Minnesota Planning Office revealed that even as the rest of the State is experiencing dramatic growth in the 1990's, its metropolitan hubs are not.

Once the job creators are gone and employment opportunities vanish with them, the hearts of our once mighty economic centers wither away. Poverty and crime flourish like weeds in their place.

Consider the alarming murder statistics now rocking the Twin Cities. St. Paul recorded 25 homicides in all of 1995; already this year, 25 murders have been reported. The 71 homicides on the books this year in Minneapolis mean the city may match—or even exceed—last year's record number of killings.

What is driving people away? Why are our cities no longer the powerful economic magnets of the past? Sadly, just as it is responsible for the state of the economy as a whole, the Government itself bears much of the responsibility.

A recent study by the Cato Institute found excessive Government spending and high taxes to be a major cause, not just a consequence, of urban decline.

Researchers have learned that cities that overspend and overtax lose population; cities with low spending and low taxes gain population.

The Federal tax burden continues to rise. Today, a typical, two-income family is paying nearly 40 percent of its income in Federal, State, and local taxes. That is devastating for urban families who struggle every day to keep a job, put food on the table, and make a decent home for themselves and their children—while Government continues to demand more.

We have two workers in most households today. One is working to provide for the family, the other is working to provide for the Government.

Most taxpayers do not realize that in recent years, 15 cents of every tax dollar they have contributed has gone toward paying the interest on our $5.2 trillion national debt.

In 1995, more than $230 billion which could have been put to work meeting the Nation's needs was instead squandered on interest payments—payments amassed because for 40 years, Washington always got whatever it wanted when it visited the candy store, whether it had the money or not.

Until Washington stops spending more than it takes in, the national debt will continue to swell, until we have left our grandchildren a bill even they will be hard pressed to pay off, if they have the ability at all to pay.

America must do better, and so Republicans, along with Bob Dole, have unveiled a plan that will stimulate economic growth and restore opportunity to every American family.

It is a comprehensive blueprint for our future built on three, interwoven themes: First, America's budget must be brought into balance; second, working families deserve tax relief, and third, the IRS, as we know it, must come to an end.

And again Bob Dole, has detailed this plan and what it offers for individuals, for families, and for the country.

Despite the arguments you hear from across the aisle who draw conclusions, irrespective of what is based on these plans, a balanced budget is at the heart of our economic plan. By boarding up the candy store and cutting Federal waste and inefficiency, we will balance the budget by the year 2002 while we protect and preserve Medicare, Medicaid, and other vital Federal programs upon which millions of Americans rely.

At a time when nearly 1 out of every 4 dollars earned by working Americans goes to pay Federal taxes, we believe relief from Washington is long overdue.

Our plan benefits every taxpayer by automatically cutting their taxes by 15 percent. That is a significant change from the policies of the past 4 years, when promises of tax relief were displaced by a 1993 tax increase of historic proportions.

More than any other segment of society, America's middle-class families have borne the brunt of the Government's tax-happy ways. We have recognized their sacrifice by offering them a $500-per-child tax credit.

As the Senate author of the child tax credit, I have long recognized the dramatic results we could achieve by cutting taxes for 24 million working households nationwide and allowing families to control more of the dollars that they work so hard to make. The $500-per-child tax credit is not peanuts—it is real help at a time when more Americans are working extra jobs or taking on overtime hours to keep from sinking under their tax burden.

In my State alone, it means families in Minnesota would keep $500 million in their pockets to spend on their families to decide how to spend rather than turning those dollars over to Washington for Washington to make those decisions.

Our vision for America's economic future will confound those who continue to defend the failed policies of the past. Clinging desperately to their borrow-and-spend ways, they claim that tax relief and deficit reduction cannot go hand in hand. Yet our plan proves these are compatible goals. The tax cuts of the Reagan era ushered in America's longest peacetime expansion, helping to create 20 million new jobs and pushing incomes and living standards to record highs. As more Americans found work and earned higher salaries, they collectively paid more in taxes even though individually they were paying less.

