I remind everyone that last night we filed cloture on a Mine Safety and Health nomination. That cloture vote will occur tomorrow unless some other agreement is reached.

RECOGNITION OF THE MINORITY LEADER

The PRESIDENT pro tempore. The minority leader is recognized.

AL-ZARQAWI

Mr. REID. Mr. President, I certainly underscore the statement of the distinguished majority leader. This is a good day for the U.S. military and especially our intelligence community. We should feel very good about this. The mission we are talking about, the successful outcome, is a testament to the bravery, the skill, and the determination of those dedicated men and women on the front lines. This is hard to say about any human being, but he got what he deserved. Anyone who aligns himself with him should know they could await a similar fate as long as they engage in terror.

I was very pleased to hear the President's statement. It was measured. We all recognize there are a lot of difficult days ahead for the United States and Iraqi forces, but having a Security Minister, a Defense Minister, and an Interior Minister makes it that much closer to when we can start drawing down the troops.

DEFENSE AUTHORIZATION AND IMMIGRATION

I look forward—I hope in the near future, and I am confident that will be the case—to working on our Defense authorization bill, which is something we need to do.

I also say through the Chair to the distinguished majority leader, this is important for our colleagues. We are trying to work something out to get the immigration reform bill to conference with the House. People think we spend a lot time on minutia, all this procedural stuff, but that is the way it is. People are going to have to be patient. We are trying to get a vehicle to go to the House where we have assurances that it will be an immigration bill and not a tax bill. We do not have that worked out yet. I say to my colleagues and through the Chair to the distinguished majority leader, as he knows, negotiations have started. We are trying to work it out.

Mr. FRIST. Mr. President, to respond through the Chair to the Democratic leader—and actually our colloquy, in essence, is to our colleagues—we recognize the importance, both of us, both sides of the aisle, of getting this bill to conference. We have passed a bill that reflected the will of the Senate. Not everyone agreed with it. I thought we had a very good process we should be proud of in terms of debate and amendment and allowing the people's will to be discussed and voted upon.

The next step is getting to conference. We do not need to go into the technical aspects, but it is a challenge to get it there in a way that gives all of the guarantees, but with those guarantees the goal will be to have an immigration bill that stays on immigration. That is exactly what the Democratic leader and I are working on, and we are making progress in that regard.

Mr. REID. Mr. President, I say also that the problem is one person can throw a monkey wrench into the process. We have to try to work it out so no wrenches are thrown.

Mr. President, I ask consent that Senator STABENOW from Michigan be recognized for up to 2 minutes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Michigan is recognized.

THANKING THE GUEST CHAPLAIN

Ms. STABENOW. Mr. President, I take a special moment to say thank you to Rev. Tim Tuthill for giving the invocation today. As a lifelong United Methodist, I am very proud of him.

He is associate pastor of the First United Methodist Church in Mason, MI, and one of our brightest and most engaging young leaders in the community. I am so pleased he is here today.

He has been very active in the mid-Michigan community and served in a number of different leadership positions in the Mason area United Way, the Mason Ministerial Association, the Wesley Foundation, the St. Francis Retreat Center, the West Michigan Conference Leadership Team, and a host of other organizations.

After 8 years with the First United Methodist Church, Reverend Tuthill was recently appointed by the Wesley Foundation to lead the campus ministry at Michigan State, my alma mater, as well as Lansing Community College.

I wish him and his family well. We are so pleased he would take time to join us. We appreciate his words of inspiration this morning.

DEATH TAX REPEAL PERMANENCY ACT OF 2005—MOTION TO PROCEED

The PRESIDENT pro tempore. The Senate will resume consideration of H.R. 8, which the clerk will report.

The bill clerk read as follows:

Motion to proceed to the consideration of H.R. 8, to make the repeal of the estate tax permanent.

The PRESIDENT pro tempore. Under the previous order, there is 1 hour of debate equally divided between the two leaders or their designees, with 10 minutes of the minority time reserved for Senator DURBIN, 10 minutes for Senator DORGAN, and the last 20 minutes reserved as follows: 10 minutes for the Democratic leader, to be followed by the majority leader.

The Senator is recognized.

Mr. DURBIN. Mr. President, we are now considering the repeal of the estate tax. The estate tax is a tax paid by 2 out of every 1,000 Americans. It is not a tax that will affect the vast majority of Americans because they have not accumulated enough wealth in their lifetime to be subject to the tax.

It is an action which is imposed on the very wealthiest, the very richest people in America. It is a tax which is imposed on their estates after a certain amount is exempt. Up to $4 million is exempt for a couple under current estate tax, and that number is scheduled to rise.

However, the Republican majority believes this tax is unfair. They believe it is unfair for the wealthiest people in America, who have accumulated millions of dollars, to pay any tax to the Government on that accumulated wealth when they die. They say that is fundamentally unfair. They come to the Senate with a sense of outrage that we would ask wealthy people in America to pay taxes, so they propose the elimination or dramatic reduction of this tax, to the point where it will add substantially to the deficit of the United States of America.

This is not a tax cut for the wealthy; it is a tax deferral. By reducing or eliminating the tax on the wealthiest, they are passing the burden of taxation on to those in lower income groups. With their elimination of the death tax, they are creating a birth tax.

In other words, if you happen to be born in America and you are one of the 997 out of 1,000 who don't pay the estate tax, you will have a bigger debt and a bigger burden because the Republican majority believes the wealthiest should be spared paying taxes. People who have had the good fortune of living and succeeding in America should be spared, according to the Republicans, any responsibility to pay back to this great Nation for the benefits they have accrued during their lifetime. There is a sense of outrage on the Republican side of the aisle that somehow we would impose this tax. They have created this vast mythology about the estate tax. They translated it into a death tax, suggesting to Americans that when you die you must pay taxes. That is plain false. Only 2 or 3 out of 1,000 people who die each year pay any such tax. Yet the average person on the street believes the Government is going to come and grab whatever small amounts they have kept together for their sons and daughters and take it away in tax collection. It is not true. It is false. It is misleading. It is deceptive.

Who is pushing this great effort to eliminate the estate tax? Will it surprise you to know they are the fattest special interests in Washington, DC? An analysis has shown—and these numbers are nothing short of amazing—that 18 families in the United States of America, with a combined net worth of $185 billion, have spent $200 million lobbying on Capitol Hill to repeal this estate tax. Why? They are going to make a fortune because their fortunes will be protected from being taxed. This is the ultimate special interest bill. This bill has nothing to do with the average American, the average American family, the average American farm or the average American business. It is about the wealthiest people in America flexing their muscles, pushing through on Capitol Hill the most outrageous piece of special interest legislation in modern memory. The Republican majority is pushing this to the floor with a straight face: We want to eliminate the death tax.

What does it mean for the families behind Wal-Mart, Gallo wine, Campbell's soup and other companies? It means that if they are given full repeal of the estate tax, these 18 families will collectively net a windfall of $71 billion. That is what this is about.

Who will end up paying for it? Our children will. We will take the money which we are not going to collect from the estate tax and end up borrowing. And who will loan us the money? More and more the Bush administration goes overseas to borrow the money: Japan, China, Korea, the oil sheikhs, they will loan us the money. But there are strings attached. Do you remember the Dubai Ports deal? Think there is a connection between these Middle Eastern oil giants now buying into the American economy and what we are doing on the estate tax? It is directly linked. There are bankers, mortgagors. They sell us oil. Why? Because the Republican majority runs up the biggest deficits in the history of the United States.

When President Bush took office, the national debt was $5.8 trillion. The accumulated debt in the history of America was $5.8 trillion. Five years later, the national debt is knocking on the door of $9 trillion. And if they continue to eliminate taxes on the wealthiest people, the debt will be $11 trillion. For the students who are watching this debate on television, in the galleries, through C–SPAN, let me tell you, this effort to find a benefit for the wealthiest families, to absolve them from paying debts for the success they have experienced, is going to be visited on our children and grandchildren. Where is the fairness and where is the justice? Where is the sense of outrage that we would give this special interest legislation such a priority in the Senate? Why wouldn't we consider changing the Tax Code so that average working families can deduct the cost of college education for their kids? Isn't that something good for America? Isn't that of greater value than to say to the superrich: We are going to spare you from paying $71 billion in taxes over the life of this repeal? No. From their point of view, you don't think about the families putting the kids through college. You don't worry about the situation where we have so many Americans, 46 million in fact, without health insurance today. You don't deal with the reality of funding education. You focus your attention and the time of the Republican majority on repealing a tax on the super wealthiest people in America.

Warren Buffett is the second richest man in America. He said: Do you know what is going on here? It is class warfare. And do you know what? My class is winning.

They sure are.

Today the Republican majority will try to put a victory on the board for the richest people in America. Why do we do this? For some, it is a matter of philosophy. They happen to believe if the rich get richer, America will be better off. That has been a philosophy around this country for a long time. I come from a different point of view. I think the strength of America is in its families, those families getting up and going to work every day, doing their best to keep families together, to save money for the future, to put their kids through college. It is in small businesses that take risks and sometimes fail but, when they succeed, build into a business that gives them a chance to hire more people. It is in family farms. That is the strength of America. These other folks have done quite well.

The New York Times went to the Farm Bureau and asked them: Name for us a single example of a family being forced to sell its farm because of estate tax liability. Not one single example derived from the American Farm Bureau. They couldn't find one. I did the same thing in Illinois. Not one farm has been lost because of Federal estate tax liability.

We will hear them crying and moaning and whining and rending their garments about how this is needed to save family farms. They can't come up with a single example where a family farm has been lost by the estate tax. According to the Congressional Budget Office, only 123 family-owned farms and 135 family-owned small businesses would pay any estate tax at all with a $2 million exemption level—across America, pay any tax at all, let alone risk losing their business or farm.

This has been exaggerated to a point which is shameful. To think that at a time when we are facing the biggest deficits, when we are involved in a war where we are asking our sons and daughters to risk their lives for America, that we are going to make those who are comfortable more comfortable by sparing them their taxes, that we are going to welcome home the soldiers by saying, thanks for serving America and, incidentally, here is a larger national debt for you to carry the rest of your life.

I urge my colleagues to defeat this effort to repeal the estate tax.

The PRESIDING OFFICER (Ms. MURKOWSKI). The Senator from Arizona is recognized for 10 minutes.

Mr. KYL. I thank the Chair.

Madam President, we are going to have an opportunity very shortly to do something historic; that is, to begin consideration of a process by which we can either eliminate or substantially reduce the impact of this most unfair tax of all, the estate tax, on small businesses, on family farms, on Americans of all stripes who worry that they will have to pay up to half of what they have put into their life savings, their business, their farm, to the Government in an estate tax.

It has been found by Gallup surveys and others that the American people believe this is the most unfair tax and by percentages, 60 to 70 percent agree that it should be eliminated. To some extent there has been an argument that I have to address because it is a straw man. That argument is that this is all about helping the most wealthy families. That is not correct. Here is why. What we have proposed is that immediately upon going to the House bill, there be a cloture vote on that bill which, frankly, I think all would agree, is doubtful of passing. That is to say that there aren't 60 votes in this Chamber to permanently repeal the estate tax. That is what the Senator from Illinois was talking about. We all know that.

As a result, the majority leader has made an absolute commitment—and I reaffirm it—that immediately following that vote, the majority leader would lay down a substitute, a compromise, if you will, that provides that the estate tax will be substantially modified but not repealed. It will be modified in a way that will help those who, because land values have been increasing or because they put all of their money into a small business, would be either required to pay substantial amounts of money to plan for the potential of paying the estate tax, paying lawyers and accountants and buying insurance and the like, would be responsible for a substantial estate tax bill, it would give them relief from that obligation, but it would still say that the wealthiest families, the Warren Buffetts and others mentioned a moment ago, would still have to pay a substantial amount of estate tax.

The specific proposal that will be offered provides that there will be $5 million exempted and that that would be indexed to inflation and that after that, the capital gains rate would be the rate that would apply to estates that would be taxed. But when you get to the superrich the Senator from Illinois referred to, those with a $30 million estate who would probably qualify in that category, anything above that amount would be taxed at a 30 percent rate which would bring in, obviously, a substantial amount of revenue given the wealth of some of those estates. We are not here debating whether it is going to be either all or nothing, a permanent repeal of the estate tax or the status quo. What we are talking about is going to a process by which we consider a compromise which will, in fact, tax the most wealthy but will allow those small businesses and farms the opportunity to continue their existence.

It is interesting that there is a suggestion that this somehow wouldn't help the small business or the family farm. Let's quote some actual data. For example, the Senator from Illinois challenged us to show one farm that had to sell property in order to pay the estate tax. Here is one, Sam and Ann Payne in Georgia, not too far north of Atlanta. The farm had been in their family since the early 1800s. When their father died in 1968, they had their first experience with the death tax. But then Sam's mother was still alive and it was manageable. When she died 6 years ago, they had to pay close to $400,000 in estate tax. Their land had increased in value. So in order to pay that tax, they had to sell part of their farm to local developers, including an airport. Here is what Sam Payne said:

At a certain point, you sell off too much land and your farm gets so small that you are not a viable agricultural unit, making it difficult to turn a profit.

There are many other examples. Here is what the American Farm Bureau said in a survey. They surveyed their members and nearly 20 percent of the farmers responded to a survey that said that they had to pay Federal estate taxes in the previous 5 years; 44 percent said they would have to mortgage the farm to pay the death tax; 28 percent said that all or part of the farm's business would have to be sold; 39 percent said that any plans for growth would have to be delayed or canceled.

Here is a pernicious aspect of this. A lot of people spend a fortune trying to avoid the tax: 77 percent of farmers reported that they had to spend money each year on estate planning; 40 percent said that they paid more than $10,000 a year; 13 percent more than $25,000 a year; 5 percent pay more than $100,000 a year. That is a real impact, the same kind of impact on small business. We can provide examples. I gave an example yesterday.

Minority businesses are the most hard hit. Here is what Robert Johnson, founder of Black Entertainment TV, had to say:

Elimination of the estate tax will help close the wealth gap in this nation between African-American families and white families.

A 2004 study by Impacto Group LLC surveyed Hispanic family-owned business owners; 20 percent of Hispanic family business owners said they would have to sell their business or property in order to pay the estate tax. Only about half of the respondents believe that they are prepared to deal with the death taxes if the principal owner dies.

Surveys conducted by the Family Enterprise Center of Kennesaw State College and the Center for Family Business at Loyola University found that 90 percent of black-owned, family firms say that paying estate taxes makes growth of the business more difficult; 87 percent say paying the estate tax makes the survival of the business more difficult. Nobody who has run a small business or family farm or has accumulated wealth, perhaps simply by the growth in the value of real estate, will argue that this is not a matter of concern to them.

As the Wall Street Journal editorialized today, even the people who appreciate the fact that it won't apply to them favor repeal. I will quote from the editorial:

Americans favor repealing the death tax not because they think it will help them directly. They're more principled than that. Two-thirds of the public wants to repeal it because they think taxing a lifetime of thrift due to the accident of death is unfair and even immoral. They also understand that the really rich won't pay the tax anyway because they hire lawyers to avoid it.

That is the point of the argument we heard a moment ago.

I ask unanimous consent to print the editorial in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

TAXES EVERLASTING

If you've followed the death tax debate, you know that few issues raise liberal blood pressure more. Liberal journalists in particular are around the bend: How in the world can the public support repealing a tax that most Americans will never pay? Good question, so let us try to answer.

Americans favor repealing the death tax not because they think it will help them indirectly. They're more principled than that. Two-thirds of the public wants to repeal it because they think taxing a lifetime of thrift due to the accident of death is unfair, and even immoral. They also understand that the really rich won't pay the tax anyway because they hire lawyers to avoid it.

For proof that they're right, they need only watch the current debate. The superrich or their kin—such as Bill Gates Sr. and Warren Buffett—are some of the loudest voices opposing repeal. Yet they are able to shelter their own vast wealth by creating foundations or via other crafty estate planning. Edward McCaffery, an estate tax expert at USC Law School, argues that ''if breaking up large concentrations of wealth is the intention of the death tax, then it is a miserable failure.''

Do the Kennedys or Rockefellers look any poorer from the existence of a tax first created in 1917? The real people who pay the levy are the thrifty middle class and entrepreneurs who've built up a modest nest egg or business and are hit by a 46% tax rate when they die. Americans want family businesses, ranches, farms and other assets to be passed from one generation to the next. Yet the U.S. has one of the highest death tax rates in the world.

