

wage to the level of the livable wage. In New York, we have a provision now for all people who contract with the city of New York. They must pay a livable wage, which is above the minimum wage. We ought to go for that, but the realities of the situation are that the President and Senator KENNEDY in the Senate and Mr. BONIOR, minority leader here, they all agree that we can take, and it is doable now, more modest steps at 50 cents an hour in two steps over the next 2 years.

So 50 cents an hour increase on January 1, 1999, is proposed, and another 50 cents an hour increase on January 1, 2000. That means that in the year 2000 workers will be earning \$6.15 an hour. In this indispensable Nation where the Dow Jones average is at 9000 and philanthropists are making billion-dollar contributions now, why can we not at least without too much discussion or further delay and more fighting by the Republican majority go on to increase the minimum wage by a dollar over a 2-year period?

Three polls taken in January of 1998 show that the American people overwhelmingly support an increase in the minimum wage. The Washington Post, Los Angeles Times and Peter Hart research poll showed support for raising the minimum wage ranging from 76 to 78 percent. Seventy-eight percent of the American people want an increase in the minimum wage. It is political; you cannot lose, Republican majority. Join us for a minimum wage increase.

The last increase in the minimum wage has not cost jobs. According to a new study released by economists David Card and Alan Krueger, employment in the fast food industry in eastern Pennsylvania actually went up by 11 percent after the 1996 minimum wage increase.

The Economic Policy Institute recently released a study entitled, "The Sky Hasn't Fallen," which determined that employment was not adversely affected by the last increase. They had a study, Pennsylvania did not have a State minimum wage higher than the Federal minimum wage. New Jersey had a minimum wage already, a State minimum wage higher than the Federal minimum wage.

When the Federal minimum wage went up, New Jersey was not affected because it was already above that level. But Pennsylvania, the industries in Pennsylvania had to raise their minimum wage. They studied the fast food industry in Pennsylvania and the fast food industry in New Jersey, and they found that Pennsylvania industry did not suffer any loss of profits at all compared to the New Jersey situation where they already were there. It was equal. There was no difference. Pennsylvania did not suffer as a result of having its fast food workers begin to earn more pay via the minimum wage.

Consider the fact that today a single mother with two children working full time at a minimum wage job earns \$10,700 a year. That is \$2,600 below the

poverty line as defined by the Federal Government. An increase of \$1 an hour only partially restores some of the lost buying power of this person. On and on it goes.

There are studies that show that the minimum wage does not hurt the economy even in times of normal economic growth. In a time like this when our GPI, the other measures of prosperity, Dow Jones average, leaping forward, surely we can at least spread the wealth by increasing the minimum wage.

There are many other labor issues, which I mentioned before that should be considered as we call upon the Republicans to end what I call now a microguerilla warfare. They are chipping away behind the scenes. Remember in January of 1997, we passed a bill on this floor which took away cash overtime. Fortunately, it has not gone any further. The other House has not considered it. But it is out there. This Congress passed it. It is still alive in this session. We took away the overtime and replaced it with comp time. That war on workers may hurt most of all, and people cannot get cash.

I remember I offered on this floor an amendment which said, okay, if you want to compromise, let us offer your compromise where people who are in the highest strata earning salaries, and they want more time to spend with their kids instead of more money, let them. Those who earn a certain amount of money above the minimum wage level, I think the figure was something like \$11,000, everybody who earned less than \$11,000 a year should be exempt from that requirement that they take their overtime in comp time instead of cash because they need the cash.

Can you consider people making \$11-\$12,000, how much they need the cash? That exemption made so much sense, but it was not permitted. It was voted down on the floor and we passed the bill anyhow. It is out there somewhere. The guerilla tactics means that one day as the session approaches the end, we may have the Republican majority offering that again here on the floor.

I close by saying that that is just one of the many microattacks; that is one of the many ambushes we have to fear. The bigger attack is still proposition 226 in California. That is what is similar to the Paycheck Protection Act here. California has the Paycheck Protection Act out there in a proposition.

□ 2245

California has done a lot of damage with propositions lately. And the referendum proposition 226 will require unions to get annual approval of individual members before they can use any dues money for political purposes. If approved, the California proposal will become law in July and will greatly limit labor's role in November's pivotal gubernatorial election.

Here is the political process directly being affected. If that proposition

passes, labor gets crippled. Backers of the California initiative said they plan to spend at least \$10 million. Polls show that 70 percent of the voters support the proposal.

A lot of people are misguided and think this is democracy. They think we should have more democracy, unions should be more democratic. I say this is the kind of democracy that we choke on, this is the kind of democracy designed to destroy and kill organizations.

Similar proposals have been introduced in 30 other States and are actively being pushed by conservative and business groups. Supporters say these groups expect to spend \$20 million outside of California this year.

This is the threat. This is the guerilla attack now coming up through the States. They will not win here this year. But if they can generate enough momentum through the States, we will have in the not-too-distant future a bill which gags working families. The voice of the working family would be shut out of the dialogue and the debate. America would no longer be an open society. It would be an endangered society.