Yes, the deficit rose, but it was in the hands of a Democrat-controlled Congress that failed to match tax cuts with spending cuts of its own and instead a Congress that spent $1.59 for every tax dollar it collected. They say we cannot have tax cuts and balance the budget, but we can if we have a Congress that is willing to cut the spending at the same time. A Congress and President committed to realizing a balanced budget in 6 years would achieve unparalleled growth in the economy and offer Americans unparalleled opportunities for success.

Finally, we must untangle the deeply rooted IRS from the lives of the American people. If the IRS seems omnipresent, well, it is. Today, it is five times as big as the FBI and twice as large as the CIA. Just to comply with the jumble of laws it has imposed on the taxpayers it takes the annual equivalent of 3 million people, working full time, and the IRS continues to grow.

But even as its budget has increased from $2.5 billion in 1979 to $7.5 billion

this year, IRS service to the taxpayers has steadily declined.

An example: Working families have paid billions just to modernize the agency's tax collection system. The results, according to the GAO, have created chaos, and more importantly, the IRS remains hostile to the average American taxpayer.

For example, every day, my State office received complaints from constituents who have been frustrated that they can't even get through to an IRS agent. The have been calling the IRS 1-800 lines. The lines, they say are constantly busy. In some cases, my constituents tried for 3 or 4 days before they were actually able to get through.

Another story I recently encountered was that of one Minnesotan who owes about $24,000 in back taxes because his building business had a few lean years. He said he built a spec house in 1994 and now he finally has a buyer for it.

But here is the problem. He says he will be able to make $18,000 on the house if he sells it, which will all go to the IRS, but the IRS strapped a lien on the house and it will not release it because he can't pay the entire $24,000.

So by holding him hostage and demanding it all, the IRS is shooting itself in the foot when it could have already collected at least 70 percent of the debt and allowed this individual to go on and try to earn more money to pay his back taxes. And this is quite typical.

The abusive power and the arrogance of the IRS must be brought to an end. Fundamental reform of the IRS must be part of any plan to help unleash the American economy—a reinvented IRS, a balanced budget, relief from high taxes, and an economy that frees, not entraps, American families.

Mr. President, finally, that is the difference between another 4 years of what we have called and what you have heard talked about as the Clinton Crunch and our vision for America's future. That is a vision of hope and opportunity, a vision that deserves a closer look by the American taxpayers. I hope they do that in the next couple of weeks. Mr. President, I thank you. I yield the floor.

Mr. COVERDELL. Mr. President, I wonder if the Senator from Minnesota might comment. His discussion about American cities is most interesting. My home city since 1970-75 has lost 125,000 residents. My argument is that, if these cities just continue to impose higher and higher financial burdens, the end result is they make the city richer and poorer, because every time they ratchet the tax up, they drive another big segment of the middle class right out of the city. You cannot destabilize the middle class. They are going to find the relief that they want. They vote with their feet. Does the Senator concur with that?

Mr. GRAMS. Very much so. It is kind of a catch-22. Every time the city says they need more programs to encourage people to stay, they have to somehow have the revenues, so they raise taxes. And every time they raise taxes, they have an ever-increasing burden, not only on the people, but the businesses that support them. Once the businesses leave, it leaves a vacuum for crime and other problems. It is a catch-22. The Government says they will put more money into it, so they have to raise taxes and generate more revenue. And it compounds the problem, as the Cato Institute said. The Government is a consequence, not just a contributing factor, but a consequence of this problem.

Mr. COVERDELL. I thank the Senator for his remarks.

In just a moment I am going to turn to our colleague from Alabama. But with regard to the IRS, when I was a youngster, I was always taught Government was our partner. I think some people have gotten confused and they now think it is our boss.

Since 1954, the number of different penalties the IRS imposes on taxpayers has increased from 13 to 150—13 to 150. In 1992, the IRS imposed 33 million penalties on taxpayers. The amount of penalties the IRS assesses has soared from a total of $1.3 billion in 1978 to $12.5 billion in 1992. You think we have a rage of criminality in our country? I think this is just absurd. The over 100 new penalties created in recent decades amounts to a deck of trump cards the Government can play against their own citizens. It is just totally inappropriate.

Since 1980, the number of levies, the IRS seizures of bank accounts and paychecks, has increased fourfold, reaching 3.2 million in 1992. The U.S. General Accounting Office estimated in 1990 that the IRS imposes 50,000 incorrect and unjustified levies on citizens and businesses per year—50,000. GAO estimated that 6 percent of IRS levies on businesses were incorrect. It is time for a major overhaul there.