By far the largest supporter of preserving the death tax is the life insurance lobby, which could lose billions of dollars from policies written to avoid the tax. The Los Angeles Times reported this week that the insurance industry is the main funder of an anti-repeal outfit known as the Coalition for America's Priorities. A coalition ad features a sound-alike of heiress Paris Hilton praising the Senate as ''like awesome'' for cutting her family's taxes. But this is the opposite of the truth. The American Family Business Institute has found that the bulk of the Hilton estate has long been sheltered from the IRS in tax-free trusts.

Frank Keating, president of the American Council of Life Insurers, has criticized repeal by saying: ''I am institutionally and intestinally against huge blocs of inherited wealth. I don't think we need the Viscount of Enron or the Duke of Microsoft.'' But while he was Oklahoma Governor in the 1990s, Mr. Keating took a different line: ''I believe death taxes are un-American. They are rooted in the failed collectivist schemes of the past and have no place in a society that values entrepreneurship, work, saving, and families.'' We can appreciate how such a marked change of views would give Mr. Keating intestinal issues.

Which brings us back to the political paradox that, even with Republicans at a low ebb, voters still support death tax repeal. A majority in both houses of Congress also supports it, so Senate Democrats can only stop repeal with the procedural dodge of a filibuster. Even at that, several Democrats are clamoring for a compromise that would take the issue off the table in November. They recall what happened in 2004 to Tom Daschle in South Dakota.

But Republicans should only accept a compromise if it lowers the death tax rate enough (to 15%) to reduce the incentive for avoidance and eliminate its punitive nature. Voters have been saying clearly and for years that they don't want a tax whose only justification is government greed and envy.

Mr. KYL. A lot of the superrich don't care. That is true. There are certain people I will not name, but they have been named, who support continuation of the tax. They have the wealth to be able to get around it with estate planning and to buy the insurance. You heard me quote from minority business owners and farmers who say they cannot afford to pay the cost of that insurance and the estate planning.

Of all of the groups, there is only one that opposes what we are trying to do, and that is the insurance industry. Why not? They make money off of it. If we are talking about special interest legislation, let's understand that the special interests we are trying to protect here are the family-owned businesses, the family farms, the minority businesses; and the special interests that are fighting us are the big insurance companies and the estate planners that make millions of dollars every year.

Alicia Munnell, who was a member of the Clinton administration, has said that the American people pay each year about the same amount to plan against paying the estate tax as the Federal Government collects in revenues from the estate tax. So in effect it is a double tax. Sure, the superwealthy don't care because they have enough money to plan against that. What we are going to do in this proposed compromise is make sure that they pay, but that the people who get caught simply because of the increased value of their property or business will not have to pay.

I also ask unanimous consent to have printed in the RECORD an article by Harvey Rosen from the Market Watch, dated June 8, which makes the point that the American people will benefit when we reduce the rates on the estate tax because it enables capital formation by entrepreneurs and that the economy is better off as a result of the reduction of these rates.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From Market Watch, June 8, 2006]

IT IS THE ESTATE TAX RATE THAT MATTERS

(By Harvey S. Rosen)

PRINCETON, NJ.—This week, the U.S. Senate is expected to turn its attention to the Federal estate tax.

Under current law, the estate tax is being phased out, with repeal set for 2010. But then in 2011 the old law is scheduled to be restored, with marginal tax rates that can exceed 50%. The old law was capricious, complex, and inefficient—bringing it back to life in 2011 would be bad policy.

While the first-best policy response would be to make repeal permanent, this option appears to be politically infeasible. An interesting alternative proposed by Senator John Kyl, R–Ariz., would make the estate tax rate permanent at 15%, increase the exemption level to $5 million, and include step-up in basis.

As the debate on Senator Kyl's and other options moves forward, it is important to focus on keeping the rate of the tax law because of the negative consequences that a high rate has on the economy.

First, a high estate tax rate has a detrimental effect on the behavior of individuals in their roles as entrepreneurs. People with large estates are disproportionately owners of small businesses—Douglas Holtz-Eakin, former director of the Congressional Budget Office and Donald Marples (GAO) estimate that entrepreneurs are three times more likely to be subject to the estate tax than portfolio investors. The estate tax in effect reduces the returns to entrepreneurs' investment. Thus, the estate tax increases the ''user cost of capital''—the rate of return that an investment must make in order to be profitable. The higher the user cost of capital, the lower the number of profitable investments available to the entrepreneur.

According to the U.S. Treasury's Office of Tax Analysis, the estate tax leads to an increase in the tax rate of between 4.5 to 9%. Research on entrepreneurial decision making that I published with several colleagues suggests that a 5 percentage point increase in marginal tax rates leads to a 9.9% decline in investment by entrepreneurs. So, if we take the 4.5% tax increase at the low end of the Treasury's range, the implied decrease in entrepreneurial investment is 8.9%. Using the 9% tax rate at the top of the Treasury's range, the decrease in capital accumulation by entrepreneurs is 17.8%.

In short, changes in the user cost of capital induced by the estate tax have a substantial impact on entrepreneurs's investment spending. Given that entrepreneurial enterprises are an important source of growth and innovation in our economy, this is a very sobering result.

Second, an increase in the estate tax rate would have a negative effect on individual saving rates and wealth accumulation. Research by academic economists suggests that an increase in the estate tax rate of 10% leads to a roughly 14% decrease in net worth. Other serious studies conclude that there would be a substantial increase in saving if the estate tax were eliminated altogether.

Put this together with an observation taught in every introductory course in economics: a smaller capital stock reduces productivity and labor income throughout the economy. The clear implication is that the estate tax reduces incomes for everyone. Because of its negative effect on capital accumulation, the burden of the estate tax is shifted, at least in part, to all workers. In particular, future generations are worse off by virtue of having a smaller capital stock with which to work.

Third, arguments that high estate tax rates make the U.S. tax code more progressive are problematic. The basic assumption is that the burden of the estate tax falls entirely on the decedent—the rich dead guy takes the entire tax hit. This assumption is natural because, by law, the decedent's estate is responsible for paying the tax. However, it reflects an approach that the economics profession has rejected for at least a century. Who bears the burden of a tax depends on the underlying economic fundamentals, not on who writes the check to the IRS. When the government levied a special tax on yachts, for example, the burden fell not only on the owners of yachts, but also on the individuals who produced and serviced them. Applying the same kind of logic in this case, the most likely scenario is that the decedent will not bear the burden of the tax. Rather, he or she will simply leave a smaller bequest, because the estate tax makes wealth accumulation (saving) less attractive.

Thus, the argument made by estate tax proponents that increasing the exemption will enhance progressivity is flawed. Whatever the size of the exemption, some entrepreneurs will be hit by the tax and scale back their investment. Other individuals will simply save less. In both cases, the result is the same: workers are worse off. Any estate tax that is big enough to collect substantial revenue is also big enough to have a substantial negative effect on saving and the economy.

In conclusion, although increasing the exemption for the estate tax while retaining a high rate might appear to enhance the progressivity of the tax system, this is not likely correct. True, the typical worker has little reason to know that her weekly paycheck is smaller because of the estate tax. She may never realize that part of the burden of the tax falls on her. But conventional economic analysis suggests that these subtle, indirect effects are real, and critical to understanding the ultimate burden of the tax. As the debate on increasing the estate tax exemption moves forward, policymakers should understand that the putative progressivity of such a step is likely illusory and that reducing the rate would benefit the economy.

Mr. KYL. He concludes that ''any estate tax big enough to collect substantial revenue is also big enough to have a substantial negative effect on saving and the economy. Reducing the rate will benefit the economy.''

The bottom line is this: We are going to have an opportunity to vote yes on cloture to take up the House repeal bill. For those who believe in full repeal, the next vote would be to support full repeal. Presumably, that won't pass. The next thing that will happen—and the majority leader made this crystal clear, and I reiterate this commitment—is that we will have an opportunity then to vote on the proposal that Senator BAUCUS and Senator LINCOLN and Senators BILL NELSON and BEN NELSON and others of us have been working on to provide a substantial exempted amount—$5 million per spouse—capital gains rate to apply to whatever has to be paid. But when an estate hits $30 million, from then on, it gets hit with a 30-percent rate. That is a fair way to help the people at the lower end of the spectrum and yet collect the revenue from those very wealthy estates which we all agree can pay part of this estate tax.

Mr. COBURN. Will the Senator yield for a question?

Mr. KYL. Yes.

Mr. COBURN. A lot has been made that we are going to borrow money to pay for this tax. But the fact is that the amount of money not collected that is owed to the Federal Government is close to $400 billion a year. The other side of that is there is over $200 billion a year that has been proven to be wasteful or fraudulently misspent by this Government, which we condone each year. That is $600 billion.

We would not be debating this tax if we were doing our job in terms of oversight. Just in terms of improper payments, is the Senator aware of the fact that there is over $150 billion a year paid out by the Federal Government to people who do not deserve it, have not earned it, and yet have manipulated the system to get it? I am not talking about poor people; I am talking about contractors. The point I want to make is that we would not even be having a discussion on the principles of this tax because it is not needed because we are not doing our jobs in terms of oversight. There is $600 billion that would put us into surplus by $200 billion right now, including the cost of the war, if we would just do our job. I wondered if the Senator was aware of that.

Mr. KYL. Yes, because of the great work of the Senator from Oklahoma, we have been made aware of that. He has helped to lead the effort to collect this money and save the money the Government is wasting. The Senator knows that we support fully his efforts in that regard and intend to pursue it.

I will conclude my remarks by simply saying that we have an opportunity to do something very historic for an awful lot of folks in this country who deserve the relief. I hope colleagues will give us the opportunity by supporting the cloture motion when that comes up.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

Mr. DORGAN. Madam President, this is an interesting debate, and in some ways it is very troubling. I wish to talk a little about fiscal policy and where we find ourselves.

It is almost as if this place is disconnected from what is happening. The night before last, I sat in HC–5 until about 1:30 in the morning working on the emergency supplemental appropriation request—roughly $90 billion for Iraq, Afghanistan, and a portion for Katrina. None of it is paid for; it is just emergency spending—$90 billion. This takes us to something close to $400 billion over these recent years, none of it paid for.

Not many weeks ago, we had on the floor of the Senate a proposed $70 billion tax cut. That passed. It wasn't paid for. Just cutting the revenues. I voted against that. So we are spending money without covering it. We are cutting taxes. The gross federal debt will be $8.6 trillion at the end of 2006. We will add over $600 billion to the indebtedness just this year alone in fiscal policy. We will add over $700 billion this year alone in trade deficits. That is different from the fiscal policy. Combined this year, we likely will be in debt by some $1.3 trillion. Everybody understands this is completely off track and dangerous.

So what is the business today? How about cutting some taxes again? What is going to come behind this? A third tax cut bill coming from the Finance Committee. It is unbelievable. It is almost as if somebody pulled the plug out of the socket, so there is no current coming through here by which people can think straight. You can go to the hometown café or restaurant and folks ask: What do you do next? You are choking on debt up to your neck—$8.6 trillion of fiscal policy debt this year. It is going to increase to almost $12 trillion in the next five years, we expect. So what do we do next? We say we ought to get rid of the ''death tax.''

But there is no death tax, of course. This is a function of a clever pollster, paid handsomely by people with a lot of money to come up with a moniker that would allow them politically to cast this into the water and have it float. My colleague spoke at great length about the ''death tax.'' Clever, interesting, but it doesn't exist.

There is, in fact, a tax on inherited wealth in this country. Very few Americans pay it. Currently, the exemption is $2 million for a husband and $2 million for a wife. If you don't have $4 million in net assets in your family, don't worry about this issue. That is going to $3.5 million apiece, so that is $7 million. If you are not above $7 million, don't worry about it.

By the way, notwithstanding those exemptions, if one spouse dies, the other owns everything—a 100-percent exemption—and there is no estate tax. It doesn't matter what the estate is worth; the other spouse owns it. There is a 100-percent spousal exemption.

This ruse of suggesting that this is a death tax is an unbelievable. The most interesting hoax of all is this small business and family farm issue. I will tell you why it is a hoax. I came to the floor of the Senate twice and offered amendments twice. The last time I offered the amendment, it would have completely repealed the estate tax obligation of any small business and any family farm passed from the parents to the children, the lineal descendants who continued to operate it. If that family business or farm, no matter the size, were passed from the parents to the children, on January 1, 2003, it would have forever been exempt from an estate tax. My amendment would have taken that issue off the table. And 54 Members of the Senate voted against that, including the people here today crying crocodile tears over small business and family farm issues. When they had the chance to do this, they didn't want to. Why? That is not the purpose.

The purpose of this issue is to say to the wealthiest Americans that we want to help you. My colleague said we are going to craft something that is a little bit of a modification. He didn't tell you that the modification would lose some 80 percent of the money. But his real interest and the interest of most of the folks who are speaking is to repeal the death tax, which doesn't exist.

Now, we are at war, up to our neck in debt—$8.6 trillion in debt, heading toward $12 trillion in debt—with a budget policy that is completely out of control and a trade policy that is wildly out of control. What do those who have the majority in this Chamber decide they ought to do? The President, the majority in this Chamber and in the House—what is their next step? It is to cut taxes for the wealthiest Americans.

Let me tell you what Warren Buffett says about this. He is an interesting guy. He is the second richest man in the world but a really public-spirited man. He said, ''If this is class warfare, my side is winning.'' He doesn't approve of this; he thinks this is nuts. He has an estimated worth of $42 billion. He said:

> I personally think that society is responsible for a very significant percentage of what I have earned. If you stick me down in the middle of Bangladesh, or Peru, or someplace, you will find out how much this talent is going to produce in the wrong kind of soil.

Being here is what allowed him to be successful, he said. He said, by implication, that we owe something back.

We are at war, and my colleagues have decided that the pressing priority is to remove the tax burden from the wealthiest people in this country, the ones worth billions of dollars. Franklin Delano Roosevelt said in one of his fireside chats—this in another age when we were at war:

> Not all of us can have the privilege of fighting our enemies in distant parts of the world. Not all of us can have the privilege of working in a munitions factory or a shipyard, or on the farms or in the oil fields or mines, producing the weapons or raw materials that are needed by our Armed Forces. But there is one front and one battle where everyone in the United States—every man, woman, and child—is in action. . . . That front is right here at home, in our daily lives, and in our daily tasks. Here at home everyone will have the privilege of making whatever self-denial is necessary, not only to supply our fighting men, but to keep the economic structure of our country fortified and secure. . . .

Do you see any urge at all by the majority here, by the White House, to call this country to action for some public spiritedness, about what we need to do together? We have soldiers dying on the battlefield, and we are sitting downstairs in the Capitol Building until about 1:30 in the morning appropriating money for those soldiers for their munitions, for their trucks and tanks and battleships, and we will not pay for it. The majority party says we will not pay for it. Even as we spend money, we won't pay for it. But we see that their highest priority is to cut taxes for those who are very well off.

The wealthiest 1 percent of Americans now own a bigger piece of the pie than the poorest 90 percent added together. That gap is growing. This legislation will once again decide to expand the inequality of income in this country.

Let me say this again. Those who come to this floor talking about small businesses and family farms had a chance to vote for the repeal of any estate tax obligation for any transfer of any family-owned business or any family-owned farm, and that full repeal would have been effective on January 1, 2003; and 54 Members of the Senate voted no. I daresay almost everybody speaking today in support of this legislation because they believe it will help family farms and small businesses, when they had the chance to do it, they voted against it.

And that tells you a little something about what is really at stake.

Has anybody here ever seen a hearse pull a U-Haul? Don't think so. You can't take it with you. We are on this Earth for a relatively short period of time. We are blessed to live here, a unique spot on this planet. And this, in my judgment, requires of us some responsibilities.

Oh, I know some don't want to lose anything. They want to take it all with them. But you can't take it all with you. The question is: Should at least some of the largesse that those who have been most successful in this country have accumulated in this lifetime bear a tax because most represent an accumulation of assets that never ever bore a tax? Growth appreciation of stocks that has never been taxed, should that not also contribute to this country's defense and well-being? The answer is yes.

I hope we decide to do the right thing and reject this proposal.