CORRECTION TO THE CONGRESSIONAL RECORD OF THURSDAY, MARCH 26, 1998, PAGES H-1626 TO H-1631

GOP NATIONAL SALES TAX IS BAD IDEA

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey (Mr. PALLONE) is recognized for 60 minutes as the designee of the majority leader.

Mr. PALLONE. Mr. Speaker, this evening the Democrats plan to discuss the Republican plan to abolish the Tax Code and replace it with either a flat tax or a sales tax.

I yield at this point to the gentleman from Connecticut (Ms. DELAURO).

Ms. DELAURO. Mr. Speaker, I thank the gentleman from New Jersey and I also thank my other colleagues who were on the floor and those who are coming tonight to join in this special order to talk about the need to cut taxes for working middle-class families and to reveal the true cost, as my colleague from New Jersey pointed out, the true cost of a dangerous Republican proposal to impose a national sales tax on the American people.

We have heard quite a bit lately from our Republican colleagues about tax reform. But behind the rhetoric and the calls to "scrap the code," that mantra, if you will, repeated over and over again to scrap the code, behind the rhetoric of that phrase lie some very radical and some dangerous proposals that will actually raise taxes on working families and cut taxes for the wealthiest 1 percent of taxpayers.

I think we all agree that that is not reform, that is not what we are about. Abolishing the Tax Code, replacing it with a sales tax is one of those kinds of easy-listening proposals that Republicans are famous for. If you will, it is the legislative equivalent of elevator music; we might find ourselves humming along. But when we snap out of it, we realize that we hate the song. We have all had this happen to us.

The Republican national sales tax is a very bad idea. My Republican colleagues argue that a national sales tax would be simple and it would be fair. But take a closer look at it and we find that there is nothing simple or fair about it.

A national sales tax is not simple. In fact, several renowned economists have declared a national sales tax as unworkable. Even the conservative Wall Street Journal has panned the proposal and highlighted concerns about administration and about enforcement.

A national sales tax is not fair. The Brookings Institute says that of the GOP sales tax, "The sales tax would raise burdens on low- and middle-income households and sharply cut taxes on the top 1 percent of taxpayers." That is not fair.

The GOP national sales tax proposals call for replacing all individual and corporate taxes with a 23 percent sales tax. But there is a new analysis by Citizens for Tax Justice that shows that the actual rate would be at least 30 percent. That means the American people would pay 30 percent more for everything, 30 percent more for everything. They would pay a 30 percent tax every time they opened their wallet. Talk about being nicked and dined to death.

What does that mean to the average middle-class family? Let us take a look. This week U.S. News and World Report did a cover story on the cost of raising a child in today's world. It is an astounding piece. According to U.S. News, for a child born in 1997, a middle-class family will spend \$1.4 million to raise that child to age 18. This is the cover of U.S. News and World Report this week, "The Real Cost of Raising Kids." Would my colleagues believe it is \$1.4 million apiece? Put a 30 percent tax on top of that and we are looking at life for working families under a GOP national sales tax.

Let us take a look at a few examples of what a 30 percent tax means in real life. This is a box of diapers. It costs \$23 today. Add a 30 percent GOP tax of \$6.90 and we have the GOP price of \$29.90. Let us take a look at what it costs for a pair of children's shoes. They cost about \$20. Add the GOP sales tax, which is about \$6, and we are paying \$26 for the same pair of shoes.

Let us take a look at a box of cereal, and we all want to give our kids cereal. We want to make sure that they are healthy. The price is \$2.99 today. The GOP tax of an additional 90 cents would bring the price of a box of Kellogg's Raisin Bran, Two Scoops of Raisin Bran here, up to \$3.89.

Let us take a look at a loaf of natural grain bread. Price \$2.59. GOP tax, 78 cents. GOP price, \$3.37.

And what about baby food? Price 45 cents. GOP tax, 14 cents. GOP price, 59 cents.

This gives my colleagues some idea of the reality of a national sales tax and a 30 percent increase in that tax. Of course, we all know that children's shoes get more and more expensive. We saw here. So if they take a look at what happens as they grow up and they have a child that is a teenager, his or her shoes could cost \$120. Add a 30 percent sales tax, and they are looking at a \$36 tax, bringing the cost to \$156. It is no wonder that, according to U.S. News and World Report, the cost of clothing a middle-class kid to age 18 costs \$22,063.

My colleagues will see on this chart that the GOP sales tax would increase that cost significantly. I think it is important to take a look at this chart. This is the GOP 30 percent sales tax list for working families, the cost of raising a child.

If my colleagues will bear with me, housing, today's cost is \$97,549. The GOP 30 percent sales tax would add \$29,000. We are looking at a price tag from the GOP of \$126,000.

Food, \$54,795. Add to that the 30 percent sales tax of \$16,400. We are talking about \$71,000 to provide food for our kids.