Mr. President, I am going to yield up to 10 minutes to my colleague from Alabama.

Mr. SHELBY. Thank you.

The PRESIDING OFFICER (Mr. CAMPBELL). The Senator from Alabama is recognized for 10 minutes.

Mr. SHELBY. Mr. President, I wanted to come to the floor today and try to set the record straight on Senator Dole's tax relief plan. Over and over, Mr. President, the media pundits and the liberal Democrats, such as our President, have been telling the American people that Senator Dole's tax relief plan will "balloon the deficit" or result in "extreme" or "draconian" spending cuts which will hurt our children and starve the poor.

Mr. President, I believe these scare tactics are not only wrong, they are shameless, and it is time we start standing up here and telling the American people the truth. I want to briefly lay out in a few minutes today some of the facts to expose the myths put forth by the guardians of Big Government—yes, the guardians of Big Government.

First, Mr. President, President Clinton, I believe, is wrong, wrong to claim that broad-based tax relief will increase the deficit. He often points to the 1980's as proof that cutting taxes results in higher deficits. However, the facts just do not support his claim. For example, when President Reagan, with the help of the Congress, cut the taxes in the early 1980's from a top rate of 70 percent down to 28 percent, total revenues to the Treasury during that time increased by 99.4 percent during the following decade.

What was this due to? It was due to the record rates of economic growth which occurred during the 1980's, an average, Mr. President, as you will recall, of about 4 percent a year. These cuts stimulated the longest peacetime economic expansion in American history. More than 20 million new jobs were created, and more people were paying taxes, increasing Government revenues at that time.

The fact is, Mr. President, that the massive deficits of the 1980's did not result from tax cuts; they resulted from skyrocketing rates of Federal spending. For example, during the 1980's, Federal spending increased by 112 percent; it doubled in just 10 short years. This out-of-control spending is the culprit for the deficits of the 1980's, not President Reagan's tax cuts.

What this means for us today is that we should not hesitate to give the American people long overdue tax relief. History over and over, Mr. President, has proven that lower taxes generate economic growth and will increase every citizen's standard of living. But we need to make sure such relief is accompanied by cuts in spending. Cuts in spending is the issue.

This is where the Democrats have tried to scare people. We have heard over and over that broad-based tax relief will result in extreme cuts in spending. Mr. President, the underlying assumption of this argument is that the Government has cut costs everywhere it can and that all wasteful Government programs have been eliminated and that the only Government programs which are left are ones that, if cut, would hurt children or starve the poor. That, Mr. President, is every bit as extreme as it is ridiculous.

The idea that the Government simply cannot afford to let people keep more of the money that they earn is appalling. Whose money is it anyway, Mr. President?

Since when did the Government have an entitlement to everything people earned? This is an important point here today because, by buying into the argument that the Government cannot afford to give Americans a tax cut, we lose title to our freedom every day, sort of by adverse possession, if you will. Congress should not have to justify broad-based tax relief. Rather, Mr. President, it should justify every single dollar it takes out of the pockets of the American people who work every day to supply it.

The White House should never again say that we cannot afford broad-based tax relief.

Let me give you just a small example of one way we could pay for tax relief. I think it is instructive. Robert Shapiro of the Progressive Policy Institute has identified, Mr. President, more than $100 billion of corporate welfare hidden in the current Tax Code, special interests' Tax Code. We should eliminate all corporate welfare, Mr. President, and enact immediate tax relief for individuals in America.

I have introduced legislation which would do this by scrapping the entire Tax Code, eliminating all deductions and special tax breaks for special interests, and replacing it with a low, flat-rate tax system. The Tax Code should not be a tool, Mr. President, for Washington to maintain control over our citizens' private resources. Washington should not single out certain people or corporations in America to receive special treatment in the form of tax breaks, as they have done over the years.

Everyone—everyone—in America should be on the same playing field. And they are not. The flat tax would rid this town of thousands of lobbyists who spend millions of dollars a year trying to get special tax breaks for corporate America. All in all, the Congressional Budget Office has identified thus far 64 provisions of the Tax Code which can be considered corporate welfare. This is increasing the tax burden of the average taxpayer by hundreds of billions of dollars.