Mrs. FEINSTEIN. Madam President, I rise to oppose this bill. With an $8.4 trillion national debt, a budget deficit that will exceed $300 billion this year, a looming entitlement crisis, and a mounting alternative minimum tax problem, full repeal of the estate tax at this time is simply not responsible.

We have until 2010 to make decisions about the estate tax. In doing so, time will afford us the opportunity to make more informed choices, with a more complete picture of our Nation's fiscal health.

We are talking about eliminating nearly $1 trillion in Federal revenues here, during a time of war.

Now is not the time to place the interests of a small number of millionaires ahead of millions of working families.

The estate tax is already being gradually phased down under current law. By 2009, only estates valued at more than $7 million per couple—$3.5 million per individual—will owe any estate tax at all. This means that only 3 of every 1,000 people who die would have an estate large enough to owe any Federal estate taxes.

Permanently eliminating the estate tax would cost $402 billion over the next 10 years, 2007 to 2016, though it is important to note that this figure only captures the cost of 5 years of full repeal, from 2011 to 2016.

When all costs are included, nearly a trillion dollars will be lost in the first decade following repeal, from 2012 to 2021. Included in this staggering figure is $213 billion in increased interest payments on the national debt.

Federal revenues are already insufficient to fund our Nation's most critical domestic priorities.

I wish things were different, allowing a vote in support of reforming the estate tax to be cast today in good conscience.

Let me be clear. I am no fan of the estate tax. I understand how hard families work to provide opportunities and a better future for their children. Transferring assets from generation to generation motivates families to work even harder. It is unfair to place unreasonable burdens on small businesses and families seeking to provide for future generations.

I am deeply concerned about California's families who own farms and small businesses. Like many of my colleagues, I worry that they may be forced to sell a primary residence just to pay the estate tax. Our laws should not create even more hardship at a time when someone has lost a loved one.

Yet, as we consider estate tax repeal today, our Nation's fiscal outlook and the potential impact of this administration's policies are uncertain. This President has broken with his predecessors by submitting only 5-year budgets.

Why, you might ask? Especially after we were presented with the traditional 10-year numbers during this President's first year in office. The answer is that these tax cuts explode the debt and deficit in the outyears—the end of the 10-year window.

The President's tax cuts have already cost more than $1 trillion, and those enacted will be more than $3 trillion over the next decade.

Republicans just passed another round, with the lion's share once again going to the very wealthy—$50 billion to extend capital gains and dividends tax breaks over 10 years.

The Federal budget deficit will be at least $300 billion this year. The national debt is soaring. And we are at war. Never before have such expansive tax cuts been enacted or continued during a time of war.

Over the next 10 years, the debt is projected to reach nearly $12 trillion. In this year alone, our national debt is slated to increase by $654 billion. More startling is the fact that the national debt is currently more than 66 percent of our gross domestic product, GDP. The total debt equates to roughly $30,000 owed by every American citizen.

When you combine the cost of the tax cuts with spending for the war in Iraq—currently totaling $370 billion—the inevitable result is that the domestic programs that matter most are squeezed.

For example, the President's fiscal year 2007 budget makes significant cuts to programs such as food stamps, cut by $272 million; food assistance for seniors and children, cut by $111 million; COPS, which put over 118,000 police on the streets nationwide, is being cut by more than $407 million, or 15,000 officers nationwide; first responders—within Department of Homeland Security—by $573 million or 25 percent; firefighters—firefighter grant program, within Department of Homeland Security—by $355 million; Job Corps—an education and job training program for youth—by $55 million, resulting in 1,000 fewer at-risk youth being served; mass transit, by $100 million; safe and drug-free schools State grants, by $346 million; and education—the President's signature education program, No Child Left Behind, would be underfunded this year by more than $15 billion and $55.7 billion since it was enacted.

Let me explain. Most of the money the Federal Government outlays in a given year is currently not controllable. It is spent on what are called entitlements—Social Security, Medicare, Medicaid, veterans benefits. If you are entitled to these benefits, you get them.

And if you add interest on the debt—nearly $400 billion in 2006—that is about 60 percent of everything spent in a given year. So that leaves 40 percent, half of which is the defense budget and half is everything else.

There is a war going on, so it is very difficult to cut defense spending.

So while a select few are benefiting from massive tax breaks, budget cuts must be made—to the programs many Americans rely upon—to prevent uncontainable deficits.

There is a fundamental shift taking place. Republicans have become the profligate spenders, while Democrats have become the deficit hawks.

Americans deserve more responsible leadership. Leadership is about planning for the future and making the difficult decisions that ensure economic stability for our children and their grandchildren.

With the threatening fiscal demands of baby boomers retiring and the pending insolvency of Medicare in less than two decades, repealing the estate tax today would be inconceivably short-sighted.

I urge my colleagues to employ sensible leadership and understand the responsibilities we have to uphold. We have a responsibility to working families, veterans, senior citizens, children, and low-income communities.

No one will deny that this issue needs to be revisited in the coming years. We must adopt a balanced estate tax compromise, while holding the line on spending in order to restore a program of fiscal sanity. I look forward to working with my colleagues to protect small businesses and family farms, without unreasonably jeopardizing our Nation's financial well-being and our ability to help those who need Congress most.

In the meantime, I urge my colleagues to do what they know is right: encourage a more responsible fiscal course and stand in opposition to full repeal of the estate tax at this time. This is the wrong policy at the wrong time.

Mr. McCONNELL. Madam President, nothing could place more stress on a family than the loss of a loved one. Yet at such a difficult time, too many families in America today must make decisions about selling a business or a farm that has been in the family for generations in order to pay estate taxes, or, as they are more commonly called, death taxes.

That is wrong. That is why I support the repeal of the death tax—immediately, completely, and permanently. No American family should be forced to visit the undertaker and the tax collector on the same day.

We have made important progress towards eliminating this onerous tax under President Bush's leadership. In 2001, Congress began phasing out the death tax, and will phase it out completely in 2010. Yet because of our budget rules, the death tax will return in full force in 2011.

Starting in 2011, many small-business owners and their families may be unfairly penalized if we do not eliminate the death tax. We can change that by repealing one of the most destructive, unfair taxes ever conceived by government. Let's kill the death tax forever.

We ought to kill it especially on behalf of America's small businesses, the lifeblood of our growing economy. From their successes come the new jobs of today and the economic growth of tomorrow. Yet the death tax often hits small businesses the hardest.

Today, we see a dogged minority working again to keep death and taxes not just inevitable, but inseparable. But death and taxes are a destructive tag team for our economy, because the death tax destroys small businesses.

My colleague the Democratic leader said recently that during a trip home to his native Nevada, not a single one of his constituents spoke to him about the repeal of the death tax. I think he took this as some kind of proof that we should not address this issue.

Well, I want to bring to my colleagues' attention a Kentuckian who did approach me about this issue last week, when I was at the Perry County Civic Night at Hazard Community College in Hazard, KY, on May 31.

I spoke with a constituent named Bill Fields. He is the co-owner of Perry Distributors Inc., a beer distributor. Without permanent relief from the death tax, he is unable to plan for the future of his business and his family.

Bill is the third generation of his family to be active in the business, and his parents are still active in it as well. Right now, the Fields family has to pay between $15,000 and $25,000 a year for an insurance policy, just in the event that Bill's parents pass on and the family is hit with this massive death tax.

And even at such a high cost, that policy will not cover the full tax burden. Bill estimates it will only cover about 20 percent. He would have to borrow to pay the rest.

Bill says: ''The way things are now, nobody knows what to do with estate planning.'' It's a shame, but it is true.

Now, Bill is still a young man—he is 43—with plenty of working years left in him. But one day, he will want to pass on his business to his heirs.

Unless we act, after Bill passes away, his family may have to sell the business he worked so hard to build during his lifetime just to pay these burdensome taxes. Bill's family faces the same dilemma as too many other Kentucky families who own small businesses.

Before I conclude my remarks, I want to bring to my colleagues' attention an excellent column in this Monday's Washington Post by the Senator from Alabama, JEFF SESSIONS, titled ''. . . Or Unfair Burden on Families?''

The Senator from Alabama rightly says, ''The death tax is almost dead. Let's put the stake in its heart.''

I commend my colleague Senator SESSIONS for writing so cogently and persuasively on the pernicious effects of the death tax. I ask that his column be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Washington Post, June 5, 2006]

''. . . OR UNFAIR BURDEN ON FAMILIES?''

(By Jeff Sessions)

This week the Senate is expected to vote on permanent repeal of the estate tax. With this vote, Congress will have an opportunity to finish the job it started five years ago.

The estate tax—or, as many of us prefer to call it, the death tax—is a tax imposed on the transfer of assets or property from a deceased person to his or her heirs. This is one of the IRS's most painful taxes, as it hits families at the worst possible time, when they are dealing with the death of a loved one.

Congress passed a gradual phaseout of this tax at the urging of President Bush in 2001, and it was scheduled to disappear in 2010. But because of the peculiarities of the lawmaking process, the death tax will return in 2011—at the same high rates that existed before—unless Congress enacts new legislation. In April 2005 the House passed a permanent repeal of the death tax by a vote of 272 to 162. Over a year has passed since; it is time for the Senate to act:

The list of reasons for eliminating the death tax is long. To begin with, this tax punishes thrift and saving. It tells people that it's better to spend freely during their lifetimes than to leave assets for their children and grandchildren, which will be taxed heavily by the federal government.

The death tax hits hardest at heirs of small-business owners and family farmers. In many cases, the heirs cannot afford to pay the tax and are forced to downsize, layoff employees or even sell their business or farm.

There can be no doubt that closely held family businesses that are growing and beginning to compete with the big guys are often devastated by the tax. I believe the death tax is a major factor in business consolidation and loss of competition.

This tax hurts the growth of minority-owned businesses. As the first generation of African American millionaires begins to die, many of the companies they founded will have to be sold to pay the estate taxes. For example, the tax almost forced the oldest African American-owned newspaper—the Chicago Daily Defender—out of business.

According to Heritage Foundation economists, the death tax also costs the American economy 170,000 to 250,000 potential jobs each year. These jobs are never created because the investments that would have financed them are not made, as these resources are diverted to pay for complex trusts and insurance policies to avoid the tax.

The death tax is double taxation. Most of the assets taxed at death have already been taxed throughout an individual's lifetime.

The death tax accounts for a small portion of federal government revenue, an expected $28 billion in 2006, or only 1.2 percent of federal receipts.

Many argue that repealing the death tax would decrease charitable giving, as this tax allows individuals to deduct gifts to charitable organizations. Yet, even though the phasing out of the death tax began in 2001, charitable contributions in the United States reached a record high in 2004.

The death tax even has a negative effect on the environment, as heirs are often forced to develop environmentally sensitive land to pay the tax. According to a study by researchers from Mississippi State University and the U.S. Forest Service, about 2.5 million acres of forest land were harvested and 1.3 million acres were sold each year from 1987 through 1997 to pay the estate tax.

Finally, the American people already understand the unfairness of the death tax and support its repeal. Sixty-eight percent of those surveyed in a recent poll commissioned by the Tax Foundation supported repeal of the estate tax. Moreover, the death tax was rated by Americans in the same survey as the least fair tax.

As a vote approaches, it is essential that constituents let their representatives hear now how unfair they believe this tax is. The death tax is almost dead. Let's put the stake in its heart.

Mr. ENZI. Mr. President, I want to take this opportunity to voice my support for H.R. 8, the Death Tax Repeal Permanency Act. Since coming to the Senate, I have continuously supported the repeal of this burdensome and unfair tax and am also a proud cosponsor of S. 420, the Death Tax Repeal Permanency Act and S. 988, the Jobs Protection and Estate Tax Reform Act.

I believe the death tax is fundamentally unfair because it constitutes another layer of taxation. After years of paying State and Federal income taxes and other taxes on property while trying to grow a business, the family must pay again at the time of death. This double taxation is unfair and should be eliminated.

Many small, family-owned businesses throughout my State of Wyoming cannot afford to pay the tax and are forced to close their doors. In addition, many landowners are forced to sell their property in order to afford paying this unfair tax and avoid passing on the costs to the next generation. Our country should encourage growth and investment, not force people to sell their assets. Families should not have to choose between paying taxes or operating their business just because a family member passed away. In Wyoming, we work hard, in pursuit of the American Dream, to create a better life for our children and grandchildren. Yet the death tax punishes this dream and the families who must pick up the pieces after losing a loved one.

The death tax not only hurts the families who are forced to pay the tax, it also hurts our overall economy. A Heritage Foundation study reports that repeal of this tax would create 482 jobs in Wyoming alone. While this number may not seem large to my colleagues from New York and California, 482 jobs would have a substantial economic impact for communities throughout my State. I believe we will see additional financial gains when businesses can continue their operations where previously they would have had to shut their doors.

The death tax forces families to spend thousands of dollars on estate planning. By forcing individuals and families to use vital financial resources on estate planning, money is being taken away from the family business or the family farm. When we eliminate this tax, jobs will be saved and money will be devoted to economic growth rather than extensive estate planning costs.

I urge my colleagues to support the passage of H.R. 8, which offers relief to America's hard-working families. Eliminating the death tax will bring fairness to our Tax Code as well as encourage continued growth in our economy.

Mr. OBAMA. Madam President, I rise to speak in opposition to the complete repeal of the estate tax.

First of all, let call this trillion-dollar giveaway what it is—the Paris Hilton tax break. It is about giving billions of dollars to billionaire heirs and heiresses at a time when American taxpayers just can't afford it.

My colleagues on the other side of the aisle have brought out the Paris Hilton tax break in June because they are eager to make it an election issue in November.

And I think that is fine. In fact, I am eager for the American people to choose. Because if people want their Government to spend $1 trillion—an amount more than double what we have spent on Iraq, Afghanistan, and the war on terror combined—on tax breaks for multimillionaires and multibillionaires, then the Republican Party is their party.

If the American people want to borrow billions more from foreign countries, spend billions more in taxes to pay the interest on our national debt, and watch billions cut from health care and education and gulf coast reconstruction, then the Paris Hilton tax break is your tax break.

Now let's be honest. This is not about saving small businesses and family farms. We can reform the estate tax to protect the few farms that are affected. We can set it at a level where no small business is ever affected. We can even repeal the estate tax altogether for the 99.5 percent of families with less than $7 million in taxable assets—that means families with assets almost 100 times greater than the average American household net worth.

Democrats have offered to reform the estate tax in these ways time and time again. Reform is possible in a way that doesn cost $1 trillion.

But our offers have always been refused, which can only mean that the party in power is really interested in an unprecedented giveaway to the wealthiest of the wealthy.

And don't think for a minute that there is any plan to pay for this. Every proposal to enforce pay-as-you-go rules for fiscal responsibility has been rebuffed. This tax cut will have to be paid for in the years ahead by higher taxes on working families and reduced public services in all of our communities. This tax cut will have to be paid for by higher interest rates on homes and student loans. This tax cut will have to be paid for by greater dependence on foreign countries. Alan Greenspan warned us against financing tax cuts with debt. But that is exactly what this bill does.

So I would ask the American people one question. At a time like this—a time where America finds itself deeply in debt, struggling to pay for a war in Iraq, a war in Afghanistan, security for our homeland, armor for our troops, health care for our workers, and education for our children—at a time of all this need, can you imagine opening Forbes magazine, looking at its list of the 400 wealthiest Americans, and realizing that our Government gave the people on that list far more than half a trillion dollars worth of tax breaks?

I know I can imagine that. And I would bet that most Americans can imagine that either.

This is shameful. Are we really going to cut taxes again for the Forbes 400 before we fix the alternative minimum tax which affects middle-class families? Are we really going to cut taxes again for multimillionaires and billionaires before we extend the expiring child tax credit which helps working families? Are we really going to worsen our country's financial future for all Americans just so that a tiny number of the estates—estates that average over $13 million—can escape all taxes?

There is no economic justification for repealing the estate tax and certainly no moral justification. This is politics pure and simple.

So if the Republicans want to bring up their Paris Hilton tax break to use it as an election issue later, I say go for it. Because I can think of no better statement about where and how we differ in priorities than that.