Transportation costs, \$46,000. Add \$13,000 from the GOP tax, bringing it up to \$60,000 to provide transportation for their child.

Clothing, \$22,000; an additional \$6,600, \$28,600 in providing clothing for their child.

Health care, \$20,700; \$6,200 additional from the GOP tax; 26,000, almost \$27,000 to provide health care for their child.

Day-care, \$25,600; an additional \$7,700; \$33,300 to provide day-care for their child while they are working and trying to make ends meet and scrambling every month to pay the bills.

Miscellaneous costs, whatever it costs to raise kids, and we know that they are not all set and pat, we never know what is going to come up, \$33-, almost \$34,000. An additional \$10,000 is what we would have to pay because of the 30 percent sales tax that the Republicans are talking about, bringing the total up to \$44,000.

The cost of a college education, every family wants to be able to send their children to college if they can afford to do that. And if a child can get into a college today, it is \$158,000 to send a child to college.

□ 2100

You would have to add a 30 percent sales tax to that, another \$47,000, making it \$205,000 to get your kid to school. What are working families in our country to do today? It is incredible what they are talking about with this 30 percent sales tax. That is what the Republican sales tax would mean in real terms to real families in this country.

Let me just take one other group, because there is one group that would be hit harder than others by the Republican sales tax, and that is the senior citizens in this country. Senior citizens would gain nothing, nothing from the elimination of income taxes since most are retired and many pay no income tax. But a 30 percent sales tax would hit seniors on a fixed income right between the eyes. That is where it hits these folks. One of the most burdensome expenses that is faced by senior citizens is the price of medication. All of us when we go to senior centers, when we go to senior housing, that is what we hear about, is what they are paying for medication and for their prescription drugs which many of them need to lead productive and healthy lives. We have taken a look at five of the most common medications used by seniors and looked at how the 30 percent Republican sales tax would impact those prices. Bear with me. These are monthly costs. For blood pressure medication, \$110 now, the sales tax would add an additional \$33, GOP price tag, \$143 a month for blood pressure medication. Arthritis, it is now \$75 a month for medication, add another \$22.50, bringing that cost to almost \$100 a month for senior citizens, again people on fixed incomes. Diabetes, \$125 today, \$37.50 through an additional 30 percent sales tax, bringing the total cost per month to \$162.50. It is incredible what we would be doing to senior citizens in this country. Heart disease, \$90, \$27 additional in sales tax, \$117 is the final cost to them per month for again seniors, elderly, people who are on fixed incomes. Our mothers, our fathers, paying this cost per month. An inhaler, \$80 a month today, the tax would add another \$24, bringing the cost per month to senior citizens to \$104. This is really incredible and outrageous of what they would add to the cost of people who are frightened to death that these later years, instead of being the golden years, are the lead years, when they are most vulnerable and we are going to add these kinds of costs to medications that they need.

We need to have a real debate about reforming our tax system. I believe everybody here believes that. We need to cut taxes for working middle class families. We are for cutting taxes for working middle class families. This proposal moves us in the wrong direction. In fact, the Brookings Institute study of the GOP sales tax found that taxes would rise for households in the bottom 90 percent of the income distribution while households in the top 1 percent would receive an average tax cut of over \$75,000. Millionaires get tax breaks and working families and senior citizens will be paying more. That is not reform. That is just so blatantly unfair to working families today.

Let me open the conversation to my colleagues. I am sorry I took so long, I truly am, but it is important to put this in context. We need to be doing this every single day and every single

night in this body to make the people of this country understand what our Republican colleagues and the Republican majority are talking about with a national sales tax. A bit later we can talk about some of the things that the Democrats have done and would like to do to cut taxes for working families. Let me yield now to the gentleman from Michigan (Mr. BONIOR), the whip of this House.

Mr. BONIOR. I thank my colleague for her comments and for laying this out. I tell the gentleman from New Jersey (Mr. PALLONE) and the gentlewoman from Michigan (Ms. STABENOW), who were here before me, that I will not take a lot of time but I thank them for being here and for participating in these remarks this evening. I think the gentlewoman has really demonstrated quite well and quite vividly the inequity here with the GOP 30 percent sales tax hike, which hits particularly hard those on fixed incomes, our senior citizens, as she has so well demonstrated, with the cost of medication for those who are suffering from blood pressure, arthritis, diabetes, heart disease or those who have lung problems.

This is really a loony idea, this whole sales tax thing. There is no other way to describe raising the sales tax 30 percent on American working men and women in this country, particularly those on a fixed income. I think the figure that the gentlewoman from Connecticut mentioned earlier with respect to the Brookings Institute and Mr. Gale's study is very interesting. William Gale of the Brookings Institute, a wonderful scholar, said taxes would rise for households in the bottom 90 percent. That means 90 percent of those people who are paying taxes today in America would have their taxes go up as a result of this. The top 10 percent would probably do okay. The top 1 percent would get about a \$75,000 a year tax reduction out of this plan. This is so skewed, so regressive, so top heavy to the wealthy that it is sad. It is very tragic and it is very sad. The gentlewoman has given some very wonderful examples there. I liked the raisin bran particularly. I like raisin bran. I eat it in the morning. What else has she got there? Some bread.