Mr. President, I reject the notion that we cannot afford broad-based tax relief for the American people. That view is simply a smokescreen used by the President and the Democrats to safeguard their sacred social programs and maintain Federal control over the economy. There is plenty of room in the Federal budget, I believe, if we look hard enough, to provide broad-based tax relief and still balance the budget.

Republicans have already done it once and I think we can do it again. I just hope the next time we do, Mr. President, we will have a President who will not protect the status quo and veto our proposal but look to help the working people of America.

I yield the floor.

Mr. COVERDELL. Mr. President, I certainly want to thank and commend the Senator from Alabama for his remarks on the current economic burden on America's working families. We have just been joined by my colleague from Oklahoma. We have been talking about the IRS and the way it almost functions out of a system of fear and as an arrogant bully. I know the Senator has come to speak on that.

I yield up to 10 minutes to the Senator from Oklahoma.

Mr. INHOFE. I thank the Senator from Georgia. I am glad to have an opportunity to talk about this. I certainly agree with the Senator from Alabama when he talks about the situations that come up.

I do not know why it is that people will not read a little history. In three decades in the last 100 years we have dramatically increased our revenues by reducing marginal tax rates. Of course, the last one that was the most obvious, the first one in our lifetime, was John Kennedy when he said we have to have more revenue, and to get more revenues we will reduce the tax rates. It worked. Of course, it happened again in the 1980's.

Again, the problem we have with a number of bureaucracies, and certainly the IRS is probably the best example to use, is they have so much power and they are able to use that power to whip people into submission.

I have several cases I will share with you, Mr. President. An IRS case, one William Pell Thompson, an Air Force captain based in Montana was expecting a modest $104 tax refund for 1995. Instead he was told by the IRS that his $104 had been seized for back child support payments in North Carolina where he was accused of owing $6,700 that soon would be taken from his wages. Captain Thompson has never lived in North Carolina, had only two children by his first and only wife, to which he was still happily married. Captain Thompson was awaiting transfer to Colorado Springs in which he was unable to get the credit to buy a home and a number of things that happened that really were destructive in his life.

Here is a story that was testimony before a Senate subcommittee. Rather than go into the details, I will read the letter, a suicide note that was given by a man named Council. His wife's name was Kay. This is the letter:

> MY DEAREST KAY: I have taken my life in order to provide capital for you. The IRS and its liens which have been taken against our property illegally by a runaway agency of our government have dried up all sources of credit for us. So I have made the only decision I can. It is purely a business decision. You will find my body on the lot of the north side of the house.

She eventually won a Federal court ruling and she and her husband owed the IRS nothing.

I got off the phone a few minutes ago and there is a guy in Tulsa, Mr. President, named Iliff. He rebuilds airplanes. In fact, a couple years ago I flew an airplane around the world emulating the flight of Wiley Post. He is the one who rebuilt the aircraft for me that had been previously wrecked.

In 1994—and I know this guy real well, and his family—we were contacted by Chuck Iliff regarding a problem his mother, Edna Faye Iliff, a 90-year-old widow from Muskogee, OK, was having with the IRS. The IRS was pursuing a case against his brother, a self-employed boilermaker.

What had happened here was Mrs. Iliff, who is a widow, had failing health. She had a small savings of some $3,600 she put in her account, but she allowed her two sons to have their names on the account in the event something happened to her so they could get at the money without having serious problems.

The IRS came along and seized her account because they felt they had a case against the son of failing to pay withholding taxes. They actually got that money from Mrs. Iliff, a 90-year-old widow. Later on they found they were wrong, and they were able to get back—at a cost to the Iliffs of $1,600—that $3,600 back, and there is no interest that was paid.

What I can say is there are a lot of people in Government that are very good people. Unfortunately, the more power you give to someone, the greater the propensity to abuse that power. As Lord Acton said, "absolute power corrupts absolutely."

