SENATE BUDGET COMMITTEE
DEMOCRATIC CAUCUS
KENT CONRAD, RANKING MEMBER

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Transcript of Opening Remarks of Senator Kent Conrad
Senate Finance Committee Mark-up
May 15, 2001

Thank you Mr. Chairman. And I want to congratulate the Chairman and the Ranking Member on reaching an agreement on a Mark. While I profoundly disagree with the Mark, I know how difficult it is accomplish that.

Let me say to my colleagues that I favor substantial tax relief. I favor solving the marriage penalty, reforming the estate tax and providing incentives for savings. I proposed a plan for $900 billion for tax relief. I voted for it. But, I will strongly oppose this bill because I believe it weakens our country; I believe it threatens our economic security; I believe it prevents us from paying down our debt the way we should .

We have a period here of surpluses, but we all know what is to come. This decade is surpluses. The next decade is deficits. I believe we ought to have taken this opportunity to substantially pay down both our short term and long term debt more aggressively than is being proposed here. I believe this plan fails to provide the resources we need to strengthen Social Security for the long term. The hard reality is that the budget plan that has passed – this tax cut is part of that proposal – leaves no new resources to strengthen Social Security for the future.

New York Times on Saturday said this plan represents a "gross abdication of fiscal responsibility." I agree with that. This plan is fully back loaded. That means simply that it is disguised in terms of its full cost. This decade it costs $1.35 trillion. In the next decade it will cost from $3.5 to $4 trillion dollars right at the time the baby boomers retire, right at the time we know we are moving from surplus to deficit. It makes no sense. It is not fiscally responsible. It's fun, but it's not fiscally responsible.

As I indicated, this plan is totally back loaded. The marriage penalty's standard deduction takes effect from 2006 to 2011; the marriage penalty's 15% bracket from 2006 to 2011; the indexation of the 10% bracket doesn't occur until 2007; the final rate cut in the upper brackets does not occur until 2007; the push back on the Pease limits on itemized deductions doesn't take place until 2009; the repeal of the phase out of personal exemptions does not take effect until 2009; the full phase in of IRA contribution limits does not take effect until 2011; the full phase in of the child credit does not take hold until 2011; the repeal of the estate tax does not take place until 2011. This is just not an abdication of fiscal responsibility, this is a monument to fiscal irresponsibility.

Here's the marriage penalty relief and you can see it is delayed until the year 2006 – that's the kind of back loading that is in this plan in item after item after item. It is like a ticking time bomb and it explodes right at the time the baby boomers start to retire, right at the time we all know – the Comptroller General has told us clearly – we move from substantial surpluses now to substantial deficits then. All this bill does is dramatically increase the revenue hemorrhage at the very time it is needed most. It threatens to put us right back into deficit. It threatens to put us right back into growing the national debt instead of reducing it.

The same is true of the estate tax repeal – it's a cliff and cliffs have consequences. And the consequence will be we will be in deep trouble when the baby boomers start to retire. But this is a live for the moment kind of bill. This is a bill that is designed to make us feel good for the moment and not worry about the future.

The Comptroller General of the United States told us we're about to face something we've never encountered in American history. That's a circumstance which the baby boomers start to retire and the demographics move against us in a very dramatic way. He warned us we're going to see something we've never seen before, a demographic tidal wave that is going to push us into massive deficit. This is our opportunity to deal with that problem, but we're not. We're taking a walk.

The same is true on the back loading on AMT relief because it is sunsetted and so you have the same cliff effect. This is what is fundamentally wrong with this legislation. Beyond that, this reconciliation bill is going to double the number of taxpayers effected by the alternative minimum tax. Just this bill is going to double the number of taxpayers adversely effected by the alternative minimum tax. Boy, are those folks in for a surprise? They thought they were getting a tax cut, but almost 40 million taxpayers are going to get caught up in the alternative minimum tax. Today, there are only two million - that's going to go to nearly 40 million under this proposal.

Mr. Chairman, the second thing I want to say is this bill has been sold as a stimulus bill. There's virtually no stimulus in this bill. We are told we need to have this tax cut to lift the economy. This is a $1.35 trillion tax cut, virtually none of it is effective now. Only $10 billion in this tax bill is effective this year. That's after the Senate passed an amendment which said we ought to put $85 billion of stimulus into this year to lift the economy. Where's the stimulus in this stimulus bill? It's off into the future. Mr. Chairman, I think that's a mistake.

Finally, on the issue of fairness. This bill flunks the fairness test and it flunks it

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completely. This bill gives 33% of the benefit to the wealthiest 1%. There's no way to justify that. Our friends have said, "Well, they pay 35% of the taxes." No they don't. They pay that amount in income taxes, but our colleagues on the other side forget that 80% of the people in this country pay more in payroll taxes than they pay in income taxes.

There's been a lot of references that the top 1% are paying more of the taxes. Yes, they're paying more of the taxes because they have more of the income. In 1979, the top 1% had 10% of the income. Today, they have just under 20% of the income. So, of course, they pay a bigger share of the taxes.

One of my colleagues said that most taxpayers are in the 28% bracket. That's simply not true. 71% of taxpayers are in the 15% bracket – the one bracket that's not getting a rate cut. That's interesting, isn't it? The rate where a vast majority of taxpayers pay taxes – the 15% bracket – is the only one that doesn't get a rate cut. I guess we know why that would be true because they need the money to give the lion's share of the break to the wealthiest among us.

There's been a great deal of talk about 17 million small businesses benefitting. Seventeen million small businesses don't benefit. Only 1% of small businesses pay at the top rate. The vast majority of businesses are at the 15% rate just like the rest of taxpayers, and again that's the one rate that's not going to get a rate cut.

Finally, on the question of fairness, the Bush proposal gave 72% of the benefits to the top 20%. This proposal gives 70% of the benefits to the top 20%. To me, neither one of them are fair and there's very little difference between them.

Mr. Chairman, the great thing about democracy is we all get a chance to express ourselves.

I feel strongly this bill flunks every test. It flunks the fiscal responsibility test because it is back loaded and it hemorrhages in the second decade right when the baby boomers retire. We will pay an enormous price for that in this country. Second, it fails the test of stimulus. It's sold as a stimulus package, but there's no stimulus in this year in this bill, or virtually none. Third, it just fails completely the fairness test because the vast majority, or the disproportionate share of this bill, goes to the wealthiest 1%. Thirty-three percent of the benefit to the wealthiest 1% – they pay about 20% of all federal taxes.

It's just not fair, and it should not be supported, and it ought to be amended and it ought to be changed. That will be our opportunity. I thank the chairman for this opportunity.

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