Mr. HARKIN. Madam President, I am dumbfounded that the Senate is debating yet another gigantic tax break for the wealthiest people in our society. The Republicans are pushing this latest giveaway despite the fact that we are facing a deficit, this year, in excess of $300 billion a year, despite the fact that they have run up $2 trillion in new debt since President Bush took office, despite the fact that they have increased spending by 25 percent in just 5 years' time, and despite the fact that we are spending $10 billion a month on seemingly endless wars in Iraq and Afghanistan.

The level of irresponsibility is just breathtaking. This is a tax break we cannot afford, benefitting people who don't need it. Currently, the estate tax impacts far less than 1 percent of the wealthiest families in America. And you can be sure that these are not families facing economic hardship or struggling to make ends meet.

Repeal of the estate tax would not create a single new job. It would do nothing to increase productivity or competitiveness. It would do nothing to improve the education of our children or the general well-being of the American people. No, this is a pure and simple giveaway—a bonanza for those who have already received the lion's share of the tax breaks passed over the last 5 years.

And let's be clear: There is nothing conservative about handing out tax breaks costing nearly $1 trillion, including interest, over 10 years and passing the bill to our children and grandchildren.

In his State of the Union speech 3 years ago, President Bush made this statement: ''We will not deny, we will not ignore, we will not pass along our problems to other Congresses, to other presidents, and other generations.'' But that is exactly what repeal of the estate tax would do. It would add hundreds of billions of dollars to the already-massive debt that President Bush is passing on to ''other generations.'' This is not only irresponsible and reckless; it is just plain shameful.

Average family farmers are being told that they need repeal of the estate tax to save them from a large burden, perhaps losing their farm to pay the tax. But this is pure propaganda. It is simply not true.

The Congressional Budget Office analysis of estate tax returns from the year 2000 showed a very different picture. It showed that if we provide a $2 million exemption, $4 million for a married couple, which is the law for this year, only 123 farm-dominated estates would have had to pay any estate tax. That is a mere 123 farm-dominated estates in the entire United States. The details of the study note that, of those farm-dominated estates, only 15—15 in the entire United States—would not have sufficient liquidity to pay the tax. Only those 15 might have to sell land—though I doubt it. Large farm operations have a range of financial options to fall back on. Moreover, as a Washington Post editorial pointed out yesterday, family farm and business estate ''heirs can spread estate tax payments over 14 years, so even those without liquid assets have plenty of time to take over the farm or firm, manage it productively, and thus generate the cash to pay the tax.''

Neal Harl, one of the Nation's most respected lawyers and agricultural economists, knows of no instance where a farm has had to be sold because of the estate tax. Iowa Farm groups supporting estate tax repeal have not been able to identify even one instance, so far as I am aware.

There are, indeed, some family-business-dominated estates that would have to pay some estate tax. According to the Congressional Budget Office, at the current level of exemption, there are 135 estates. Only 135 estates in the entire Nation. So why is the Senate wasting precious legislative days addressing an issue affecting only 135 estates?

There is little question that the great majority of Senators—including myself and many other Democrats—would be in favor of passing a reasonable compromise, for example a permanent exemption of at least a $2 million for an individual, $4 million for a couple that is the current exemption.

Of course, I don't want to minimize or dismiss those few instances where real farmers and small business people might have difficulty paying the tax. I do believe that it should be possible to pass family farms and family businesses from one generation to the next. Bear in mind, however, that we have had substantial estate taxes for a long time. And, the reality is that many of those who face the current tax had parents who passed on those same businesses with higher rates than they face today.

There is little question that the great majority of Senators—including myself and many other Democrats—would be in favor of passing a reasonable compromise, for example a permanent exemption of at least a $2 million for an individual, $4 million for a couple. But I challenge my Republican colleagues to tell us how they intend to make up for the revenue that would be lost if a full repeal of the estate tax is passed. The difference between a $2 million exemption and full repeal is about a half trillion in the decade after 2011. How do the Republicans propose to offset that lost revenue? What do they propose to cut? Social Security? Medicare? Education? National defense? What other taxes would they increase? Or do they intend to simply pass on another half trillion in debt to our children and grandchildren?

Based on the record of the last 5 years, the most likely option is that the debt would simply be passed on to future generations. Since President Bush took office, we have already piled up nearly $2 trillion in new debt.

It is hard to believe, but just 6 years ago, before President Bush took office, we were running huge budget surpluses. We faced the very real prospect of completely eliminating the national debt within the decade. But those bright prospects have been squandered in reckless tax cuts and out-of-control spending. We are now running record deficits. The debt tax will rise from about $600 for every man, woman, and child in America in recent years to more than $1,000 per person in 2010 according to the President's most recent budget submission.

How in the world can any responsible person who cares about the fiscal health of our Nation allow this to happen? How can anyone who believes in maintaining a ladder of economic opportunity for future generations—how can we instead saddle those future generations with a debt burden of this magnitude?

As President Kennedy said, ''to govern is to choose.'' If you vote to support this estate tax repeal, who exactly are you choosing to help? Well, according to Congress Watch, and United for a Fair Economy, just 18 families are in the forefront of those demanding this repeal. Those 18 families, with over $180 billion in accumulated wealth, stand to gain more than $70 billion in reduced taxes in the coming years if the estate tax is repealed. They have been spending huge sums for lobbyists and media campaigns. And if they succeed in avoiding paying $70 billion in taxes, then who will get stuck with the bill?

Of those 18 families, the biggest single beneficiary of full repeal would be the Walton family, which owns a lion's share of Wal-Mart. That one family may save as much as $30 billion.

I reject that choice. I reject giving away another half trillion dollars in tax breaks to those who have already been showered with fabulous wealth and good fortune. If we are going to pass new tax breaks, let's focus on working Americans who actually need them, beginning with working parents struggling to raise their children and pay college tuition.

Last month, I met with Warren Buffet, a multibillionaire and a very savvy judge of the economy and business. He said that he is working to shift some of his investments away from the dollar. He believes that the estate tax is good public policy, and he believes that a Nation that recklessly cuts taxes while racking up huge budget and trade deficits is heading for big, big trouble.

We need to come to our senses. Let's freeze the tax where it is, or let's consider a somewhat higher exemption, perhaps $4 million per couple. But let's reject the notion that huge estates should be passed on at a tax rate lower than what hard-working people pay on their earned income.

In any case, it is unacceptable that we on the minority side of the aisle are being denied an opportunity to propose reasonable compromise alternatives. We should not move to consider this bill until we have an agreement that Senators can have an open debate, with amendments offered and voted on by each side. And if we cannot receive such a guarantee, we should vote to reject cloture.

Madam President, this bill to repeal the estate tax would give away a half trillion dollars, as compared to the law for this year. It would give away money we don't have, overwhelmingly to people who don't need it, and it would pass the resulting debt to people who haven't even been born yet. This bill, in its current form, is reckless and irresponsible. I urge my colleagues to vote against cloture. This bill certainly shouldn't go forward until we have a fair, balanced proposal allowing amendments to the bill.

Mr. ALEXANDER. Madam President, I wish to express my support for a full and permanent repeal of the death tax. This is an issue of tax fairness. The death tax can consume up to half of the deceased owner's estate. Many assets that are subject to the death tax were already taxed during the life of the deceased through income taxes, property taxes and other levies. Imposing another tax on someone's estate at the time of his or her death is a grossly unfair form of double taxation.

In 2001, Congress passed a phase-out of the estate tax with full repeal effective in 2010. If Congress does not act soon, the law will revert back to where it was prior to 2001, placing an enormous tax burden on family-owned farms and small businesses. Some families would be forced to sell the farm or business they have just inherited to pay the enormous death tax bill. This goes completely against the American dream of working hard, growing a business and some wealth, and leaving the fruits of your labor to your children.

Some argue that death tax repeal only would benefit the very wealthy. During this debate we have heard names like Bill Gates and Donald Trump. However, the death tax has a major impact on a lot of Americans who aren't household names. For example, I want to talk about Clint Callicott from Williamson County, TN. Clint's family farmed on land in Williamson County that his father owned and then Clint inherited. The farm's value began to increase due to economic growth and development in the county, so at the time his father passed away the land was worth over $1 million. Clint was forced to sell the family farm against his wishes in order to pay the large death tax, and the Callicott family had to relocate to another county.

This unfortunate story illustrates the negative effect the death tax can have on family farms and small businesses, and this example is only one of many. In Alcoa, TN, Dick Daugherty and his wife tried to plan for the impact of the death tax in the early 1990's by hiring a very expensive estate lawyer. Their hope was to preserve their family farm for their children, and they went so far as to take out an insurance policy with significant premiums to ensure there would be enough cash when the time came to pay the death tax bill. However, today the value of the farm land has increased so much due to development in the Alcoa area that—despite their best efforts to plan ahead—it now looks unlikely that the Daugherty sons will be able to afford to hold on to the land that has been in their family since 1871.

Clearly, there is something wrong with a tax system that forces people off the land that has been in their family for generations. And it is just as wrong when the tax system makes it harder for family-owned small businesses to succeed. According to one study, less than 30 percent of these small businesses survive to a second generation and only about 13 percent continue to a third generation. These small businesses face enough hurdles as it is without Uncle Sam imposing yet another obstacle in the form of the death tax.

Supporters of keeping the death tax claim that repeal would be too costly for the Treasury. However, over the last 10 years the death tax only has accounted for about 1.3 percent of all Federal tax revenue. In addition, the ''costs'' of repeal have been overstated because estimates fail to account for estate planning and compliance costs, the tax revenue lost when a farm or business ceases operation due to the death tax burden, or the economic growth and job creation that would be generated by freeing up capital for investment.

I mentioned the burden of estate planning and compliance costs, and wanted to share another example from my home State of Tennessee. The Anderson Family operates a crop and beef cattle farm. Mr. Anderson recognized the need for estate planning and formed a family partnership that allowed him to pass on his farm assets to his children during his lifetime. This plan is likely to minimize the impact of the death tax, and will increase the chances that the Anderson children will be able to hold onto the family business. However, the considerable legal and accounting costs involved in forming this partnership could have been better utilized elsewhere in the family business.

It is staggering to note that as much as $847 billion over the last several decades has been diverted from the economy for estate planning and compliance costs, according to a Joint Economic Committee study. Estate planning can cost individual families as much as $150,000. This money could be put to better use if it were invested in creating jobs growing our economy. According to the Heritage Foundation, it's estimated that the Federal death tax alone is responsible for the loss of between 170,000 and 250,000 potential jobs each year.

We want a tax system that encourages growth and prosperity, not one that acts as a job killer. However, anticipation of the death tax's impact on one's heirs causes many people to stop working at an earlier age, to reduce the amount of saving and investing, and to cut back on their entrepreneurial activities. Once these Americans reach a certain age, there is less incentive to further build up the estate because that simply increases the tax burden for the loved ones they leave behind.

That is not the right message to send. We should encourage the creation of jobs, new ideas, and new investment in our country. We should encourage our citizens to continue to strive for the American dream of working hard, building up their assets, and passing them on to future generations.

I am disappointed that efforts to repeal the death tax have been blocked in the Senate for the last few years, and I hope Congress will enact a full and permanent repeal.

Mr. LEVIN. Madam President, this bill to repeal the estate tax is unfair and unaffordable. Full repeal is estimated by the Joint Committee on Taxation to cost $776 billion over the first 10 years it is in full effect. And in fact that cost would be nearly $1 trillion when interest payments on the extra debt that would be required are taken into account.

Repealing the estate tax would only benefit a tiny percentage of the very wealthiest Americans among us by enabling them to pass additional millions of dollars to their heirs tax-free. It would shift an even larger share of the Nation's tax burden and debt onto the backs of average working families and our children and grandchildren.

Only a tiny fraction of estates pay the estate tax. In 2004, only 1 percent of estates in Michigan and 1.2 percent nationwide paid any estate tax. In 2006, those numbers will likely be even smaller because each individual's exemption from the estate tax will increase from $1.5 million to $2 million, with those numbers doubled for married couples. In fact, it is estimated that in 2006, just one-half of 1 percent of all estates will owe any estate tax. This percentage will continue to shrink as the exemption level rises. By 2009, when $3.5 million—$7 million for married couples—will be exempt, only three out of every 1,000 estates will owe any estate tax; that's one-third of 1 percent.

Why are the Republican leaders pressing this? Over the last decade, a massive public relations campaign funded by a handful of families has succeeded in creating the mistaken impression that the estate tax catches millions of average Americans. According to a recent report by two nonprofit organizations, Public Citizen and United for a Fair Economy, 18 families worth a total of $185.5 billion quietly financed and coordinated a 10-year effort to repeal the estate tax. The report tells how these families spent over $200 million contributing to political campaigns, financing outside lobby groups and trade associations, and creating a massive anti-estate tax coalition that served as the main coordinator of the repeal campaign.

The advocates of repeal have not been forthcoming about the billions they would save if the estate tax were repealed, but instead they have promoted stories about the effects of the estate tax on family farms and small businesses. Such family-run enterprises make up the core of the American economy and society, so it is no surprise that using them as the poster children in the campaign for repeal has been met with some public relations success. The well-funded initiative has left many with the mistaken impression that the estate tax requires many small businesses and family farms to be sold to cover the estate tax bill.

Few, if any, examples of that are ever offered, but no matter. The disinformation campaign continues. What is the reality? According to data from the Tax Policy Center, of the 18,800 taxable estates in 2004, there were only 440—or two percent—in which farm or business assets made up at least half the total value of the estate. Forty percent of these 440 farm and business estates were valued at less than $2 million and paid an effective tax rate of only 1.6 percent.

According to the Congressional Budget Office, at the upcoming exemption level of $3.5 million, only 200 farms in the year 2000 would have had to even file the estate tax, and fewer than 15 of those estates would have lacked sufficient liquidity to pay the estate tax.

From these numbers, it is clear that an exemption level and other safeguards can be set to keep effectively all small businesses and family farms from having to sell their businesses to pay the tax. That is why I hope that at some point in the near future we will be able to adopt a commonsense proposal to permanently set an appropriate, inflation-adjusted exemption level.

But proceeding to this bill at this time would not achieve that goal. The majority has indicated that if we proceed to debate this bill, consideration would be limited to a small number of predetermined amendments, each of which would set the tax rate on inherited wealth lower than the tax rate on workers' wages. Giving tax preference to inheritance over workers' wages is not the American way.

Furthermore, in the face of mounting deficits, adoption of any of the so-called compromise amendments being talked about would be fiscally irresponsible and would unfairly burden average taxpayers to make up the difference in lost revenue from the Treasury. The proposal endorsed by Senator KYL would still cost eighty-four percent of the cost of full repeal.

The estate tax was created not only to raise revenue but also to prevent the concentration of wealth in the hands of just a few families. It ensures that those who prosper so greatly in the American economic system do their fair share to contribute to our continued national well-being. Just like other Americans, the very wealthy benefit from public investment of tax dollars in areas such as defense, homeland security, environmental protection and infrastructure, and they rely even more than others on the Government's protection of individual property rights. The estate tax is not intended to discourage people from seeing to it that their children are more secure, but rather, it is aimed at helping keep avenues of opportunity open to all citizens. In the words of President Teddy Roosevelt, who proposed the estate tax: "[I]nherited economic power is as inconsistent with the ideals of this generation as inherited political power was inconsistent with the ideals of the generation which established our government."

We should make sure that our current and future tax policies consider not only the value to taxpayers of their take-home pay or accumulated wealth, but also the value to them of the essential government services that are funded by their taxes. It is not a popular thing to talk about these days, but our Nation relies on and needs tax revenues. Every day in Iraq and around the world our military needs tanks, aircraft carriers and protective body armor. We need scientists working toward cures for cancer, Alzheimer's disease and birth defects. We need teachers to educate our children so they can keep our Nation economically competitive in the next generation. We need USDA personnel to screen our meat and livestock for mad cow disease and harmful toxins. We need Government grants to help buy bulletproof vests for the cops on our streets. We need dollars to build new bridges and highways to relieve congested traffic, as well as dollars to repair potholes in existing roads.

On top of these things and many others we already appreciate, there are many other important initiatives: lowering the spiraling cost of healthcare so that all Americans can get the care and medicine they need, improving our education system so that every child grows up prepared to make a valuable contribution to our society, investing in leap-ahead energy technologies that will boost our auto industry and help end our dependence on imported oil, preserving our irreplaceable natural resources, and protecting the jobs provided by our Nation's manufacturers.