It is not just the IRS. We have a case in Tulsa, Jimmy Dunn, Mill Creek Lumber Co., called and said, "INHOFE, the EPA has put me out of business." I said, "What did you do wrong?" And he said, "I don't think I did anything wrong. I have been selling in our small family-owned lumber company, our used crankcase oil to the same contractor for 20 years." He said that contractor was licensed by the Federal Government, the State of Oklahoma, the county of Tulsa, and yet they have traced some of that oil from 10 years ago that went to the Double Eagle Superfund site, and now I have a letter in front of me which he read from the Administrator of the EPA that said, "We are going to come after you for fines of $25,000 a day."

Now, obviously, they did not do it, but the whole idea is many people in the bureaucracy consider it their job and they seem to enjoy abusing normal, honest, taxpaying citizens. These cases with the IRS just point out that not only are we an overtaxed society, we are paying too much in taxes, the American families are having to pay too much, but the way in which it is collected is also abusive.

I am hoping—and we have made several proposals, Mr. President, the Republican Party, some call it a flat tax, some talk about having a VAT tax to replace income taxes altogether—something will come along and we will be able to propose and pass that. We know if we pass it with this Republican Congress that now the President will veto it. We have heard that over and over again. I am hoping we will be able to be successful in changing the personality in the White House so we can get real tax reform and the abusive practices of many of the bureaucracies off the backs of the honest taxpaying American citizens.

I yield the floor.

Mr. COVERDELL. I thank the Senator from Oklahoma. I, too, had noted the case where the husband committed suicide in order to protect the financial interests.

Another case noted that way, "The IRS had claimed that my parents Jack and Wanda Biggars owed $90,000 in back taxes. On February 10, 1988, the agency

was going to auction off their home. On the morning of the auction my mother shot my father and then turned the gun on herself."

Some of these cases are just absolutely beyond belief. One of them I was reading earlier this afternoon, about a day care center. And this woman, Sue Stoya, had gone to Englewood World to pick up her 7-year-old daughter, Katherine. Before they could leave with their children, the parents said they had to sign a form pledging to pay the Government what they owed the day care center, because the day care center was in arrears. They indicated that you could not take your child out of the building—get this—the Federal agent said, "You cannot have your child until you sign this document."

This whole thing has gone way too far. We have been joined by the Senator from Wyoming. I would like to yield up to 10 minutes to him for his presentation this afternoon.

The PRESIDING OFFICER. The Senator from Wyoming is recognized.

Mr. THOMAS. Mr. President, I thank the Senator for arranging for time to talk about taxation. It seems to me that it is one of the things that all of us talk about most of the time in various ways, and we need to talk about it. I would like to move away a little bit from the specifics of the amount that we talk about and the specifics of even how it is done and, rather, talk a little more about the philosophy of taxation. I will talk a little bit about the strategy of taxation. I think it is important, over time, that we really take a look at where we want to go, what the choices are with respect to Government, with respect to taxation, where you and I will be, where our kids will be, and where our grandkids will be in terms of the strategy and philosophy of taxation over a period of time. It is a broad question.

The numbers I have seen now, Mr. President, indicate that, on the average, American families pay 38 percent of their income in total taxes. Now, that is a lot of money. That is a lot. Think about how long you work out of the year in order to pay your taxes. I believe in May, or late May, is tax day. So without the detail, I think that is a philosophy of taxes.

Obviously, there have to be taxes paid in a democracy, in a civilized society, to cover those kinds of things that clearly have to be done by Government, whether it be defense, interstate commerce, or whatever. There is no question about that. But it seems to me what we really ought to be thinking about, as we are into an election cycle, and indeed into an election, is the fact that there are choices. There are fairly clear choices as to where we go with Government and where we go with taxes. And there is a direct relationship between the two things. We are not just talking here about numbers, about arithmetic, and we are not just talking about addition; we are talking about Government. Obviously, the more Government that we ask for, the more Government that we want, and if we are going to be fiscally responsible, of course, the more taxes we have to come up with to pay for that. So there are choices. That is what elections ought to be about.

I must tell you that I am a little concerned that over the years—and this campaign is more so than any that I think I have ever seen, where the choices are pretty badly blurred. We don't really have spelled out, as we should have, the clear choices that voters have to make. That is what elections are for—making choices. Taxes, of course, is one of them. But it is really secondary to how much Government you are going to have. And that is a choice that we make.