Ms. DELAURO. Natural grain. We have children's shoes. Kids grow out of shoes very, very quickly.

Mr. BONIOR. In my district and in the district of the gentlewoman from Michigan (Ms. STABENOW), we have automobiles. It is a big thing in our districts. Under the plan, an economy car that now costs about \$12,000, there is another example here, I am giving one that costs 12, would cost about \$14,600. Under the proposal that the gentlewoman from Michigan has, you take a family car priced at \$21,000, the GOP tax is about \$6,500 and that price goes up to \$28,000, which is out of the range of many, many families today. In addition to that, you are talking about a modest home that would cost \$100,000 today, you add \$30,000 onto it, you are

up to \$130,000 with a home purchase with this tax.

I would like to just, if I could, for one second move to another, this is loony tune number two, this is the flat rate tax that my colleagues on the other side of the aisle seem to be in love with. Let us just take a look at what this does.

This is the Armeey flat tax. It is going to raise taxes on working families. The green marker right here is what is paid percentwise in taxes now for people who make 25, 50, 100, 250,000 and 1 million a year. Under the Armeey tax plan, flat tax plan, those who make \$25,000 a year or more will have this much of a jump, from roughly less than 4 percent almost up to 12 percent for their tax increase. Those who make \$50,000 a year will have a tax increase, roughly about 12.5 percent, their tax increase will go up to maybe 16, 17 percent. Those who make \$100,000 a year will even have a tax increase under the Armeey plan, not very much, but about a 1 percent increase. But those who make a quarter of a million dollars a year, you get a tax cut and a big one. If you make a million bucks a year, you get an even bigger tax cut under the Armeey flat tax plan. Basically what this plan does, it raises taxes substantially for the middle income people, between \$25,000 and \$100,000 a year, substantially, and then it gives a huge bonus to the very people at the top, those who need it the least, turning over the whole concept of progressive taxes.

I just wanted to come to the floor today to thank my friends for their concern on this issue and to raise some of these concerns with the American people today. Tax day is coming up, in terms of our income taxes. They ought to know that there are some very strange proposals that are being taken seriously out there and they ought to be leery of them and look at them very carefully.

Ms. DELAURO. Let me just ask my colleague from Michigan, with the Armeey flat tax, what happens to unearned income?

Mr. BONIOR. Unearned income, under the Armeey proposal the last time I saw it, is not taxed.

Ms. DELAURO. These are stocks and bonds.

Mr. BONIOR. It is not taxed. If you make your money off the stock market or off of bonds, you do not have to pay a tax on that. That has got to be made up somewhere, so we can pay for the roads and for the military and for our national parks and the other things we do. Of course that is going to be taken out by who, well, these people here, the 25, the 100,000, here they go, up the red markers go, more taxes.

This is a huge tax shift, from working people to the wealthiest people in our society. What is so disturbing about this is that when we look at what happened to incomes over the last 20 years, it is the top 25, 20 percent in our country that have done extremely well. But everybody else below that

have either stayed level in terms of their income ability, earnings, or they have fallen. Of course those at the bottom have fallen tremendously, over 25, 30 percent over the last decade or so.

The whole progressivity of what we are about as a party in terms of helping working, middle income families who are squeezed every day is being turned upside down by these regressive sales tax and flat tax proposals that the GOP is offering.

Mr. PALLONE. If I could point out another thing that is very unclear, it seems to me, and maybe the gentleman would respond to that right now, because he mentioned sale of a home, which is included in this proposal for the sales tax. We have people, homeowners that rely very heavily on mortgage interest deductions and also in my State, and I think many States, you can also deduct your local property taxes from your income tax. It is not at all clear to me that this would continue.

Mr. BONIOR. It would not under the Armeey plan. Maybe the gentlewoman from Michigan who really knows these tax issues extremely well might want to comment on that.

Ms. STABENOW. If I might, just to add to what really is the burden under these proposals, not only would we lose the home mortgage deduction but on top of the price, and to continue with the charts, if we are looking at a \$155,000 house, not only would the GOP price be \$201,000, but under the sales tax proposal, this also taxes the insurance premium you pay every month, it taxes the electric bill that you have in your house, it taxes all services. I wanted to add that on top of what you have talked about, which is so important, in health care and so important as it relates to manufactured goods and so on, we are talking about every time we do something. So not only for the blood pressure medicine or the arthritis medicine, it is going to the doctor that will add 30 percent. We are now going to make doctors sales tax collectors, 30 percent. They have to now collect it.