If we are to have any hope of paying for even a few of these priorities, eliminating the estate tax for the extremely wealthy is exactly the wrong thing to do. We are running record deficits and we are fighting a war in Iraq. We simply cannot afford such a massive tax cut which would push us even further into the deficit ditch. Today, each American citizen's share of the debt is almost $28,000, and as we continue to run up record yearly deficits, the country's total debt is estimated to reach over $12 trillion by 2016, which is $39,000 per person. It is not just reckless fiscal and economic policy to saddle future generations with this kind of crushing debt burden; it is morally reprehensible to pass this kind of burden to our children and grandchildren.

We need to look out for all of our citizens, not just the few who are extraordinarily wealthy. I cannot agree with policy changes that favor a handful of multimillionaires, one-third of 1 percent of our people who are the very wealthiest, at the expense of working American families and of critical national priorities. That is why I am opposed to repealing the estate tax.

Mr. KERRY. Madam President, today we are debating repeal of the estate tax. Many of us have supported reform to the estate tax in a reasonable way that will help families keep their small businesses and farms. But this debate about repeal of the estate tax has become unreasonable and fiscally irresponsible.

Some in the Republican majority are calling for full and permanent repeal of the estate tax and have referred to the estate tax as ''immoral'' and ''vicious.'' I disagree. Only very wealthy Americans will benefit from the proposal before us today. It is a proposal that does not reward work, entrepreneurship, or innovation.

I also wonder why we are debating this today. The estate tax debate was postponed last fall because of Hurricane Katrina. New Orleans is still recovering and all signs point to the region being in dire need of more Federal assistance in the months to come. I believe it is still an inappropriate time to debate the estate tax. Congress just passed a $70 billion tax cut that will give those with an income of $1 million an average tax cut of $43,000. Additionally, we have had troops in Afghanistan since October of 2001 and in Iraq since March of 2003. This is a time for sacrifice, not time for another debt financed tax cut for the richest Americans.

Congress is not sending the right message by debating the repeal of the estate tax when soldiers are risking their lives and many citizens are still left homeless by Hurricane Katrina. The estate tax is simply the wrong priority.

Only a few wealthy Americans will benefit from repeal of the estate tax, but it will harm many. Repeal hurts tens of millions of Americans by shifting even more of the tax burden from those who hold wealth to those who work day in and day out to earn a paycheck. Since the proposal is not paid for, it hurts our children and grandchildren by creating billions in debt and interest that they will have to pay for. According to the Center on Budget and Policy Priorities, the total cost of repealing the estate tax for a decade would be nearly a trillion dollars. This revenue could be well spent on essential initiatives such as rebuilding the areas devastated by Hurricane Katrina, our national defense, children's health care, equitable tax reform or paying down the debt.

Repeal of the estate tax hurts millions of working families who need Congress to resolve far greater problems in our tax code, like the punishing and expanding alternative minimum tax, AMT. The AMT is levied on taxpayers merely because they have children and happen to live in particular States. Yet according to the majority leader, the estate tax—which is levied on individuals who will inherit at least several million dollars—is the ''cruelest and most unfair tax.'' I don't see the logic in that argument and I am confident the American people can see through it as well.

My colleagues on the other side of the aisle argue that estate tax repeal is needed to help small businesses, but I bet you would not hear them discuss a provision in H.R. 8 that will result in increased capital gains taxes for small firms. Under current law when a person inherits an asset, they receive a ''step-up'' in basis. This means that the person inheriting the assets receives a tax basis increased to fair market value at time of death. When the person sells the property, he or she is only taxed on the difference between the sales price and the fair market value at the date of death.

H.R. 8 would limit the amount of assets that are eligible for step-up basis. Assets exceeding $1.3 million would receive ''carryover'' basis under which the heirs receive the same basis as the deceased owner. Assets of up to $4.3 million transferred to a spouse will receive step-up basis. Carryover basis usually results in higher capital gains taxes because tax will be owed on the difference between the sales price and the basis that the decedent had in the asset. Certain assets will no longer have step-up basis which gives heirs a basis equal to the fair market value at time of death. This change in basis will result in a greater difference between the sale price and the heir's basis.

I agree that Congress should address the estate tax in the coming years, but we need to keep in mind that the current uncertainty was created by the majority's unsound tax policy. It is because of the Republican tax policies that the estate tax is now set to disappear in 2010 and then return to its previous levels in 2011. We tried in the past to make estate tax relief permanent. In 2002, we proposed exempting estates of up to $4 billion and permanently reducing the top rate to 45 percent, but that was not acceptable to advocates for full repeal. Now the Republican majority points to the problems they created with earlier tax cuts as justification for repealing the estate tax—creating further problems, greater inequity, and more debt.

According to a July 2005 Congressional Budget Office, CBO, report, very few farms and small businesses will pay the estate tax if it is set at a reasonable level. The CBO report shows that if the exemption is set at $2 million, only 123 farms and 135 family-owned businesses would have taxable estates and even fewer would have insufficient liquidity to pay the estate tax. Even if one disagrees with the CBO report, we should all be able to agree that raising the exemption amount helps small business and farms. Proposals that exempt inheritances above $3.5 million would overwhelmingly benefit those who own stocks and other securities and really have nothing to do with helping family farms or businesses. If the exemption is increased to $3.5 million, only 0.3 percent of all estates would be affected. Many of these assets have never been taxed, given that assets of wealthy estate frequently include stocks that have never been taxed.

Often it is argued that the estate tax needs to be repealed to assist small businesses. There is no concrete evidence that a family-run business has been put out of business by the estate tax. If the AMT is not addressed it will hurt many more small businesses, but instead of addressing it, Republicans prefer to promote the myth that the estate tax shatters small businesses.

At a time when income inequality is increasing, the estate tax should not be the priority of the Senate. According to the Federal Reserve's Survey of Consumer Finances, the average net worth of an American family grew 6.3 percent while the bottom 40 percent of families' median net worth fell.

When President Theodore Roosevelt advocated an estate tax nearly a century ago, he argued that, the ''man of great wealth owes a peculiar obligation to the state, because he derives special advantage from the mere existence of government.'' He further advocated, ''We are bound in honor to refuse to listen to those men who make us desist from the effort to do away with the inequality, which means injustice; the inequality of right, opportunity, of privilege. We are bound in honor to strive to bring ever nearer the day when, as far as is humanly possible, we shall be able to realize the ideal that each man shall have an equal opportunity to show the stuff that is in him by the way in which he renders service.'' We should heed the words of President Roosevelt and vote against estate tax repeal.

We need to return to a tax system of fairness and equity. Our tax system should reward work and create wealth for more people; it should not be skewed to the wealthiest among us. We need to work together to find a solution to the estate tax which reflects the reality of our fiscal situation and provides certainty for hard-working families.

Mr. BOND. Madam President, 5 years ago Congress took steps to end the death tax. Now the American people expect us to finish the job.

We need to end permanently the tax that punishes American values of savings and investment and of building small businesses and family farms and ranches.

The death tax punishes the American dream—making it virtually impossible for the average American family to build wealth across generations.

The death tax is anti-savings, anti-family, and anti-investment. It is quite simply un-American.

If we don't act now, the death tax will come back in just a few years. Under current law the death tax is phased out in 2010 but comes back in full force in 2011. That is a ridiculous and untenable policy.

The death tax should be completely and permanently repealed now in order to make the Tax Code fairer and simpler and to eliminate the harmful drag this tax has on the economy.

According to the Small Business Administration, more than 70 percent of all family businesses do not survive through the second generation, and 8 percent do not make it to a third.

The death tax is one of the leading causes of the dissolution of small businesses.

It hits those who own small businesses and family farmers the most. When faced with the death tax, farmers and ranchers are in an especially tough spot with most of their assets tied up in land and buildings, livestock and equipment. This gives them little flexibility when settling estates. Unlike an investor with a stock portfolio, they can't simply sell off a block of stocks and move on.

We can all understand budget shortfalls due to a multitude of national and international events. But it is wrong to argue that we can shore up the budget by imposing a death tax on hard-working farmers and small business owners who are the backbone of the American economy.

In reality, the death tax collects little revenue, less than 1.5 percent of Federal revenue.

According to the CATO Institute, compliance with the death tax costs the economy about what the Treasury collects.

A recent study analysis in 2005 by professors at Carnegie Mellon University suggest that repeal would cause a net increase in Federal revenues through dynamic growth effects and increased capital gains receipt.

The Wall Street Journal has reported that repealing the death tax would create an extra 200,000 jobs per year.

Debate usually focuses only on the taxes that estates actually pay, ignoring the real costs this tax imposes on owners of small businesses and family farms. These include estate-planning costs, compliance costs at death, and overall economic growth.

Americans are paying millions of dollars every year to lawyers and accountants just hoping their children will not have to sell off the family business to pay the death taxes. Most small businesses and ranches will not be viable if the children have to sell off half to pay the tax.

That money would be much better spent creating jobs, upgrading family farms, or saving for retirement or a child's college education.

Eliminating the death tax is a matter of fairness.

When folks work their entire lives to build up and pass on a business or family to their children, the kids should not get hit with a huge tax when they die. That is just not the American way.

Americans overwhelmingly agree that it is wrong to tax property and earnings that have already been taxed before. Polls consistently show over 70 percent of Americans support repeal.

Let's have the courage to separate death and taxes.

Mr. HATCH. Madam President, I want to take a few moments to discuss the estate tax and explain why I support its permanent repeal.

I am well aware that many see the move to eliminate the estate tax as little more than a gift to the rich. In my home State of Utah, for instance, the Salt Lake Tribune characterized the elimination of the estate tax as nothing more than ''subsidizing spoiled heiresses at the expense of everyone else.''

I believe that while this is a commonly held view of the estate tax, it is an unfair and inaccurate pejorative of a principled policy position. A punitive tax on inherited wealth is in no one's best interest, least of all the people with no inherited wealth. The Tax Code should collect revenue in a way that does the least harm to economic growth, and this goal should take precedence over any desire to punish the Paris Hiltons of the world.

Without a doubt, the high estate tax rate harms economic growth.

Perhaps our tax system's biggest flaw is that it taxes the returns to investment, usually more than once. When our employer pays us a dollar, both the Federal and State governments gets their share. When we save what is left over by investing it in stocks or bonds, the government takes another bite at the apple by getting a share of the profits of the company in which we invested. And when the stock or bond delivers an investment return to us, we get to pay the tax man yet again.

The estate tax is often yet another layer of taxation on the investment. How many times does the government need a cut of our money?

At what point do we stand up and say: Don't tax more; spend less?

Because of the estate tax, people save less than they otherwise would and as a result businesses have less capital available to use to grow, expand, and create jobs. With less investment, workers are less productive and wages are lower than would otherwise be the case.

The Bush administration's signature economic achievement, in my view, has been to lower the tax on dividends and capital gains, a change that deserves much of the credit for the strong productivity growth of the past three years. This policy change greatly increased investment and the concomitant growth in output has a lot to do with the simply incredible growth in tax revenue we have seen in the past 2 years.

It now appears that we will collect 30 percent more tax revenue this year than we did just 2 years ago, according to the Congressional Budget Office. This is really incredible. Especially when you consider that the economy was headed for a free fall just 5 years ago. Our efforts to cut taxes have saved our economy over the last 5 years.

A sensible tax system should tax income just once and at a low rate. The inheritance tax does neither.

The current 46-percent estate tax rate borders on being confiscatory. Chris Edwards of the Cato Institute reports that out of the 50 largest economies in the world, we have the third highest estate tax rate.

Len Burman of the Urban Institute recently wrote that it is time for both sides of the aisle to agree that the U.S. Tax Code should be designed solely to collect money in the most efficient way possible, so that it does the least damage to economic growth. From that beginning we can then move to address distributional issues outside of the scope of the Tax Code.

I believe this makes a lot of sense. Strong economic growth is in everyone's best interest, and we have not done a good job communicating that fact to the American people. Too often economic growth is viewed as a barrier to a cleaner environment, or stronger families, or less poverty, when in fact nothing could be further from the truth. Nearly everyone in society benefits from a more productive economy, especially those on the lower rung of the economic ladder.

The way to help the people at the bottom of the ladder is not to pull down those at the top of the ladder, but to help those at the bottom to get the education and training they need to obtain and keep good jobs.

The estate tax as it currently stands represents a barrier to economic growth, and it behooves us to remedy this situation as quickly as we can by making its repeal permanent.

Mr. BURNS. Madam President, I rise today to express my support for H.R. 8, a bill that would permanently repeal the death tax. This burden is especially harmful to many Montana farms, ranches, and small businesses. As we have heard many times in the past several days, the value of a person's estate is measured by its fair market value at the time of death.

In Montana, as you can imagine, land value has appreciated significantly in recent years. When the death tax hits, often part of the ranch or farm must be sold off to pay federal taxes. The death tax is not only about the wealthy—it harms working families in Montana who have farmed or ranched on the same land for generations, but now, due to no fault of their own, are forced to give up their way of life just to pay the tax bill.

Land appreciation in Montana is a double-edged sword. While soaring property values benefit sellers and the local tax base, for those with no intention to sell their property to the highest bidder, the death tax helps make a difficult decision even easier. We already face high out-migration from frontier counties in Montana. It is difficult enough to keep younger generations involved in the family business, but even harder when a death sets in motion a series of unpleasant financial events, including payment of this burdensome tax. I have been a strong supporter of the permanent, full repeal of the death tax. It isn't fair to families who have worked all of their lives to build assets and a way of life that then is taken away. At the very least, the Federal Government should not punish small businesses, farms, and ranches for filling such an important role vital to our economic well-being. I have spent a lot of time on these ranches, and I am here to tell you that these Montanans are some of the hardest working people in the country. By and large, they are not multimillionaires who purchase dude ranches as a pleasant distraction from the hustle and bustle of city life. These are folks who spend a lot of hot days in June swathing hay to make sure the cows are fed throughout the winter. They invest blood, sweat, and tears, often for a dwindling profit. For example, let's look at the case of Mary Jo Lane from Livingston, MT. She wrote to me, saying:

My husband Tom operates the family ranch east of Livingston on the Yellowstone River. My father-in-law, Tom Lane, Sr. is the epitome of the American success story. His father was a first generation American and his mother was an Irish immigrant. He started ranching on his family's ranch out of Three Forks with his brother and became a cattle buyer. Through much hard work, determination and moderate living, along with a little Irish luck, he was able to buy the Livingston ranch in 1972, and his brother took over the ranch in Three Forks. Over the last thirty years Tom Sr. has been able to put together a ranching operation large enough to keep all four of his sons working on the family ranch. In addition to my husband on the Livingston ranch, his brothers operate ranches in Cascade, Harlowton and Ismay. In 1972, I am sure he never imagined what would happen to land values in this area. The ultra-wealthy and celebrities have been driving up land values which agriculturally we can never gain enough income to support. This would be great for anyone interested in selling their land, but it puts a huge burden on the family rancher interested in maintaining the dream of passing the land down to their kids and staying true to the family heritage. With these new purchasers gaining land for purely aesthetic reasons, with no consideration to generating income from the land, we just can't keep up with rising estate costs. In our case, we already know it is not a matter of if we have to sell a piece of land, but which piece to sell that will have the least effect on the operation. This issue is not purely agricultural; it flows into so many other segments of society. As you know, this land is like our factory and when part of the factory is sold, that reduces production which in turn reduces income and reduces taxes paid to the government. No matter how much the land is valued, it still requires about 25 acres to carry one cow/calf pair. Consider too, what selling out does to the small ag communities in the state that rely on ranchers to buy their farming implements, parts, fuel, etc. etc. Estate taxes have a direct impact on the environment as well. Ranches and farms keep the Western land open, limiting development and giving wildlife and people room to roam. Many people come from all over America to visit our beautiful state, but they don't appreciate the fact that the family rancher is paying quite a price to keep it that way.