Some people want more Government; others choose less. I happen to, as you can tell from my comments, be on the less side. But it is choice. You have to talk about the role of government. What do you think the Federal Government ought to be doing? What are the roles? What are the roles of the State and local governments? I have just come back, as most of you have, from my State—in my case, Wyoming—where you get involved in lots of things. Most recently, frankly, was a fundraiser for the museum at the University of Wyoming honoring ALAN and Ann SIMPSON. An effort was made, voluntarily, to do something in our town, in our State, for the museum for the university. I spoke earlier to the emergency medical people in Cheyenne, people who volunteer to do things in their communities. These are very important, life or death matters in small towns. There is no hospital there. So if something happens, you use the emergency medical service. It's done by local government and voluntarism.

It has to do with choices and the role of government. Federal involvement? Obviously, some things are inherently Federal, such as interstate commerce, and many of those things. So I guess I am taking a very difficult topic and trying to make it simple for myself. There is a strategy of where we go, where you want to be in a number of years, and in terms of the size and role of government and, consequently, the taxes that are paid with it. Too often, it seems to me, we get involved with the details—and they are important—of how you tax, who you tax, how you enforce it, and all those kinds of things, which are critical. But overshadowing all that and overriding that is a strategy and a philosophy.

There are different philosophies, and they are legitimate. Unfortunately, they are not altogether clear. There is a gentleman at the University of Wyoming who is very clear. He is a very liberal man, and it is a legitimate view. He thinks there ought to be more Government and there ought to be more taxes. He believes government can spend the money better than you and I can in families. That is a legitimate view. But it is a choice. Quite often, right here, those basic differences are sort of submerged and we begin to talk about details when we really ought to start with the question of philosophy, of where you want to go.

I think it is important to recognize that there are differences. One of the things that we need to think about, strategically, of course, is what is the impact of high taxes? What is the impact on the economy? Clearly, if there is less money taken in taxes, more money is invested in the system, more money is invested in the economy, more money is invested to create jobs, more people are able to earn and take care of themselves. That is inherently clear. It is a very efficient way of allocating funds in the market system.

The other question you have to ask yourself, of course, is whether money is spent better by being collected in taxes and then spent by the Government on behalf of the people, or is it indeed spent better when you and I and our families in this country decide for ourselves where to spend our money?

A further question, of course, is, what are the incentives? This is a system of economic incentives. We work and we invest because there is a chance to be successful, there is a chance to be profitable, there is a chance to do well. That is what the system is about. That is what the incentives are. So taxes seek to take away some of that.

I guess I want to stress again that taxes are a legitimate thing, but we have to decide what it is we want. It is very key, I believe, to where we go in the future. So there will be a great debate around tax relief. I think maybe, in the case of tax relief, it will be fairly clear. The differences are fairly clear and people can make the choice. One of the things, of course, inherent is that, at least to some degree—and I am not a economist and I know it only goes so far—reducing tax levies and tax percentages increases the total taxes that come in, because it encourages the investment and more and more activity.

So, Mr. President, I hope that as we talk about our choices, you and me, as citizens, as we come to making the decisions that are inherent in an election, that we take a look at the philosophy of taxes. Are we better off if we could reduce that 38 percent, have some tax relief, have more money to invest, have more money to spend, and more money to generate for the economy, or not?

Mr. President, I suggest that one of the real issues for us is—and my philosophy obviously is that we ought to have less government—that we ought to do more closer to the people, and more in the States and localities where we can do it more efficiently. Our real task is to look forward to the future as to where we go with young people, where they will be, where they will be paying taxes, and whether they will have the freedom to choose to spend vis-a-vis other questions that we face.

Mr. President, I appreciate the opportunity. I appreciate my friend from

Georgia providing for this debate, this discussion, about an issue that affects all of us and that we will decide in November.

I yield the floor.

Mr. COVERDELL. Mr. President, I appreciate very much the remarks by the Senator from Wyoming.