We will be creating a whole new group of tax collectors, shifting the burden on to small businesspeople and professionals. We will see a wide range of services that will now be taxed. If you go to the barber shop, add 30 percent, if you go to the dry cleaner, add 30 percent, if you come home to your house, not only is your house payment up 30 percent but again everything related to your home is up 30 percent. We are talking about a use tax literally on everything.

Let me mention a couple of other things that I think are very critical to this. As we look at higher education, we have all worked very hard to provide tax breaks so that more people can go to college, more people can go back to school, get job training. Tuition and fees are exempt from the retail sales tax, but room and board is not. My daughter starts school at

Michigan State University next fall. She will live in the dorm. Under this proposal, I would be paying 30 percent more for her dorm room, 30 percent more for her books, 30 percent more for her food. If she lived off campus, 30 percent more for her rent. So we are not just talking about goods, we are talking about literally everything that we do.

Let me add something else, because there are several other things, very interesting, in this proposal. This proposal eliminates a number of different taxes. It eliminates all of the excise taxes on alcohol and tobacco, right at a time when we are saying that we ought to be doing more to discourage, particularly children, from smoking.

□ 2115

Mr. BONIOR. So you are saying that this eliminates the taxes on tobacco and on alcohol, and it raises by this amount the taxes on prescription drugs for blood pressure and arthritis and diabetes and heart disease, and all of that it raises it to a huge 30 percent.

Ms. STABENOW. Absolutely. Which makes no sense whatsoever.

Ms. DELAURO. I think your point, and please, you have got some wonderful data and personal experiences here, but the point you were making about we are in the midst here of trying to reduce smoking amongst youngsters, kids.

Ms. STABENOW. That is correct.

Ms. DELAURO. Middle school kids. And we found, all the studies have found that you add \$1.50 a pack, it reduces the smoking. So, really, we are running at cross purposes here.

Ms. STABENOW. It is really crazy.

Another thing that we found today in analyzing this bill is that it also eliminates the funding for the highway trust fund.

Now, this is particularly crazy, because we are in the process right now of passing a very important bill, one that we fought for hard in Michigan to be able to increase our fair share. We have not in Michigan over the years received our fair share, and we worked very hard to do that. But in the middle of this, it eliminates a wide variety of excise taxes and trust fund taxes, one being the highway trust fund.

So in so many ways, this particular bill makes no sense. It eliminates those taxes, it raises taxes on seniors, middle-income people. I do not know where we get the dollars then for the highway trust fund; I think that is an important question to ask.

Mr. PALLONE. Is it not also true, the way I understand this sales tax, this national sales tax, that the 30 percent sales tax will also be attached to goods and services that local and State governments purchase? So is it not likely that my local property taxes or even my local—you know, my State taxes are also going to go up another 30 percent because of the fact that this national sales tax is added.

Ms. STABENOW. The other part that I might add that also adds on top of

that, my city of Lansing will pay, for instance, 30 percent more for a police car. But this proposal also counts the wages of public employees as taxable, as value in terms of the sales tax. So the police officer in that car will pay 30 percent more on top of their wages. Either the local unit will pay it, or they will have a new income tax essentially on the wage of that police officer, that firefighter, that school teacher, because it taxes wages of government employees.

So we are going to see the taxes go up for people who serve us in local communities at the same time local units will have to pay 30 percent more to provide the service.

Mr. BONIOR. We are likely to see huge property tax increases in this because the local community, in order to afford the EMS, the ambulance, the police car and the wage structure that you just talked about, is going to have to come up with the resources, and that means property tax.

So this is a huge shift, not only from income, but it is a huge shift on sales tax and on property taxes as well.

Mr. PALLONE. You know, I have to say another thing too. It is very difficult for me to trust the fact that these other taxes are going to go away and this new sales tax is going to take their place. I mean we do not have a national sales tax, we never had a national sales tax, and I would be very reluctant to suggest that somehow now all of a sudden we are going to allow this door to open where this whole new Federal tax is going to come into play, but we are going to assume that the Federal income tax and all these other taxes somehow are going to disappear.

So it bothers me to think that a precedent is even being set of establishing a new type of national tax that we have not had before, because it opens up a Pandora's box essentially, and I would be fearful of that in itself, just based on historical precedence.

Ms. STABENOW. And I would add, I know that the small business community is extremely concerned about that issue. Today we have been debating various issues related to small business, paperwork reduction, and so on, but the reality is that every small business, professional or retailer or manufacturer, will now become a tax collector for that sales tax.

And on top of that, the National Retail Federation, and I would quote, based on the last session's bill, this bill was put in last session, it has been put in in the same form this session. So last session when this bill was in front of us, in front of the Congress, the National Retail Federation said between 1990 and 1994 the retail industry created 708,000 new jobs. A study by Nathan Associates shows that a national sales tax would destroy 200,000 retail jobs over a similar period. Adding these jobs lost with the 708,000 that will not be created, we could result in a net impact of almost 1 million fewer jobs. This is the National Retail Federation

talking about small business loss because there will be fewer people buying at Christmastime.