This experience shows how the death tax has affected just one working Montana ranch, and makes a powerful case for permanent and full repeal of the death tax. Another Montanan called the death tax ''un-American'' since ''ranches are having to be sold in part or entirety to pay the estate tax.'' This point is well taken—the death tax is not levied only against the rich, but against hard-working Montanans. Robert Rumney from Cascade, MT, wrote:

My father has been building this family ranch for almost 50 years, and I have been working with him full time for over 25 years. This winter, we have been updating our estate planning, so that my son and I will be able to continue to work and live on this family ranch. We did research on fair market value of ranch land, and came up with a very conservative estimate of over $10,000,000 value. This included land, cattle, and presently owned equipment. All of these are absolutely necessary to continue to operate this cattle ranch. With the recreational buyers driving up the price of land far beyond its actual agricultural value, it is becoming virtually impossible to pass on a long-time family ag-operation to the next generation. What is this going to do to our nation? What is the purpose of eliminating the family-owned farm or ranch? The affluent buyers are not operating these ranches as producers, but rather using them as private hunting and fishing retreats. How are we going to feed our nation? The estate tax of any kind is going to affect all of us, not just the poor rancher or farmer who is trying to pass along his hard work to the next generation. Please don't allow this to happen. Please vote to eliminate the estate tax.

Robert's letter points to an inevitable result stemming from the death tax. If our working farms and ranches are taxed out of existence, the economic impact would extend far beyond these families, and would affect domestic agricultural production. This statement may well be a reality should the 55 percent tax rate come back in full force in 2011 without any congressional action. The death tax is unfair because it represents essentially a double taxation. Ms. Merelee Manuel from Winnett, MT, explained to me:

Dear Senator Conrad Burns,

I'm deeply concerned about the repeal of the Death Inheritance Tax. I want to explain what happened to the Gjerde Ranch. I was married to Bud Gjerde. We lost his Dad, John Gjerde. We paid the death tax on the ranch when his mother Margaret Gjerde inherited the ranch. She passed away and death tax was paid again. Bud and I bought the ranch, and then Bud passed away Feb. 3, 1975. The death tax was paid again. This took place in a time span of 10 to 12 years. The death tax was paid 3 times! We were NOT RICH. We saved and scraped and did without so that we could put some savings away for a rainy day. Guess what? It had to be used to pay Death Inheritance Tax. This is the most unfair tax of all. Income tax was being paid on this ranch every year. Please don't think it's just the rich who benefit from not having to pay death inheritance tax.

I think it's fair to say that Federal share of this ranch in Winnett was far larger than it should have been. As this letter shows, it's becoming more and more difficult to maintain the family farm in the wake of such excessive taxation. The death tax not only poses hardship on Montana's farms and ranches, but on a variety of other small businesses. Donald Dulle, Jr., runs the Flathead Beverage Company in Kalispell, MT. In a letter to me, he said:

I am counting on you to provide permanent relief from the death tax so I may plan for the future of my business and my family. Evidence has shown that a mere one-third of family-owned business survive the next generation. Too often liquidation is the only choice for family members who have worked side by side with parents and siblings to create a business of value in order to provide certainty for generations to come. I urge you and your colleagues, Democrats and Republicans alike, to put aside your differences and demonstrate the leadership for which you were elected by putting America's family-owned businesses first.

The damaging impact the death tax has on Montana's small businesses and estate planning is widespread. This experience is not limited to just a few Montana businesses but extends across the country. In the Statement of Administration Policy dated June 8, 2006, the administration notes that ''Fundamentally, the death tax penalizes savings and risk-taking, reduces capital formation in the economy, and ultimately, reduces living standards . . . The time to fix this problem is now, so American families can plan for the future without worrying about whether the death tax will reemerge.''

For those of you who may be familiar with the band the Beatles, they had a song called the ''Taxman.'' Though the lyrics were written in 1966, they still remain especially true today, even with a reference to payment of taxes at death. The lyrics say, ''Now my advice for those who die, Declare the pennies on your eyes.''

In the Senate, we have tried to provide relief for small businesses. Unfortunately, we were prevented from continuing work on small business health plans. I urge my colleagues to support the full and permanent repeal of the death tax to provide basic fairness to these small businesses that are the engine that drives not only Montana's economy, but the Nation's as well.

Mr. BYRD. Madam President, along with millions of Americans, I am acutely sensitive to the values of saving and hard work. Like citizens all across our country, many West Virginians devote their lives to acquiring and nurturing a family business or farm in order to pass it on to a son or daughter. These forward-looking Americans ought not to have to worry about their heirs losing the family heritage because of the demands of the tax code. While I oppose full repeal of the estate tax, I had hoped to support a compromise measure that would exempt small businesses and farms.

In order to debate the estate tax repeal, and work on an amendment exempting small businesses and farms, I had hoped to vote for cloture on the motion to proceed. However, if cloture on the motion to proceed to the estate tax bill had been invoked, a compromise would not have been possible. The majority leadership indicated an intent to immediately file cloture on the underlying bill, and then to limit votes on amendments. The Senate would have then been forced to accept legislation that could have cost the U.S. Treasury up to $1 trillion over 15 years.

If a realistic estate tax repeal is ever to be enacted, the Senate must be allowed to fully debate and amend the estate tax repeal. Such a sweeping tax repeal should not be forced down the throat of the Senate without a thorough debate and the offering of reasonable amendments. Until such time as an understanding is reached to fairly debate the matter—including the offering of amendments—I must oppose taking up the bill.

Mr. SMITH. Madam President, I would like to express my support for compromise on reforming the ''death'' tax. I have always been a supporter of full repeal of the estate tax. However, the votes are simply not there. For America, small businesses, farmers, and others to get the full benefit of estate planning, they need to have something permanent—and not something that is suspended in 2010. Therefore, it is critical that we come together and support a compromise on the estate tax.

I believe that the greatest issue with the estate tax relates to small businesses. In many instances, upon the death of the owner, the family needs to sell its business in order to stay in business. This is not good for our economy. It is important to remember that these earnings which go toward someone's net worth are earnings that if left in the economy would create jobs. In fact, the Heritage Foundation estimates that repeal of the estate tax could produce 240,000 new jobs per year. In my home State of Oregon, repeal would create over 3,000 new jobs. Clearly, these dollars would do far more good for our economy if they are used for employing people and investing in plants and equipment than if you take them into the Government and redistribute them through Washington.

Small business owners are out there taking the risks—and I believe they should be left with the rewards. When running a small business, there is no set calendar which guarantees you vacation or even weekends off. You are working all the time—even Christmas. Owning a small business is a hard way to go, but it is also a great way to go if you have the stamina for it. I applaud all small business owners. They are the spark plugs of the American dream. Unfortunately, they tend to be underappreciated in the halls of government. But small businesses are central to the progress of our country.

The compromise package that seems to have the most support would increase the exemption limit to $5 million. Estates valued over $5 million but less than $30 million would be taxed at the capital gains rate of 15 percent—and estates over $30 million would be taxed at 30 percent. I think this is a reasonable approach. If your estate is over $30 million, you are at a place where you can hire the expensive lawyers and purchase the insurance policies. Basically, you can plan for the next generation in ways that smaller businesses frankly find befuddling and counterproductive to their continued employment and operation of their business.

Some argue that the estate tax is important because it redistributes income between generations. But is it really the Government's business to redistribute income? My own sense is that it is better for the economy if you leave the assets at home—with small businesses and with families. In my opinion, the best redistributer of income and inherited wealth is freedom. Usually third generations will do very well or horribly—thereby redistributing income through freedom.

Lots of people also argue that very few estates are subject to the estate tax today—and they are right. In Oregon, only about 400 estates were subject to the estate tax in 2004. However, the reason that lots of estates don't pay the tax is because they are expending an extraordinary amount of money on insurance policies, lawyers, estate planners, and accountants to try to get around it. These extra fees are the equivalent of a tax for owners of small businesses and farms that need to plan ahead to avoid the tax. Secondly, I believe these resources are better spent plowing them back into businesses and investments that are more productive than just accounting and lawyering.

It is time to put the death tax to rest. I believe that reasonable people should be able to live with compromise. It will provide certainty to small businesses and allow them to keep the rewards of their hard work.

I urge all of my colleagues to support a compromise on the death tax.

Ms. MIKULSKI. Madam President, today the Senate is considering whether to repeal the estate tax. I believe strongly there are problems with the estate tax. Most importantly, it needs to be reformed so it applies to fewer people.

To ensure our Nation's economic competitiveness, government must reward thrift, hard work, and entrepreneurship. It cannot punish those who have saved and worked hard. Instead, we should support our small businesses and family farms—the engine of economic growth in America.

To do this, Congress must raise the exemption for the estate tax. In 2006, estates worth more than $2 million are subject to the tax. This is too low and subjects too many Americans to the estate tax. That exemption needs to be raised. The baby boomers are growing older and approaching retirement, and many have attained some measure of economic prosperity through their years of hard work. They should not be punished for this well-deserved success. Tripling the exemption to $6 million will make sure that the estate tax continues to target an extremely small group of very wealthy Americans. In fact, with an exemption of $6 million per person, or $12 million per couple, less than 50 of all those who pass away in Maryland in 2006 will have to pay any estate taxes at all.

At the same time, I stand for a patriotic pause, which means not passing any new tax cuts until our Nation has paid for the war in Iraq and our troops. The war in Iraq is costing us $2 billion each week. Where is the Iraqi oil that we were promised would help pay for this? There cannot be a change in our revenue stream until the war is over—or paid for by Iraqi oil. If I have to choose between a tax cut or body armor for our troops, I choose body armor. Our first obligation must be to our troops.

War is not the time to be repealing the estate tax. Americans are putting their lives on the line to serve in Iraq and too many are making the ultimate sacrifice for their country. Now more than ever, we cannot afford to repeal the estate tax. But we must reform it.

I am a deficit Democrat. The Federal Government has a $337 billion budget deficit. But that pales in comparison to our Nation's debt, which has risen to $8.3 trillion. It has been estimated that by 2015, each American family's share of our national debt will be $85,000. It affects us all.

I took the tough votes in 1990 and 1993 that led to a balanced budget. They led to the first budget surplus in a generation. But most importantly, those steps put the economy back on track and resulted in 8 years of prosperity enjoyed by all Americans. We created 23 million new jobs and increased wages. Inflation fell and unemployment dropped to historic lows.

Today, Congress must act responsibly. We should not be repealing the estate tax. We should be reforming it so it affects fewer people, protects our small businesses, and so we can keep our Nation strong and secure.

Mr. McCAIN. Madam President, let me say from the outset that I do not support full repeal of the estate tax. I have consistently voted against repealing this tax because of the impact it would have on the deficit, as well as the possible chilling affect it could have on charitable giving in this country. Having said that, I do recognize the need for commonsense reform of the estate tax structure. However, due to our serious fiscal constraints, we must proceed very cautiously on this and all other federal tax and spending matters.

In his 1906 State of the Union Address, President Theodore Roosevelt proposed the creation of a Federal inheritance tax. Roosevelt explained: "The man of great wealth owes a peculiar obligation to the State because he derives special advantages from the mere existence of government." Additionally, in a 1907 speech he said: "Most great civilized countries have an income tax and an inheritance tax. In my judgement both should be part of our system of federal taxation." He noted, however, that such taxation should "be aimed merely at the inheritance or transmission in their entirety of those fortunes swollen beyond all healthy limits."

I agree with President Roosevelt, and I remain opposed to full repeal of the estate tax. I have indicated, for several years now, that I am open to considering a reasonable compromise that addresses the concerns of those on both sides of this issue. What constituted a fortune "swollen beyond all healthy limits" in 1907 is very different from the wealth we see today. I don't think it's unreasonable to raise the amount exempted from estate taxes in order to protect America's family farms and small businesses while maintaining the tax for huge fortunes. We need to debate this issue and come to some kind of resolution. As we all know, our colleague, Senator KYL, has worked very hard for a long time to craft an alternative to full repeal. His compromise deserves to be debated and voted on.

To his credit, the majority leader has consistently indicated that, if the Senate can secure cloture on a motion to proceed to legislation dealing with the estate tax, Senator KYL would be recognized to offer his alternative proposal as an amendment. Therefore, I am voting to invoke cloture on the motion to proceed to H.R. 8 so that we can debate and vote on the Kyl alternative. In 2001, I stated that I supported "estate tax reform that will take into account the effect such reform will have on our robust charitable community. For this and other reasons, I support a $5 million cap with regard to the estate tax cut." My position remains unchanged today. Senator KYL's alternative proposal would put that $5 million cap in place. It is a good compromise and is consistent with my longstanding views on this issue.

I want to be clear. This vote should in no way be viewed as a vote in support of full repeal of the estate tax. It is not. It is simply a vote to allow debate and amendments on the issue—with one of those amendments being the alternative crafted by Senator KYL. This vote is consistent with both my longstanding opposition to full repeal of the estate tax as well as my support for a reasonable compromise. Again—I continue to oppose full repeal of the estate tax, but look forward to supporting Senator KYL's alternative proposal.

I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Madam President, how much time is it remaining on our side?

The PRESIDING OFFICER. There is 7 minute 45 seconds remaining on the Republican side.

Mrs. HUTCHISON. Madam President, I ask unanimous consent that the time be divided in the following way: Senators SESSIONS for 3 minutes, Senator DEMINT for 2 minutes 45 seconds, and Senator HUTCHISON for 2 minutes, and that each be notified of their time when they come to that limit.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Alabama.

Mr. SESSIONS. Madam President, I thank the Senator from Texas. Earlier this year, 26 Senators signed a letter that I produced asking Senator FRIST, the majority leader, to bring up this bill. He has worked hard to find the time, and here we are.

I recall, and I will set the record straight, that the death tax is eliminated already in the year 2010. It goes to zero. But the next year, the exemption is $1 million and the rate is 55 percent, a confiscatory rate.

The American heritage is one of savings and frugality and a belief in the right to own private property and leave that property to whomever people choose on their death. That is why overwhelmingly people who are not impacted by the death tax believe it is wrong and say in poll after poll it should be eliminated.

The cost of collecting this tax exceeds what it brings in to the Government coffers. That is the definition of a bad tax—the very definition of it. A good tax is one that is simple and fair and low cost to collect. This one is exactly the opposite, causing all kinds of gymnastics to avoid it.

Finally, and importantly, it savages growing closely held businesses. I think about one man I met traveling in Alabama. He and his sons own three motels. He met with me and told me they were paying $80,000 a year for a life insurance policy because when that father dies, it will take that much life insurance, $7,000 a month, to pay the death tax.

They are competing with the big guys—Howard Johnson's, Holiday Inn, Marriott—trying to really get up there, but every month they are paying $7,000 that could be used to pay down the mortgage on their motels and build a competitive business. That is why this tax is adversely impacting our country. It is against savings, it is against frugality.

I received a call from Robert Johnson this week, head of Black Entertainment Television. He is competing with CBS, NBC, Fox, and ABC. He is trying to do well. He has a family-held business. If something happens to him, he said there is no other African American who can buy this business. It is going to be bought up by some conglomerate.

I ask my colleagues to remember that CBS, ABC, FOX, and NBC never pay a death tax. Holiday Inn never pays a death tax. It is the small, closely held businesses that are expanding, have no cash for investing in their next new motel who compete with the big guys who have to suck out that money.

Those who want to keep estate tax claim repealing it will cost the Government too much money.

I would like to discuss this issue in some detail. They point to two Government reports—one by the Joint Committee on Taxation, or JCT, and one by the Congressional Budget Office, or CBO. Both these reports assert that repealing the death tax will reduce Government revenues by approximately $280 billion from 2011 to 2015. However, simply put, these cost estimates are not realistic.

Before discussing why, it is important to note that the JCT does not generally share the specifics of their revenue estimates, describe their methodology, or reveal their assumptions to the general public or Members of Congress. We thus must speculate exactly how JCT arrives at their revenue projections. Of course, if the JCT is so confident in the quality of their estimates, one must ask why they are reluctant to reveal their methods and assumptions.

There are many reasons to believe that revenue loss estimates by JCT and CBO regarding repeal of death tax are on the "high side." First, as Joint Economic Committee points out, JCT has estimated that the total revenue loss from death tax repeal would actually exceed revenue the tax raises. This is a curious notion, to say the least. At the time of JCT's analysis, estate tax was expected to raise $218 billion from 2011 to 2015—the 5-years after the death tax returns to its 55 percent top rate. However, JCT estimates that over that same period of time, repeal would lose $281 billion in revenue. In other words, revenue lost from estate tax repeal would equal 129 percent of the actual revenue the tax is supposed to raise. A similar pattern exists for CBO estimate where revenue lost from repeal equals 120 percent of the actual revenue it is estimated to raise. This pattern—present in both estimates—certainly begins to raise questions about these scores.