In a moment I am going to turn to the Senator from Florida. But just let me say very quickly that we know that virtually every segment of American life deals with the tax burden today, and it is about what they think it should be. You would be hard pressed to find a segment of our country that believes the IRS is not a threatening institution today. That is the majority of American people—the vast majority of American people—think this agency needs an overhaul. By staggering numbers, the American people feel the tax system is utterly too complicated. In fact, it takes the average taxpayer 11 hours to do their taxes. That adds up to 5.4 billion man-hours per year. The statistics are alarming. It is too high. It is too intrusive, and it is too complicated. It ought to be at the core of the work of this Congress and the next Congress to get these things corrected.

I yield the remainder of my time to the distinguished Senator from Florida. That will be about 7 minutes.

The PRESIDING OFFICER. The Senator from Florida, Mr. MACK, is recognized.

Mr. MACK. I thank the Senator from Georgia for yielding. That should be plenty of time.

Mr. President, I would like to take this opportunity to lay the groundwork about why it is important that the Dole-Kemp economic plan be embraced by the Nation and eventually passed into law.

There are two points that I want to talk about. One has to do with the growth of the economy, and the other has to do with the tax relief that is really needed for the American family.

But I want to start from a premise that the discussion here really is motivated by the opportunity over the years to talk to people in my State about the burden that they feel the Government has imposed on them in the form of taxes. They believe that there is too much Washington interference in their lives, that Washington spends too much, that Washington wastes too much of the money, that Washington taxes them too much, and that they really want Washington off their backs. You have to think about the perspective that they have. If you stop and think about individuals that you know, or individuals that you have met when you have been out to town meetings, or wherever, that have told you stories about their lives, then it becomes real. It becomes something other than a debate about economics. It becomes something other than a debate about Democrats versus Republicans, or conservatives versus liberals. It becomes a debate about what is in their best interest, about what we can do, in essence, to allow America's families to become stronger. As America's families become stronger, the Nation becomes stronger as well.

So the kind of people who I think about are those individuals who come to me and tell me that both husband and wife are working and that they are working long, long hours; that they get up before sunrise, and they probably don't get back to their home until after the sun has set. They get up on Tuesday and do it over again; on Wednesday and do it over again; on Thursday and do it over again; and on Friday and do it over again. Some do it on Saturdays.

I know of a family where the husband works two jobs during the week, goes home Friday night, and the wife begins work for the weekend. He takes care of the children over the weekend, and she works over the weekend. Those are the kinds of people that I am talking about that are paying—as the Senator from Georgia indicated—almost 40 percent of their earnings in taxes. That is, when they pick up their paycheck at the end of the week, or every 2 weeks, or at the end of the month, like everybody else, they immediately look at the deductions. "How much is being taken out of my pay?" That number is getting larger and larger every year.

What it means is that they are having to work longer and longer. In fact, I think the tax freedom day is now occurring sometime in May. For those who do not know what tax freedom day is, tax freedom day is the day, when it arrives, where you no longer have to be working to pay your taxes. Everything from that day forward is free of taxes. You paid for the Government in Washington, the government in Tallahassee, or the government in Lee County, or whatever it might happen to be. That tax freedom day is taking each of us individually longer and longer and longer through each year to get to the point where the worker actually is doing it for their families—to be able to see that our children have an opportunity for a better education, that they are better clothed, that their housing is in better condition.

In fact, that brings to mind one of the things that the Dole-Kemp folks are talking about—that today in America the typical family in America is paying more in taxes to Washington, to Tallahassee, to Lee County, Fort Myers—more in taxes than they are spending on food, clothing, and shelter. There is just something fundamentally wrong when government has gotten to that size.

Again, without getting into the debate about liberal versus conservative, I think when people pick up those paychecks and look to see what their deductions are, they are realizing that they are paying for a government, frankly, that they believe is wasting their money. So it is from that premise that I make these remarks.

Again, two points: There is economic growth and the burden of taxes on the American family. There are those who are going to say, "CONNIE, you know, you are going to be talking about weak economic growth in the country, but President Clinton has told us that this is the strongest economic growth in three decades, I think." That is just fundamentally wrong. Yes, we had a good month or a good quarter last quarter. I am delighted about that. We saw the unemployment rate drop, and we saw the growth rate in the country go to 4.8 percent. That is good. But the problem is that every economist, that I am aware of anyway—or I should probably should say almost all economists are predicting that the growth rate in the economy is going to slow down again. The year 1997 is projected by the Federal Reserve, I believe, which is saying 1.75 to 2.25 for 1997. The administration's own forecast is 2.3.

