



# BUDGET COMMITTEE



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**Senator Gregg's Senate Floor Remarks on the Baucus Amendment  
to the Fiscal Year 2009 Budget Resolution  
March 11, 2008  
(unofficial transcript)**

Mr. President, this amendment is a game. Last year we saw the same game. Now, last year the Democratic Congress was in its first year of having the majority, both in the House and the Senate, so we gave them the benefit of the doubt. We said, 'OK, you claim you're going to do something. We certainly hope you will.' So last year they once again set up a false surplus and then they brought forward the Baucus amendment to pick up that surplus as part of the tax cut. They claimed both the surplus and the tax cut, which was good talking. But a little inconsistent.

Well, their tax cut last year, the Baucus amendment, had in it the extension of the 10% bracket, extension of the \$1,000-per-child tax credit and extension of the marriage penalty tax. I believe it had some estate tax language in it. But I know it didn't have this property tax itemizer. But it had those four items in it, for sure, and so all the members voted for it and took credit. All were for these tax extenders because we think they really help Middle America, which they do. Obviously, that's why President Bush proposed them originally. That's why they passed the Congress under the Republican Congress.

But what happened after this amendment was voted for, and everybody sent out their press releases from the other side of the aisle saying they were for these tax cuts? 'My goodness, we're for these tax cuts. We're going to vote for them right here on the floor of the Senate.' Even though they could have put them in the original Senate bill which they didn't do because they wanted a bill reported out of committee that had a big surplus. They knew when they got to the floor, they were going to eliminate the surplus for these tax cuts.

What happened after they put out all their press releases? Where are these tax cut extenders that they claimed they were going to pass last year? They don't exist. They never marked them up. They never voted on them. The real action of extending these tax cuts never occurred, even though they took credit for them last year.

Well, they said, 'My goodness, that's a great idea. We get a press release out saying we're for cutting taxes. Let's do it again because, heck, we didn't cut the taxes last year so the

taxes are still there so let's do it again.' So this year we see the same cynical action. It's brought forward here in this amendment. They're offering the amendment to cut these same taxes they took credit for cutting last year, which they didn't cut.

It is, it say the least, a game. That's why I call it the "Fudge-it" budget because so much is set up around this gamesmanship: proceeding with false press releases but not following through with what they claimed they were going to do.

It also can be noted that left out of the Baucus amendment are a lot of fairly important issues of tax policy. For example, the present rate on capital gains and dividends is not in the Baucus amendment so they're presuming it will go back up. That's a pretty stiff hit for a lot of Americans, especially senior citizens. Ironically, senior citizens benefit uniquely from capital gains rates being at their present level. Senior citizens benefit uniquely from dividend rates being at their present level because much of a retired individual's income is capital gains income or dividend income, to the extent they have some income beyond their basic pension. And many of their pensions are, of course, based off of capital gains and dividends.

So they're going to raise those rates up. They are going to double the capital gains rate essentially. The dividend rate will not only double, it goes up by two and a half times for some Americans under their proposal. The deduction for qualified education expenses is not extended. Small business taxes are not extended. Well, that's a pretty important item, especially in an economic slowdown.

Other extenders that are left out of the Baucus amendment include the research and development tax credit. That's a pretty important one. The energy tax credit. That's pretty important. State and local tax deductions – some people think that's important. AMT relief; that's left out.

So the practical effect is that even though they make this representation that they're going to reduce taxes, those exact same representations that they made last year on these motherhood tax extenders, let's call them, they leave on the massive increases in taxes that will fall on working Americans.

'We're taxing the rich. We're taxing the rich.' I bet you heard their presidential candidate, Senator Obama, use that term to justify his spending policies probably 15 times in the last debate I listened to that he participated in. 'We're just going to tax the rich, the wealthy Americans.' Well, fine. Okay. The only problem is they can't raise enough money to pay for their budget by just taxing the rich.

If you take the basic rates and you move them back to the Clinton days when we had high tax rates in this country -- you take the high rate, 35%, and you raise it back to 39.6% -- what do you generate in income in a year? About \$25 billion under his program. In order to reach the numbers that they want to spend in this bill, they'll need to raise taxes on the middle class. And there is a lot of spending in this bill: there's \$200-plus billion in discretionary spending, \$400-plus billion in entitlement increases in this budget, there

are big holes that we know are going to have to be filled, or at least we hope they'll be filled or otherwise we're sending up our troops overseas without being able to get them home because this budget doesn't cover the cost of them getting home, much less supporting them when they're in the field.

We know these expenditures are going to occur. And those expenditures have to be paid for and the way they're paying for them is by increasing taxes, not just on the wealthy, but on every American. The average American's tax will go up about \$2,300 under this bill. Senior citizens' taxes will go up \$2,100, small business taxes will go up \$4,100.

You can buy a lot of groceries and at least get some relief from the cost of energy if you get to keep that money rather than have it taxed away as it is proposed in bill. It shouldn't come as a surprise to people that they're doing this in their budget because that's what they do well. They like to spend money and they love to raise taxes and then they claim, well, they're going to tax the rich. Well it turns out they're not taxing the rich, they're taxing senior citizens, working men and women, working Americans, they're taxing R&D research, they're taxing energy, for the production of energy.

In addition, there's a little game played here with their own rules, their own budget rules. You know, we hear the discussion about how they're going to use Pay-Go to discipline the budget. They're going to use Pay-Go to make sure that we stay within our spending priorities and we do use taxes to offset the tax priority. This is set up to game Pay-Go. Pay-Go is not going to apply when this amendment is passed. Or if it does apply, it is going to be structured in a way that it can be waived. There's no expectation that there will be any Pay-Go applied to the Baucus amendment, should it ever actually be brought to the floor.

So it's just a game. It is, of course, one of the reasons why I think the American people get a little cynical about their government. Here's the second year in a row that we're going to have press releases flying out of the Democratic offices claiming that they voted for the tax cuts. What happens? The tax cuts never get passed. So this is a nice charade, and that's all it is. And we just wish they were sincere when it comes to cutting taxes.

Mr. President, I yield the floor.