Second, passing the bill before us would eliminate the stepped-up basis rule. What is the stepped-up basis rule? Current law allows inherited assets to be valued at their current market value at the time of decedent's death. The heirs get a stepped-up basis rather than having as a basis the original purchase price. No capital gains tax is therefore applied to any increase in the value of that asset. This reduces capital gains tax collections significantly. For example, if an heir were to inherit a house valued at $250,000 that was originally purchased by her father for

$100,000, the daughter would pay no capital gains tax on the $150,000 increase in the value of that home. The bill we are debating today would effectively change this to require that a capital gains tax be paid on the full increase in the asset price from the time it was originally purchased. As the Wall Street Journal pointed out this week, the JCT has calculated that changing how inherited assets are treated in terms of capital gains tax law would raise $50 billion to $60 billion a year. Most important, this $50 to $60 billion exceeds the amount of revenue the estate tax raises annually, which has only accounted for 1 percent to 2 percent of all Federal receipts over the years. In other words, the estate tax has not traditionally been a major source of revenue for the Federal Government and elimination of the stepped-up basis rule should more than cover any loss of revenue from eliminating this tax.

A 2005 study from one econometrics firm—CONSAD Research Corporation—backs up this analysis. In particular, they found that the revenue impact of permanent repeal coupled with a limited stepped-up basis rule for the calculation of estates' capital gains realizations would actually yield a small net gain in revenues through 2014.

Third, JCT and CBO scores ignore fact that existence of estate tax itself helps reduce income tax collections. For example, the estate tax encourages widespread tax avoidance, given its high top tax rate, which would return to 55 percent if we do not pass this bill. To avoid paying the estate tax, parents in high-income brackets often shift resources to their children in lower tax brackets, lowering income tax receipts. Similarly, income tax revenue is lost when transfers are made to tax-exempt groups, such as charities and family trusts.

Existence of estate tax also reduces income tax collections by reducing the amount of capital in the economy. Joint Economic Committee estimates that the estate tax has resulted in $847 billion less in savings and capital investment in the United States over the long run—in other words, investment in such assets as office buildings, retirement accounts, houses, factory equipment and so forth. Similarly, recent studies have shown that the estate tax encourages consumption rather than savings and wealth accumulation, shrinking the size of taxable estates.

In addition, according to Heritage Foundation economists, the estate tax costs our economy between 170,000 and 250,000 productive jobs each year. These jobs are never created because the investments that would have financed them are not made, as these resources are diverted to pay the death tax itself or pay for complex trusts and insurance policies to avoid the tax. If these jobs were created, each of these 170,000 to 250,000 individuals would be paying income tax, lessening revenue loss from estate tax repeal.

The estate tax also imposes an excessive compliance cost on taxpayers, again lowering income tax collections. Estate planning can be very complex, requiring the average family which engages in it to spend anywhere from $30,000 to $150,000 according to one study. It should be noted that twice the number of estates were required in 2004 to file all the death tax paperwork than actually paid the tax. Many of these filings require hiring lawyers and accountants at a significant cost to these estates. In fact, Alicia Munnell, a professor of finance at Boston College and a former member of President Clinton's Council of Economic Advisers, has estimated that the costs of complying with estate tax laws are roughly the same as the revenue raised. In particular, she has written that ''in the United States, resources spent on avoiding wealth transfer taxes are of the same general magnitude as the yield.'' Similarly, she wrote in another article, ''the compliance, or, more appropriately, the avoidance costs of the transfer tax system may well approach the revenue yields.'' Put another way, for every dollar of tax revenue raised by the estate tax, Munnell estimates that another dollar is wasted simply to comply with or avoid the tax.

Fourth, another reason it is safe to believe that the estimates we are discussing today are inaccurate is that, according to an analysis by the American Family Business Institute, the CBO underestimates economic growth in its analysis and thus tax revenues. Specifically, in scoring revenue loss with repeal, CBO assumes that over the next 10 years that real GDP growth will average 2.95 percent per year. This forecast is an underestimation of historical averages. Over the past 40 years, average growth in GDP is 3.20 percent; the 30-year average is 3.23 percent; the 20-year average is 3.11 percent; and the past 10-year average is 3.34 percent. If we assume a 0.1 percent per year increase in GDP growth above CBO baseline, which would keep GDP below any of the averages I just mentioned, the result is a revenue loss from repeal of only $87 billion over the next 10 years. In other words, revenue loss is more than 300 percent lower if we assume only a slightly higher growth in GDP, which is still lower than other recent 10-year GDP averages.

Finally, past estimates by JCT and CBO have been wildly off base. JCT forecast that the capital gains tax reduction enacted in 2003 would ''cost'' $3 billion from fiscal years 2003 to 2005.

What happened? The cut in capital gains tax rate raised revenue. In fact, tax receipts from capital gains tax are now expected to be $87 billion more than CBO originally predicted for years 2003 to 2006. Similarly, JCT estimated total revenue loss for the first year of the 2004 American JOBS Creation Act—a bill that provided several corporate tax cuts would be $4.5 billion. In reality, enactment of this law actually resulted in a revenue gain of $16 billion.

Finally, Congress reduced the capital gains rate from 28 to 20 percent in 1997. JCT estimated at that time that such a reduction would result in a revenue loss of $21.2 billion over 10 years. However, over the first 4 years following this rate reduction alone, revenues from capital gains tax were $47.8 billion more than JCT estimates.

Given all these problems with the JCT and CBO estimates, what are we to believe about the cost of repealing the death tax? Personally, I believe that even though the Federal Government may lose some revenue from eliminating the estate tax, that amount will be negligible, if the Government loses any money at all. Thus, the argument that we cannot afford to eliminate the death tax is a hollow one. Two-thirds of the American people support repeal of the death tax according to a recent survey.

It is time to follow their wishes.

The PRESIDING OFFICER. The Senator has used 3 minutes.

Mr. SESSIONS. I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. DEMINT. Madam President, we are being subjected, once again, to the tired old Democratic song that Republicans are trying to help their rich friends, even though the other side has said only 2 or 3 out of every 1,000 Americans pay this tax. They think we are doing this to get votes. Even though they say only a small number of Americans pay this tax, the majority of Americans believe it is wrong because they know what Senator SESSIONS was just saying about a family-owned hotel chain, that it is not just those who own it who will suffer if it is broken up and sold, that it is all the people who work for it.

So the question today is really when someone dies in America, should their property and possessions go to the Government, or should it stay working in a family business or farm in producing jobs in this country?

One point I would like to make in this short period of time is, this estate tax does not benefit the average American. It does not help poor Americans. In fact, it takes their job.

Just to deal with the death tax—and we have heard these figures before—lawyer and accountant fees are from $30,000 to $150,000, life insurance policies, which Senator SESSIONS just mentioned, appraisal costs, tax preparation—the cost of dealing with this is actually much more than the revenue.

This chart reminds us that the revenue in the death tax is less than $25 billion a year, but the economic cost to our country is estimated at $847 billion in lost capital investment because of the death tax, a loss of over 100,000 jobs per year, and over $10 billion in lost income.

The American people are not stupid. They know that while this tax may hit the wealthiest of Americans, that most of us as Americans work for those family businesses or farms. It makes no sense to break up these businesses and send the money to the Government where it will not be nearly as effective in producing economic prosperity.

Madam President, I yield the floor.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Madam President, how much time is remaining?

The PRESIDING OFFICER. There is 2 minutes remaining.

Mrs. HUTCHISON. Madam President, we passed a bill in 2001 that actually started lowering the death tax for a 10-year period, and then it will come back in full force. When it comes back in full force, we are going to have up to a 55-percent tax on estates that are over $1 million.

What does this mean? It means that if someone owns a farm where the property has appreciated but they cannot possibly produce enough on that farm to pay one lump sum on its value—55 percent of it—we would be breaking up family farms and ranches all over this country. That is what the death tax has been doing for years.

In fact, America has the highest death tax in the world. We say we are a country of small businesses, of family-owned businesses, entrepreneurs who have started with nothing and built something, and yet we do the very thing that hurts those small businesses. In fact, they cannot pass to the next generation. Thirty percent of family businesses today pass to the second generation; 13 percent make it to the third generation. That is because the property owned in a business is worth much more in value than it produces.

The death tax walks away from the American dream. The American dream is if you come to this country, if you work hard, you can give your children a better chance than you had. The American dream is that you can start with nothing and you can build something if you work hard and you have a good idea. But the death tax walks away from that because it breaks up that family business, it breaks up the ability to accumulate wealth, it interferes with freedom and the free enterprise in this country today.

I hope we will not throw people out of jobs, as Senator DEMINT just mentioned; that we will not prevent people from giving their kids a better chance than they had. Please vote for cloture today so that we can do the right thing for our country and promote small farms, family-owned businesses, and entrepreneurship once again.

The PRESIDING OFFICER. Time has expired.

Mr. REID. Madam President, it is my understanding that I will speak, then Senator FRIST will speak, and then we will have a vote; is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. REID. Madam President, first, I understand the people downtown and on 5th Avenue have come up with this death tax name, but this is an estate tax. If my wife or I die, there would be no tax. I would acquire the property she had and vice versa. At such time as she and I pass away, and if there is a tax—of course, we have paid no tax on any of this—when we pass away, there would be a tax perhaps. But if there was a tax, one would have 14 years to pay it.

I want all within the sound of my voice to understand that 46 million people have no health insurance, and there is not a word of debate in the Senate. Gas prices are over $3 a gallon in Nevada. Minimum wage has not been raised in years, and we are not doing anything on that in the Senate.

The Republican-dominated Congress just eliminated the tuition tax credit, a credit for which one could get a tax benefit for sending their kids to college. We are not working on that issue.

We have a deficit approaching $9 trillion, and we are doing nothing about that.

Stem cell research, to give hope to hundreds of thousands, if not millions, of Americans with diseases such as Parkinson's, Alzheimer's, diabetes, Lou Gehrig disease—we are not doing anything about that.

Prescription drugs for everyday Americans and for seniors—nothing.

Not one of these issues is before the Senate, but we are going to talk about something today that affects two-tenths of 1 percent of the people in America—two-tenths of 1 percent.

The estate tax is not high on the agenda of people in Nevada. I think we are wasting precious days on divisive issues when there are so many other matters that deserve and demand our attention. Why aren't we doing something in the Senate to address issues that affect 99.8 percent of the American people?

I haven't talked about the intractable war in Iraq. It rages on. Our soldiers continue to fight valiantly, and heroic performance and sacrifice has not been matched, I don't believe, by the fact that we have $50 million we need to spend to get the military up to the position it was in when the war started. There has been deterioration of our equipment.

With respect to health care, there are 46 million Americans who have no health insurance. I think it is a national crisis.

The national debt—I mentioned that briefly—stands at $8.4 trillion right now and is scheduled to grow to $12 trillion by 2011, double what stood when President Bush took office. The national debt represents a birth tax for our children, our children's children, and their children. The Senate is doing nothing to relieve the burden of the birth tax. Why?

Well, we know the answer. The majority, the Senate Republicans, don't intend to fix these problems because so many of them are problems they created, and they don't want to call attention to them. That is why we don't have legislation on which we can offer amendments.

So, instead, we have the estate tax on the Senate floor, the latest effort to distort, distract, and confuse Americans.

The estate tax is an extremely costly tax for a wealthy few that comes at the expense of every American born and yet to be born for decades to come. How costly? Roughly $1 trillion. And how few? Twelve thousand estates in America. We are a country of 280 million people. We are legislating here today for 12,000 people who are rich.

I think it is fair to say that Warren Buffett, George Soros, the Gateses—billionaires—they have said very clearly that this tax should remain, that it is their obligation as rich people in America who have achieved the American dream to pay these taxes. But there are a few who don't feel that way. As Senator DURBIN indicated, $800-some-odd billion by people who are pushing this legislation by running full-page ads in newspapers around the country.

Let me talk about some myths concerning the estate tax. First, some proponents of the estate tax repeal sponsored by about 18 families would have us believe that it is a fiscal-free lunch. One group, the American Family Business Institute, even claims that repealing the estate tax would increase the coffers of this country. Oh, that is so wrong.

The Joint Committee on Taxation has estimated revenue loss over the next 10 years to be about $400 billion. Even President Bush's own Treasury Department says that repealing the estate tax will reduce Federal revenues. The Treasury Department puts the loss at about $340 billion. That is only half the story.

According to the Tax Policy Center, a joint project of the Brookings Institute and the Urban Institute—these are nonpartisan organizations—the revenue loss associated with repealing the estate tax over the first full 10 years it is in effect would be $750 billion. But we have to borrow that money. So that would mean that this would be financed by China, Japan, Saudi Arabia, Great Britain, and other countries. Over half the money now that we have borrowed doesn't come from Americans; it comes from foreign countries. So that is about $1 trillion. Over 10 years, we can expect the national debt to increase by $1 trillion for 12,000 estates, two-tenths of 1 percent at the most.

The second myth is that we need to repeal the estate tax to protect and preserve small businesses and family farms. That is a myth. Very few small businesses and family farms pay any estate tax, and an even smaller fraction suffers any liquidity problems as a result of the tax. In fact, the American Farm Bureau in California, the largest farm producer in America—they grow the most, by far, of any State in the

Union—the Farm Bureau was asked, Show us a single farm in California that was forced to sell as a result of the tax. They could produce not a single farm, not one.

It is a similar situation with small business. In fact, the Small Business Council of America has said that the repeal of the estate tax will actually harm most small business owners because of how it would change the tax benefits they currently receive.

A third myth. We have a compromise. If there were ever a myth about a compromise, listen to this beauty. For the first, I think it is $5 million or $10 million I read in the paper, no tax. None. Then, after you have over $5 million or $10 million, or whatever the bottom figure is, then the tax goes up to the outrageous sum of 15 percent. Over $30 million, then it goes up to 30 percent. Someone who is worth $30 million net—that is a lot of money—and it would even be more than that because you would subtract stuff to get to the net estate—they would be paying less taxes than somebody who works in Henderson, NV at one of the industrial plants. They pay more taxes, somebody working for wages, than somebody with that kind of money.

So the third myth perpetuated here by the majority is that the only way to reach a deal on the estate tax is by voting on a motion to proceed and foregoing your right to vote on all amendments, save one, drafted by supporters of full repeal, and it is a full repeal anyway. It amounts to about 85 or 90 percent of the lost revenue.

This country is bleeding in red ink. I support fiscally responsible reform of the estate tax, but anyone who knows the Senate and knows the compromise proposal will quickly see that the majority's proposal doesn't even pass the laugh test. The best way to bring Members together on a difficult issue is to let the Senate work its will. That is what is supposed to be done, with Members of both parties able to offer any amendment they choose and get a vote. Yet under the majority's offer, only the most ardent supporter of repeal of the estate tax will be permitted to draft and offer an amendment. All other Members would be denied that opportunity. That fact alone should tell people our majority friends are not serious about letting the Senate work its will to develop a true bipartisan compromise.

But it is even worse than that. No one I know has seen the actual language of the so-called compromise—only what was in the newspapers—and there certainly has not been any actual score of how much it would cost. But on descriptions of the amendment we have seen in the press, credible outside analysts have indicated this new proposal would cost about $825 billion or $850 billion. As I have said, it is 85 or 90 percent of the cost of full repeal. Only those trying to sell the people a bill of goods could possibly call something a compromise that is not a compromise when the costs are this large, are this close to full repeal.

I don't know where the term ''a pig in a poke'' came from, but if there were ever a description of what I think it means, that is, you have a container and you put something in it and you wind up with nothing, this is it. This is an absolute farce.

I hope this Senate will not focus its attention on two-tenths of 1 percent of the American people and leave 285 million people still wondering when are we going to get some health insurance reform, when are we going to do something for health care, stem cell research, when are we going to do something about education costs. I can't imagine that our Senate would do this with the red ink as far as you can see, and we are going to focus on two-tenths of 1 percent and leave everyone, including the folks wanting a minimum wage increase, out in the cold as they have been for years. This is unfair. I would hope that we would not vote for cloture on the motion to proceed. This is wrong.

Madam President, the majority leader is on his way. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. FRIST. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FRIST. Madam President, Michael Caudle's father founded the Greenfield Lumber Company in Greenfield, TN in 1955. Michael's dad and his granddad spent years building that business into the trusted, reliable family business that exists today. But when Michael's dad passed away 6 years ago in 2000, the business was put on the brink. The family at that time, all of a sudden, was forced to pay nearly $400,000 in death taxes and almost had to sell the business they had worked so hard to put together to pay the tax.