What are the headlines we always read? What are the retail sales, the concern of retailers that people be purchasing? This cuts down on purchasing, it eliminates jobs.

So this is a job killer on top of everything else.

Mr. PALLONE. You know the amazing thing to me, because you started to talk about implementing this, is that we have—you know, I understand we do a fairly good job compared to what would happen with the sales tax in terms of collecting taxes now, but it seems to me you are talking about a 30 percent sales tax. You are going to get a lot of cheating, it is going to be difficult to enforce. And you know here the Republicans and Democrats alike have been talking about trying to reform the IRS, and we have actually made some significant changes because we do not want them becoming like a police force cracking down.

Would you not have to do a tremendous amount of enforcement? Would not the IRS become even more, have to have more money and a larger budget in order to enforce this kind of a sales tax?

Ms. STABENOW. And on top of that. I would just indicate that one of the things we have heard over and over again from the other side of the aisle is that we are going to eliminate the IRS under this proposal. We will eliminate the IRS as we know it. In the bill it transfers all the powers of the IRS to a new Sales Tax Bureau. So the name is gone, but the powers are still there. So then we have to talk about reforming a sales tax bill.

I mean what we need to be doing is talking about ways to reform the system for taxpayers, not just playing around with the name, and that is what this does. It changes the name, and then it drops down and requires every businessperson now and every person that has never collected sales tax, like a doctor, like attorneys, accountants, anyone in any kind of business on their own that is providing service, a plumber, electrician, and so on, they now become a tax collector and have to report that to the government.

So this is certainly anti-small business.

Ms. DELAURO. I think it also, as our colleague from New Jersey pointed out, I mean it leaves you turning everybody, if you will, into a tax collector. You then have an enormous amount of room here for error, for fraud, for all kinds of things that are happening. It seems to me to be a multiplier effect here.

And I think the point you made before, that Mr. PALLONE made before, about folks are so skeptical about, you know, what taxes are going away before you begin to impose another 30 percent on whatever they are doing. And you know the public is smart. They are getting hammered, especially

working families are getting hammered, and they have no guarantee over what is going to go away ultimately and what is going to be imposed on them.

I think the point that you made is so—really about the wage earner, the government wage earner; what happens with the property tax, in addition to which what happens to your own wages. So you are going to get hammered several times over on tax issues when people are feeling choked today by taxes, working people are.

I know in my State of Connecticut, I mean that is the cry that I hear about all the time, you know, that wherever they turn, there is another tax that they are paying.

Ms. STABENOW. Well, they certainly will feel that even more under this particular proposal, and right at a time when we have just passed a series of tax cuts, \$95 billion in tax cuts. We have been able to focus more cuts on education. The ability for people to be able to go to school, all of those things would be gone.

In Michigan when I was a State senator, I sponsored the State's largest property tax cut. I am not interested in seeing this shift back and seeing property taxes go back up in the State of Michigan or in any State.

And so we are talking about those taxes that the average person pays. It is very easy for a wealthy individual to pick and choose what extra things they are going to buy, but the average person who is buying the house, sending the kids to school, needing to buy the clothes, the food, the car and so on, most of our income goes back out again in purchasing things, and that is why we see that shift that has been talked about onto middle-income and lower-income people, because we do not have as much discretionary income with which to decide whether or not to purchase items. Most of what we bring in, we are turning around and we are purchasing something with it.

Ms. DELAURO. I think it is worth pointing out what our colleague, Mr. Bonior, talked about in terms of the flat tax proposal and people who are dealing in stocks and bonds and unearned income, and they are not paying any taxes on that. So what you are saying is that those people who work in the workplace day in and day out, they are the folks who are getting socked with the additional taxes, in addition to which you are going to take away with the mortgage deduction and some of the other tax relief, if you will, that middle-class families have been counting on, relying on, surviving on.

So you are really hitting them again twice. You know, they are picking up the slack for the folks who are holding the stocks and bonds, and then getting hammered again on things that they have counted on, that American dream and owning that home, and not being able to take the mortgage deduction.

Mr. BONIOR. I am flabbergasted. I do not know what more to say. I mean, I

just cannot believe these things are being offered. It really is quite staggering. The problem is that we have unfortunately let them get away with portraying this as an innocent, wonderful thing for the American working family, when in fact it is just the opposite. And I think as it gets more exposure and people understand the regressivity and the inequities in it, I think it falls flat on its face, pardon the pun, and I do not think it is going anywhere.

I mean. It is just like this other proposal that my colleagues on the other side of the aisle have had now to do away with—have a drop-dead date on the Federal income tax. I think it is going—it just goes out of business in X year. Well, what does that do to the small business person or the businessperson in terms of planning, when they do not know what it is going to be substituted with; whether they are going to substitute it with this 30 percent sales tax; are they going to substitute it with this regressive flat tax? I think not.

