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Senator Judd Gregg's Floor Remarks on Motions to Instruct Conferees of the FY 2008 Budget Resolution
(Unofficial Transcript)

Mr. Gregg: To begin with, there have been a lot of references to what's going on here in the area of tax policy and what the implications of it are, both relative to the death tax -- and I did find it ironic the senator from North Dakota said it wasn't a death tax. The only way you can pay it is if you are dead -- or your relatives pay it. That is the only way it kicks in, so I think a death tax is a fairly reasonable explanation of what it is -- and on the issue of the tax cuts, which are, obviously, the essence of much of the debate relative to this budget.

This chart reflects the underlying question of what these tax cuts have accomplished. The senator from North Dakota correctly reflects the fact that revenues fell off as the tax cuts originally were put in place. That's correct. Why? Because we were coming out of the largest bubble in the history of organized cultures, where the Internet bubble exploded and caused a significant contraction in the economy, which caused a contraction in revenues. That was coupled with the attack of 9/11, which disrupted the economy to a degree to which our economy has never been subjected except for the Great Depression and World War II.

Those two events together created a huge retardation of revenue. It was quite fortunate in the middle of that and a little bit prior to that we had put in place tax cuts to stimulate the economy under President Bush's first term.

After those tax cuts went into place, there was a revenue reduction, but that was in large part due to the bubble burst and to the 9/11 contraction of the economy. Since that time, we have seen the tax cuts energize an economic recovery which has been historic and extraordinary and has done a great deal for our country from the standpoint of creating jobs, which is the bottom line and most important thing to do, but also from the standpoint of generating revenue for the federal government.

We have had three years of the largest growth of revenue in the U.S. government, year after year after year, with revenues exploding at the federal level. They went up 11% in 2005, 18% in 2006, projected at 18%% in 2007. These growth rates are truly extraordinary. And revenues not only have grown year to year in an extraordinary way, but they have grown in a relationship to the overall historic burden of revenues paid by the American people to the federal government.

Historically, the American people have paid 18.2% of Gross National Product to the federal government. That's the blue line you see on this chart. We are actually well above that now, so that we're seeing a rate of income to the federal government of about 18.6%. That means we are actually generating more revenues to the federal government than we have on average generated to the federal government.

It’s because we have a tax law in place which is doing a number of things. It is generating huge revenues. It is generating revenues that exceed what has been the historical norm for this nation and this tax law is creating jobs and causing the economy to expand. We now have had 22 straight quarters of economic expansion as a result of this. We have had 44 consecutive months of job expansion, 7.8 million jobs created. That is a massive expansion of people getting work.

Two of the essential elements of the tax cut, the capital gains and dividend rates, have actually generated a huge explosion of economic activity in this country because they have unlocked, in the instance of the capital gains area, funds that have been locked up for years in unproductive assets have been sold. The revenue has been turned over and people have re-invested, entrepreneurs and risk takers, in things that have created more return, which has two effects: one, creating more jobs; and, two, more revenue to the federal government.

So, the tax cuts have been good for this country from a standpoint of creating jobs. You can say that revenues dropped from 2002 to 2003, but I argue that is a function of the Internet bubble and 9/11 more than the tax cuts. If you look at the most recent period, you can argue that we are seeing an explosion in revenues to the federal treasury which has dramatically, in addition to the other two things, caused economic growth, jobs creation and revenues, and has dramatically reduced the deficit of the federal government.

In fact, three years ago we projected the deficit of federal government this year would be in the $350 billion range. Looks like it will be under $200 billion and significantly under $200 billion. On a $3 trillion budget, you are basically talking a deficit number which is getting really under what has been historic deficit of the federal government. And, more importantly, had we not had the Katrina catastrophe where we had to spend over $150 billion, approximately, on that, and were we not at war, a war which we did not ask for when we were attacked on 9/11, we would be in surplus, significantly in surplus. So, these tax cuts have been good for this economy, they have been good for the country, they have been good for employment, they have been good for economic growth and certainly they have been good for the federal treasury.

On the specific issue of the death tax -- which is the amendment which is pending, the amendment by Senator Kyl -- the point that Senator Kyl makes is the one that people should focus on. That is, what his proposal says is that we are going to put in place a compromise proposal on death tax which was ironically a compromise proposed from the other side of the aisle. I think it was the senior Senator from Louisiana, Senator Landrieu, who came up with the idea to have a higher rate for bigger estates -- 35%, for lower estates, small businesses, farmers, ranchers, a lower rate; and an exemption of, I believe, $5 million.

This proposal makes a lot of sense. There really is no reason why it should be a taxable event to die. A taxable event should involve economic activity. It should be, you went out, you made some money, and as a result, you got taxed. But the way the death tax works is, the taxable event is that you, unfortunately, die. You end up getting hit by a truck, fall off your motorcycle, you get some serious disease and, as a result, your family is hit with a tax bill. In many instances if you are a small business person, or running a farm, or some other thing that involves one person as the essence of the whole operation, that death is a huge traumatic economic event, to say, nothing, obviously of the personal trauma involved in that but that is a huge traumatic event. If someone runs a restaurant and is a cook, bottle washer, or runs a gas station, small business or farm, that person is usually the key person. When they die, that person is in extreme distress and that distress should not be multiplied and dramatically increased by having the tax man come in and say, ‘I'm sorry, we're going to take half the business or half the value of the business which is the way the law works now.’

This proposal, which was a compromise worked up between a variety of people, appeared here, and, actually, the essence of it was put forward by the senator from Louisiana, makes a lot of sense. What Senator Kyl has said is, let's do it. Let's put it in the budget. Now, the argument is that is going to increase the deficit. That's a fairly specious argument because essentially the essence of the argument is, if you let people keep their own money, you are making a mistake. That makes no sense.

In addition, remember, this proposal of the Democratic budget, as it left the Senate, has over $700 billion tax increase in it. As it left the House it had over $900 billion tax increase in it. That is on the American people. Senator Kyl is saying take a small portion of the huge tax increase in this budget and use it to, basically, put in place proper procedures and policies relative to the death tax, which brings me to my motion to instruct and I ask unanimous consent the pending motion be set aside and my motion be reported.

Mr. President, I'm going to speak quickly. I know the Senator from South Dakota has been courteous and waiting. I know he wants to speak on it. I'll highlight a little bit and come back with the substance of it.

The essence of this motion is that a $916 billion tax increase, the largest tax increase in history, which is in the House budget, be rejected. That the $700 billion-plus tax increase in the Senate budget, again, it would be the largest tax increase in history were the House not outbidding us, be

And that instead we extend a series of tax breaks which are already in place and which are very beneficial to the American people, including the $1,000 child credit, the marriage penalty relief, 10% income tax bracket, the lower marginal rates for American families and small businesses, the earned-income tax credit for military families, the adoption tax credit, the dependent care tax credit, the college tuition deduction, deduction for student loan interest, $2,000 Coverdell education IRA, and the 15% rate on capital gains and dividends, and essentially the Kyl death tax proposal. That's what this instruction would do. It would ask that instead of increasing taxes by the largest amount in history on the American people, we continue tax policies which have produced this huge economic expansion.

And now I would yield to the senator from South Dakota for his comments.

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