Michael says he hopes to pass that lumber company on to his children and his grandchildren. It is his life. It is what he has worked for: to give them that sense of family pride and community, that pride and community that his dad had passed on to him.

But like so many American families, his dream is threatened by what has come to be known in my State as the ''buzzard tax,'' and by people who don't see the value in preserving a hard-won family tradition, that name is appropriate.

One Tennessee couple told my office they decided not to trust their fate to the tax man. They sold their east Tennessee car dealership so that if one of them were to die suddenly, the other one simply wouldn't have to pay those exorbitant taxes; that burden wouldn't fall on their shoulders. They didn't want that buzzard picking apart that dream that they had built together.

Fred Heinecke's parents, unfortunately, didn't know about that kind of tax planning. As Mr. Heinecke of Vanore, TN wrote to the Knoxville News just this Saturday:

> Current law allows a $4 million deduction for a couple. That may be true if they die at the same time, such as in a plane crash, but not if they die separately as most couples do. I learned the hard way because my parents died a couple years apart without a trust. When my mom died in 2003, I wrote a painful check for over $300,000 to the Federal government. This required the sale of property that had been in the family for over 50 years.

Fred, like so many people, not only had to write that unexpected and huge check to the Federal Government in order to pay, he had to negotiate the sale of his parents' property at one of the worst moments in anybody's life, and that is the time of their death, the passing of his mom. As Fred's story, which is so typical and like so many other stories, illustrates, this death tax is unfair. I think that is the strongest argument of why we bring the repeal of the death tax back to the floor today. It is time to bury it. It is time for it to go.

In a few moments we will have a vote on cloture on the motion to proceed to H.R. 8, and we need to be very clear about what this vote means. A vote in favor is a vote to move forward with this important debate. A vote against is a vote to kill any chance of repealing or even reforming this onerous tax and is a vote in favor of returning the death tax to the pre-2001 confiscatory rate of 55 percent, an exemption of only $1 million per person.

Back in 2001, we passed a gradual phaseout of the death tax—real progress. Under that 2001 Economic Growth Tax Relief and Reconciliation Act, the death tax is scheduled to disappear in 2010.

But under the terms of this compromise legislation, after 2010 it comes roaring back with that tax level of 55 percent in 2011. That is why we need to act. We need a permanent fix, and that is what this vote is all about.

Last spring, the House passed a bill to make full repeal of the death tax permanent. They did so with strong bipartisan support. Over a year has passed and thus now it is time for us to act.

Americans have broadly said they support repealing the death tax. In a recent poll commissioned by the Tax Foundation, nearly 70 percent polled in favor of repeal.

With stories like Mr. Henicke's, it is not hard to understand why. We already pay enough taxes over our lifetimes, whether it is a water tax, a gas tax, a payroll tax, a utility tax, a cable tax, a property tax, a sales tax, an income tax—we are taxed every minute of our lives. We are taxed from that first cup of coffee in the morning to the time we flip off the lights at bedtime. In fact, we are taxed so much that one nonpartisan organization calculates that the first 5 months of the average American's salary is confiscated by the Government.

If you are an enterprising entrepreneur who has worked hard to grow a family business or to keep and maintain that family farm, your spouse and children can expect to hear the knock of the tax man right after the Grim Reaper.

Some on the other side of the aisle argue that the death tax is a critical stream of Federal revenue and that in any event it only hits the superrich. Neither is true. Mounting evidence shows that once widespread estate tax avoidance is accounted for, the death tax nets zero to negative tax revenue. Worse yet, the death tax may be responsible for the loss of from as many as 170,000 to 250,000 potential jobs each year.

Meanwhile, it is not the superrich who are hardest hit by the death tax; family businesses bear the brunt. The Seattle Times Company reports that 89 percent of all taxable estates filed in 1995, before the 2001 reform, were $2.5 million or less in size. What does this mean?

> A family-owned business stands to lose nearly half of all its assets when it passes from one generation to the next. That is over half of everything, including land, buildings, equipment, money and more—all because of the current estate tax law which is really a tax on death. They sell out, letting long-term employees go. Not because they want to. But because they have to. And the echo reverberates through an entire community.

Just yesterday I heard from farmers and western landowners and listened to the damage, the harm they suffered as a result of this death tax. Some of my colleagues have said that the death tax doesn't hurt farmers, but the farmers simply take a different view. Many of them are cash poor. They own land handed down from their parents. They know there is no easy way their children can continue to work the land if they are subjected to this death tax, so rather than wait for the death tax to pick apart their family farm, they make plans to sell the land in advance. That is the part of the story that never gets told. The death tax not only confiscates the honest earnings of the recently deceased, it often forces families to divest themselves of that family enterprise.

In the past, when Congress enacted a death tax, it was at an extraordinary time of war, and the purpose was to raise temporary funds. But after the war was over the death tax would go away, it was repealed. But that changed in the last century. The death tax was imposed and has never been lifted. Instead, it became entrenched and it took 90 years to roll back.

It is time to stop punishing America's entrepreneurs and job creators for saving, for investing, and succeeding. The death tax tells people it is better to consume today than to invest for the future; to consume today rather than save for the future; to spend now and leave nothing for later. That doesn't make sense. It is unfair.

On February 10 of this year I said the Senate would debate and decide the fate of the death tax. That time is upon us. I urge my colleagues to cast their vote in favor of cloture, of proceeding to allow debate on elimination of the death tax. If we do not, the death tax prevails. America's family businesses lose and so do the workers they hire and the communities they support. A vote for cloture is a vote to protect these family traditions. It is a vote for what is right, for simple fairness.

We will turn to the vote in just a few moments. Again, this is a vote on the motion to proceed to allow debate. It will require 60 votes on this very important issue. If we get 60 votes—and I hope we do get those 60 votes—I expect we will see a cloture motion on the underlying bill. If that underlying bill is not successful, I would think that we would need to gather together to have compromise legislation, and I would expect a vote on that as well.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, pursuant to rule XXII, the Chair lays before the Senate the pending cloture motion, which the clerk will report.

The assistant legislative clerk read as follows:

CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, do hereby move to bring to a close debate on the motion to proceed to Calendar No. 84, H.R. 8: to make the repeal of the estate tax permanent.

Bill Frist, Jon Kyl, Jim Bunning, Conrad Burns, Richard Burr, Tom Coburn, Wayne Allard, Craig Thomas, George Allen, Judd Gregg, Johnny Isakson, David Vitter, John Thune, Mike Crapo, Jeff Sessions, John Ensign, Rick Santorum.

The PRESIDING OFFICER. By unanimous consent the mandatory quorum call has been waived.

The question is, Is it the sense of the Senate that debate on the motion to proceed to H.R. 8, an act to make repeal of the estate tax permanent, shall be brought to a close? The yeas and nays are mandatory under the rule. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. DURBIN. I announce that the Senator from West Virginia (Mr. ROCKEFELLER) and the Senator from New York (Mr. SCHUMER) are necessarily absent.

The PRESIDING OFFICER (Mr. ENSIGN). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 57, nays 41, as follows:

[Rollcall Vote No. 164 Leg.]

YEAS—57

Alexander	Burns	Craig
Allard	Burr	Crapo
Allen	Chambliss	DeMint
Baucus	Coburn	DeWine
Bennett	Cochran	Dole
Bond	Coleman	Domenici
Brownback	Collins	Ensign
Bunning	Cornyn	Enzi
Frist	Lott	Shelby
Graham	Lugar	Smith
Grassley	Martinez	Snowe
Gregg	McCain	Specter
Hagel	McConnell	Stevens
Hatch	Murkowski	Sununu
Hutchison	Nelson (FL)	Talent
Inhofe	Nelson (NE)	Thomas
Isakson	Roberts	Thune
Kyl	Santorum	Vitter
Lincoln	Sessions	Warner

NAYS—41

Akaka	Durbin	Lieberman
Bayh	Feingold	Menendez
Biden	Feinstein	Mikulski
Bingaman	Harkin	Murray
Boxer	Inouye	Obama
Byrd	Jeffords	Pryor
Cantwell	Johnson	Reed
Carper	Kennedy	Reid
Chafee	Kerry	Salazar
Clinton	Kohl	Sarbanes
Conrad	Landrieu	Stabenow
Dayton	Lautenberg	Voinovich
Dodd	Leahy	Wyden
Dorgan	Levin	

NOT VOTING—2

Rockefeller	Schumer

The PRESIDING OFFICER. On this vote, the yeas are 57, the nays are 41. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

Mr. DORGAN. I move to reconsider the vote.

Mr. LAUTENBERG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KOHL. Mr. President, I rise to explain to the people of Wisconsin my vote this morning on the estate tax.

The arguments surrounding estate tax repeal are muddled, and I believe there are important clarifications to make. First, small businesses and farms rarely—if ever—are forced to sell off assets or close up shop to pay the tax. Under the current exemption, roughly 99 percent of estates owe nothing in estate taxes. When the exemption expands to $2.5 million, 99.9 percent of all estates won't owe a dime. According to a report by the Tax Policy Center, in 2011, with a $3.5 million exemption, only two of every 100,000 people who die that year would be subject to the estate tax.

The second explanation is of what the Senate voted on today. Today's vote was on a motion to proceed to a bill to repeal the estate tax. Not to proceed to a compromise or any other deal—but to full repeal.

I oppose full repeal of the estate tax. Our Nation can no longer afford this tax break for the very well off. I supported the 2001 tax bill because we were in a time of surplus. That is not the case today. Now we face huge deficits, deficits amplified by the war on terror and reconstructing the gulf coast. According to the non-partisan Center on Budget and Policy Priorities, permanently repealing the estate tax would add about $1 trillion to our national debt from 2011 to 2021. We cannot afford, at this time, these kinds of costs.

Nevertheless, I do support estate tax reform, and I will work with my colleagues towards that end. Responsible estate tax reform is possible and necessary. We must work to find an exemption level coupled with a tax rate that will provide significant relief, while not adding nearly a trillion dollars to the next generation's tab.

PANDEMIC FLU

The PRESIDING OFFICER. Under the previous order, there will be 25 minutes for debate, equally divided between the Senator from Kansas, Mr. ROBERTS, and the Senator from New York, Mrs. CLINTON.

The Senator from Kansas.

Mr. ROBERTS. Mr. President, I rise today with my colleague, Senator CLINTON, to talk about an issue that demands our attention and action: the potential for a pandemic flu outbreak and, more importantly, what we can do about it.

Behind me I have a picture of a crowded emergency hospital at Fort Riley, KS, during the 1918 Spanish flu pandemic. That flu eventually took the lives of more than 600,000 Americans and 50 million people worldwide. However, my colleagues may not be aware that the first human cases of the Spanish flu in the United States were discovered in my home State of Kansas at Camp Funston in Fort Riley, KS.

On the morning of March 11th, 1918, a company cook reported to the camp infirmary complaining about a bad cold. By noon, over 100 sick soldiers suffering the same bad cold also reported to the infirmary. These complaints of bad colds turned out to be the first cases of Spanish flu in America.

Within weeks, that influenza had spread to places as far away as Camps Hancock, Lewis, Sherman, and even to several hundred prisoners at San Quentin. By the summer, the flu reached around the globe, killing tens of thousands of people.

This flu was so severe and damaging that attack plans during World War I had to be altered or postponed because there were shortages of healthy men to battle. The Spanish flu continued to spread all throughout 1919. It reached its death toll of nearly 50 million people worldwide.

I yield to my distinguished colleague.

Mrs. CLINTON. Mr. President, I thank my colleague. Senator ROBERTS has outlined the impact the 1918 flu outbreak had on Kansas, our Nation, and the world. It is almost unimaginable that starting with that one company cook, 50 million people worldwide died.

I will tell a different story about a public health success. In March of 1947, the City of New York faced an outbreak of smallpox when three cases appeared at a local hospital. On April 4, New York City began a mass vaccination campaign to prevent further cases from occurring.

Behind me is a photograph of Red Cross volunteers waiting to receive a vaccination against this deadly disease. Over the next month, more than 6 million people were inoculated against smallpox, the largest mass vaccination in United States history. Even President Truman, who was scheduled to visit New York during this time, received a vaccination.

Through the cooperative efforts of local government employees, public health workers and an army of volunteers, an outbreak was averted. Vaccinations took place at hospitals, schools, and police stations. Frequent press bulletins helped to ensure that people knew what was happening and where they could go to have themselves and their families vaccinated. Our national public health system was able to respond both quickly and efficiently to contain this disease.

As the New York City Health Commissioner reported in the American Journal of Public Health later that year, never before had so many people in one city been vaccinated in such a short time and on such short notice. Thanks are due to the press and radio for giving so generously of their space and time to bring necessary information to the public. Had it not been for them and the intelligent cooperation of the public, the generosity of private physicians and volunteer workers, notably from the American Red Cross, the American Women's Voluntary Services and former Air Raid Warden groups from World War II, it would have been impossible to have achieved this remarkable record.

Senator ROBERTS and I are here today because we believe, half a century later, we face a similar public health issue. The looming threat of pandemic influenza has caused our Federal Government to begin mobilizing for when—not if—avian flu hits our shores. We are investing in research for a vaccine, stockpiling medications, and trying to develop plans for mass vaccinations.

If recent history is any indication, we may not be able to muster the same response as we did in 1947 when Americans were still on a war footing or had a mentality of working together. What is worrisome to me when I think about our country's preparedness is the fact we are not even prepared to deal with the seasonal influenza we face every single year.

Since 2000, we have had four shortages of seasonal influenza vaccine. We have seen senior citizens line up for hours to get flu shots. Unfortunately, we have seen some unscrupulous distributors trying to sell the flu vaccine to the highest bidder. Millions of Americans have chosen not to get vaccinated, despite the clear preventive effects of the vaccine.

This is something we want to stress and that Senator ROBERTS and I have been working on together to try to come up with some practical solutions. This is a matter of preparedness, not a partisan issue. This is a matter of planning. It is a matter of ensuring that our health care system can respond both to the annual flu outbreak and to the threat of a pandemic flu. We believe we have a lot of work to do.

Mr. ROBERTS. As Senator CLINTON has highlighted, the need to be prepared for both seasonal flu and a potential avian flu pandemic is absolutely critical. Some believe the potential avian flu outbreak could be as lethal as the 1918 Spanish flu. One cannot watch or read the news without a report on the concern of flu reaching our shores.

In reality, human cases of avian flu have been discovered in 10 countries. Three years ago there were only three confirmed cases of avian flu in humans. Today these numbers have grown to over 224 human cases, 127 deaths.

In February, I took part in an avian flu exercise at the National Defense University. That exercise was called Global Tempest—aptly named. The exercise simulated a worst-case scenario flu pandemic, and participants from several Federal agencies, and Members of Congress, took part in the event. We all served as advisers to the President.

The exercise showed firsthand how quickly our public health system and real critical infrastructure services can be simply overwhelmed, how communication can easily break down and how panic can take hold amongst the public. We were forced with the difficult decision of having to determine where limited medical supplies and personnel should be targeted, how the Federal Government can sustain the private sector and try to mitigate the real economic effects of the pandemic, and if and when the Department of Defense should be called in to assist with the civilian efforts.

This Global Tempest exercise and experience, along with understanding the strength and the force of the Spanish flu in recent natural disasters such as Hurricane Katrina, have taught us a valuable lesson. We must be prepared at all levels to deal with the large-scale public health emergency such as the pandemic flu. This system must be able to respond in any type of crisis. But, more importantly, this system must be ready to respond before the crisis begins.

As chairman of the Senate Committee on Intelligence and a member of the Senate Agriculture and Health, Education, Labor, and Pensions Committees, I take the threat of a flu pandemic seriously and view it not only as a public health concern but a concern in regard to our national security.

Senator CLINTON is a fellow member of the HELP Committee. She shares these concerns. However, we do not want to stand before our colleagues and our constituents, those watching today, and cause panic or alarm. There have been no cases of the avian flu virus in the United States, nor has there been a human transmission of the disease in a form that could fuel a pandemic. Instead, we stand together before all of our colleagues hoping to motivate them to take the necessary steps to make sure we are adequately prepared, should avian flu take hold in