When the American people figure this all out, they are not going to want either of these provisions. I think they want our present code to be leaner and trimmer and slimmer, and they want us to focus in on the things that the gentlewoman from Michigan mentioned: education, as we did in the last tax bill; they want us to focus in on tax credits for child care; they want us to be selective; and they want us to help average working families.

And I think that you could go overboard, and certainly these two proposals, the sales tax 30 percent increase and the flat tax by Mr. Armey, way overboard.

Ms. STABENOW. If I might also add that I do believe that the people I represent want to see a less complicated tax system, want to see it fairer. And I do, too. And they also want to see IRS reformed, which we passed in the House. It has not yet been taken up in the Senate, very important IRS reforms, changing the burden of proof from the taxpayer to the IRS in Tax Court, very significant changes that need to be moving quickly.

One of the things I am concerned about is that we have passed IRS reform in the House, it has not been taken up yet in the Senate, and that needs to happen, so that we can—we need to be calling on the majority in the Senate to be bringing that up, because while we talk about the proposals that do not make sense for middle-class families and working people, we do know that there needs to be change and that there needs to be positive things.

It is a question of where our values are, who it is that we believe needs to see tax cuts and tax reform. And my vote goes with small business people, family-owned farms, middle-class families working hard to make ends meet. Those are the folks who have not seen the same wage gains and have felt the burden, too much of the burden, on taxes.

And so those are the folks I want to see helped, not the kinds of proposals that have been submitted on the other side of the aisle that will just increase their taxes.

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Mr. PALLONE. Maybe we could talk a little bit, because I know the gentlewoman from Connecticut mentioned about how Democrats have fought for tax relief, in the time that we have left this evening. We have been basically fighting for families that really need the relief, those with children who are trying to save for their kids' education and their own retirement. As the gentlewoman from Michigan mentioned, thanks in large part to Democratic efforts, the Federal tax burden on families in the middle-income distribution and below has fallen since 1984.

There is an analysis by the Treasury Department that found that the average Federal income tax rate for a median family of four in 1988 will only be 7.8 percent, down from 10.3 percent in 1984. This is the lowest income tax burden for a median family since 1966.

These historically low income tax rates are as a result of Democratic policies. If I can mention a few, some of them have already been alluded to, and that is the expansion of the earned income credit in 1993 that cut taxes for millions of families with children; the \$500-per-child credit the Democrats ensured would be available to moderate-income families. In addition, Democrats proposed the HOPE education scholarship tax credit to help families afford postsecondary education for the children. And in 1988, Democrats had proposed expansion of the child care tax credit to increase the amount of the credit from 30 percent to 50 percent of expenses and make it available to more families. So Democrats also support efforts to reduce the marriage penalty.

We are trying to reduce and we have been successful in reducing the tax burden for families in middle-income families with children who have to pay for education expenses, who have to pay for child care expenses. These are the kinds of tax reforms and tax cuts that we need to continue with.

I am very proud of the fact that we, as Democrats, have emphasized those targeted tax credits rather than the kind of crazy schemes that we are hearing from the other side.

Mr. Speaker, I yield to the gentlewoman from Connecticut.

Ms. DELAURO. I think that it is so important because not only can we not let folks get away with passing off these programs as a savior to working middle-class families, but when you go beneath the surface, you find out how seriously they are going to hurt working families. We should not let them get away with that, "the fact is that Democrats are not for tax cuts."

We have started that process over the last several years. It continues so that people can take advantage of a Tax

Code and the tax credits to get their kids to school; to be able to afford the child care; that that small business that you speak so eloquently about has the opportunity for reducing health care costs; or for expanding their business and being able to get the tax relief on equipment that they might buy, and raising those percentages.

There were a whole series of capital gains tax cuts that went into effect for small businesses who ought to be able to take advantage of that, and farmers. And those continue. The benefits continue as pieces of these things get phased in, because I would venture to say today that people are not seeing, immediately, the results of some of these things, so that it is ongoing. We need to be working at that, increasing those opportunities and those targeted tax cuts. That is where they ought to be going. Those are the folks we ought to be helping at this point.

We ought to be helping seniors cope with fixed income, with a higher rate of illness, perhaps, so that these costs do not skyrocket for them. That is the way we bring some opportunity in folks' lives to be able to raise their standard of living, if you will.

Those who are at the upper end of the scale have these opportunities. Nobody is denying that. They can also be more selective in which taxes they are paying. They have different kinds of shelters, different kinds of opportunities within the Tax Code. I will not even call them loopholes, they are opportunities in the Tax Code, to take advantage of in some way. Working middle-class families do not have those opportunities.

Ms. STABENOW. If I might give just an example.

Ms. DELAURO. Sure.

Ms. STABENOW. In the last tax debate, when the original bill came to the floor, that was basically the Republican tax bill, we did not see an immediate increase in the exemption for the State tax for small businesses, family-owned businesses, and family-owned farms. It was a phased-in amount that you could exempt that was over 10 years. It really was not very much.