Again, let me put into context where we have been with the Clinton administration. The average growth in the economy now during the Clinton administration is 2.35 percent. How does that compare with other periods of time? For the 10 years preceding President Clinton, the average growth was 3.2 percent; the year immediately preceding President Clinton, 3.7 percent. The five economic expansions since World War II, 4.4 percent. If you take every year since the end of World War II, it is 3.2 percent. I mean the economy is moving along at a snail's pace.

What does that mean to that family I was referring to a minute ago? It means the loss of production in the country that amounts to about $308 billion. If you convert that into what that means to the family, if we had been growing, let us say, at the average of 3.2 over these last 3½ years compared to what we have been, the average family in America would be $3,116 better off; $260 a month better off as a result.

Some of the other statistics that I have developed: The typical household income is about $1,000 less than the average of the decade before President Clinton. Real hourly wages and real weekly wages are both lower now than they were in 1992. After-tax incomes are growing at about roughly half the rate prior to President Clinton. They are growing at a rate now of about 1.8 percent compared to the decade before President Clinton of 3.2 percent. Median family income has declined 4 out of the last 5 years. As I said a moment ago, families are paying more in taxes than they are for food, clothing, and shelter.

The Dole-Kemp—I think it is important that people focus on it as an economic plan, not just as a tax plan, but an economic plan—has a number of components to it.

One is the requirements to pass a balanced budget constitutional amendment which would make it a constitutional requirement that we balance the budget.

What does that mean? Let us say that the critics are right, that the growth, the return, if you will, the recapture that comes as a result of the

lower tax rates is not 27 percent but 20 percent. That means we are going to have to find more spending to make the reductions or we are going to have to put off some tax relief for the American family. I happen to believe that we can do the 15-percent reduction in marginal tax rates and that we can give a $500 per child tax credit and still meet that goal. So, No. 1, balance the budget, constitutional amendment, a balanced budget plan to balance the budget by the year 2002.

The second component—I think the first most important—reduce the taxes, a 15 percent reduction in the marginal tax rate. I would ask people to focus on the marginal tax rate. What we are saying to individuals with these lower rates is you get to keep more of what you save, earn, invest, work for. You get to keep more of it.

Most people believe that if you get to keep more of what you are earning, you are more inclined to try to figure out ways to earn more because you get to keep more of it.

In addition to that, the plan calls for a cutting in half of the capital gains tax rate. I know there are people who say this is just nothing but a giveaway to the wealthy. I adamantly disagree with that. I think there is statistical data which indicates that is not an accurate statement. The issue here is about America's future. Are we going to have the capital necessary to invest in the new technologies of the 21st century?

I give a little bit different perspective. Think of capital gains taxes as a wall that has been built around old investment. If that wall is too high, you are not going to be able to get that capital to move from the old investments to the new investments because people are going to say the rate on that tax is too high; I just will not sell the asset. If it is not sold, A, there is no revenue to the Federal Government and, B, there is no ability to transfer that capital from the old technologies into the technologies of the future. So I think they are right on target in saying we need to find a way to allow this capital to flow.

Third, it is time that we gave American families, middle-income America, a break; that we say to them, yes, there is something in this for them in the sense if we are going to reduce the size, the scope and the involvement of Washington, DC, clearly there ought to be a benefit to the taxpayer and we think that that benefit ought to be directed more at the low income, at the families of America, and that happens as a result of a $500 per child tax cut.

The next element of the plan is to look at areas like litigation and regulation. We all know that the area of too much legal attack on business today has slowed down and reduced our productivity. So we believe that we have to make changes with respect to regulation and litigation.

Equally important, Senator Dole and Jack Kemp have pointed out the importance of education and training. If we do those combinations of things, balancing the budget, reducing the tax burden, providing opportunities for education, training, and changing the laws with respect to litigation and regulation, we can get this economy moving again.

I for one—and I think the American people—believe that accepting the notion that this country can only grow at 2.5 percent is a tragedy. We are taking away the opportunities for American families and for our children.

The last point I mention is that I believe President Clinton's economic policies are robbing America and our families and our children of their economic future, and we have to change that.

I thank the Chair.