I have been hearing, particularly from my family-owned farmers, and also family-owned businesses, about the need it be exempting more of that income when there is a death and be able to protect that income. We fought hard. I voted no on that original bill because it did not have that in it. We have worked very, very hard.

When the final bill was written as a result of our initiatives, we have now exempted \$1.3 million for family-owned farms, started this January, \$1.3 million for family-owned farms or family-owned businesses. This is the amount of money you do not now have to pay taxes on in your estate. And this was a value that we had about family business and family-owned farms. We fought hard for it, and we were able to make the change.

So we have been moving. We have been taking the proposals and making

them better and working very, very, very hard to make sure that we are focusing on families, we are focusing on middle-income people, small businesses, and so on.

I would mention one other thing that we are now working on, and that is, in working with the President in his new pension proposals for small business, I am very pleased to have introduced a bill that will give a tax credit over 3 years for small businesses that set up pension plans for their employees, another important use of the Tax Code in terms of tax relief.

We have now 51 million people working hard every day for small businesses, working full time, no pension; 40 million of those in small businesses with less than 100 employees. So we now are working on an effort to allow that small business to write off the cost of setting up a pension plan so that those people working hard every day, who need that pension when they retire, will have the opportunity to do that.

Mr. PALLONE. Reclaiming my time, I just wanted to mention, I appreciate the comments that the gentlewoman from Michigan and the gentlewoman from Connecticut made, because I think the bottom line is that you are talking about targeted tax cuts that help the average working family.

I wanted to say, though, you know, that just for those who think that perhaps the Democrats do not have an alternative, we really have the only new tax system, if you will, new proposal out there that sweeps away the old Tax Code, but at the same time provides fairness. This is the one that was introduced by our Democratic leader, the gentleman from Missouri (Mr. Gephardt).

It is the only major tax reform proposal that retains the progressive rate structure and ensures that this new system is fair. It is a 10 percent tax plan that has been offered by our House Democratic leader, the gentleman from Missouri (Mr. GEPHARDT), recognizing that the Tax Code is too complex and filled with special interest tax breaks that result in higher tax rates for middle-income families.

So what the gentleman from Missouri (Mr. GEPHARDT) has proposed is basically ratifying and simplifying the system and cutting taxes for 70 percent of families with children, with income between \$20,000 and \$75,000. Under his plan, more than 70 percent of all taxpayers would have a tax rate of 10 percent or less.

This proposal by the gentleman from Missouri also eliminates the marriage penalty by making the standard deduction in tax brackets for couples double those for single people. It eliminates special interest tax breaks. Very important.

You keep reading on a regular basis, particularly around April 15, about all these special interest tax rates. It eliminates them. It eliminates the role of the army of lobbyists who now domi-

nate tax policy discussions. We see them around here. Every one of us has seen these people. This is the time of year when we see them the most.

It calls for a commission to identify and recommend elimination of wasteful and unwarranted corporate tax and spending subsidies. I think this is something we should look at. This is a Democratic proposal by our leader. It stands for a tax system that is fair and simple, in the event you want to look at an alternative.

Ms. DELAURO. I think what is important to mention there, it also maintains that home mortgage deduction, again, which is so critical to families today. As I say, that is part of the American dream. I just wanted to point out, because I know the gentlewoman from Michigan, if you will, she is a technology maven, you know, and is there all the time pushing as how we need to move families and so forth to take advantage of technologies, the way our kids are going to get ahead and so forth.

I think it is interesting in terms of this sales tax here, in every family, kids are coming home today, "Why can't I have a computer? I would like a computer. Why don't have one? You know, Mary has one. Jessica has one. Freddie has one. What about us?"

Well, hold up the chart. I think it is important to note that chart. Family computer, today's price is almost \$2,000. It would add an additional 30 percent, another \$600, bringing the cost of a family computer to almost \$2,600, you know, for the most part, trying to put it out of the reach for working families. They are trying to respond to their kids to allow their kids to get ahead.

It is wrong. This is not what we ought to do. Let us target our tax credits to working families, to small businesses, to small farmers. Let us take a look at that Tax Code. Let us make it simpler. Let us make it easier. These catchwords scrap the code. They are radical. They are dangerous.

We are going to make it our mission here to continue to have these conversations so that the American public knows that they are being sold a pig in a poke. We are going to bring it to their attention so that they do not get fooled by this dangerous and extreme rhetoric.

Mr. Speaker, I think we will be up on our feet again on this issue.

LEAVE OF ABSENCE

By unanimous consent, leaves of absence were granted to:

Mr. BATEMAN (at the request of Mr. ARMEY) for today and the balance of the week on account of illness.

Mr. RUSH (at the request of Mr. GEPHARDT) for today on account of official business in the district.

Mr. UNDERWOOD (at the request of Mr. GEPHARDT) for today and Wednesday, April 22, before 12 noon, on account of official business in the district.