TAXPAYER RELIEF ACT/Excess Revenues For Deficit & Tax Cuts

SUBJECT: **Taxpayer Relief Act of 1997 . . . S. 949. Abraham motion to waive the Budget Act for the consideration of the Abraham amendment No. 538.**

ACTION: MOTION REJECTED, 53-47

SYNOPSIS: As reported, S. 949, the Taxpayer Relief Act of 1997, will provide net tax relief of $76.8 billion over 5 years and $238 billion over 10 years. The cost will be more than offset by the economic dividend ($355 billion over 10 years) that will result from balancing the budget in fiscal year (FY) 2002. This bill will enact the largest tax cut since 1981 and the first tax cut since 1986. It will give cradle-to-grave tax relief to Americans: it will give a $500-per-child tax credit, education tax relief, savings and investment tax relief, retirement tax relief, and estate tax relief. Over the first 5 years, approximately three-fourths of the benefits will go to Americans earning $75,000 or less. It will eliminate a third of the increased tax burden imposed by the 1993 Clinton tax hike, which was the largest tax hike in history.

The Abraham amendment would require any revenue collections above current projections that occurred in any of fiscal years 1998-2002 to be used to reduce the deficit or to provide tax relief.

The amendment was offered after all debate time had expired. However, by unanimous consent some debate was permitted. After debate, Senator Lautenberg raised the point of order that the amendment violated section 313(b)(1)(A) of the Budget Act. Senator Abraham then moved to waive the Budget Act for the consideration of the amendment. Generally, those favoring the motion to waive favored the amendment; those opposing the motion to waive opposed the amendment.

NOTE: A three-fifths majority (60) vote of the Senate is required to waive the Budget Act. After the vote, the point of order was upheld and the amendment thus fell.

Those favoring the motion to waive contended:

It is always easier for liberal Democrats in the Federal Government to spend the taxpayers' money than it is for them to give it

(See other side)

YEAS (53)			NAYS (47)			NOT VOTING (0)	
Republicans (53 or 96%)		Democrats (0 or 0%)	Republicans (2 or 4%)	Democrats (45 or 100%)		Republicans (0)	Democrats (0)
Abraham	Hutchison		Chafee	Akaka	Johnson		
Allard	Inhofe		Gorton	Baucus	Kennedy		
Ashcroft	Jeffords			Biden	Kerrey		
Bennett	Kempthorne			Bingaman	Kerry		
Bond	Kyl			Boxer	Kohl		
Brownback	Lott			Breaux	Landrieu		
Burns	Lugar			Bryan	Lautenberg		
Campbell	Mack			Bumpers	Leahy		
Coats	McCain			Byrd	Levin		
Cochran	McConnell			Cleland	Lieberman		
Collins	Murkowski			Conrad	Mikulski		
Coverdell	Nickles			Daschle	Moseley-Braun		
Craig	Roberts			Dodd	Moynihan		
D'Amato	Roth			Dorgan	Murray		
DeWine	Santorum			Durbin	Reed		
Domenici	Sessions			Feingold	Reid		
Enzi	Shelby			Feinstein	Robb		
Faircloth	Smith, Bob			Ford	Rockefeller		
Frist	Smith, Gordon			Glenn	Sarbanes		
Gramm	Snowe			Graham	Torricelli		
Grams	Specter			Harkin	Wellstone		
Grassley	Stevens			Hollings	Wyden		
Gregg	Thomas			Inouye			
Hagel	Thompson						
Hatch	Thurmond						
Helms	Warner						
Hutchinson							

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

back. The recent budget agreement between the President and Congress illustrates this unfortunate fact. Republicans fought the Administration for 4 months to devise a balanced budget plan. Republicans wanted to cut spending enough to balance the budget and to provide much-needed tax relief to working American families. Progress was being made, but agreement still had not been reached as the deadline that the negotiators had set neared. Then, literally hours before the deadline, the Congressional Budget Office (CBO) gave budget negotiators a gift of sorts. It found that the Federal deficit in 1997 would be $45 billion less than it had earlier projected, and it lowered deficit projections over the next 5 years by a total of $245 billion. This "windfall" proved to be a very mixed blessing. The CBO's new numbers, we believe, were and are correct: the economy is growing swiftly, providing more jobs and more income to the American people. Also, as the CBO noted, that economic growth will provide more tax revenues to the Federal Government. Once Democrat negotiators found out that tax collections would be higher than previously expected, their position on several spending areas quickly shifted. Suddenly, areas for which they had already agreed to cut spending were reopened. They would not agree to increase the size of the tax relief; that remained fixed at $85 billion. Democrats insisted on spending that $245 billion, and Republicans capitulated. The result is that this balanced budget plan will increase Federal spending by 17 percent over the next 5 years and it will only cut total taxes by less than 1 percent over the same time period. Americans are being taxed at the highest rate in history, and a windfall of $245 billion in extra revenue is expected because of the economy's strong performance, yet our colleagues could not even agree to cut taxes by a full 1 percent. In fact, they have kicked and screamed about the minimal tax relief that is in this bill, even though it is only one-third the size of the record tax increase they imposed in 1993 in order to increase spending in that year. Democrats, to win elections, may have learned how to parrot Republican principles by proclaiming that the era of big government is over, but they are as determined as ever to increase taxes and spending. We are not. We have therefore proposed the Abraham amendment. This amendment would allow the Democrats to keep all of their new spending, but in the event that even more revenues than are expected materialize, those revenues will be used to reduce the deficit or give tax relief to the American people.

We favor tax relief because history has proven that the economy runs a lot better when people, rather than the Government, spend more of the money they earn. It especially runs better when Government taxes on the production side of the economy, such as the capital gains tax, are reduced. President Reagan cut income taxes, and revenues soared; the capital gains tax rate was cut in half between 1978 and 1985, and capital gains tax receipts tripled because of the boom in new economic activity (conversely, when Congress raised the capital gains tax in 1986 revenues fell). A long time ago, when tax rates were much lower than they are today, a Democratic President, John Kennedy, understood the drag that taxes have on the economy when he noted, "It is a paradoxical truth that tax rates are too high today and tax revenues are too low, and the soundest way to raise the revenues in the long run is to cut taxes now."

Even though taxes are much higher today than they were when President Kennedy made that observation, and even though the debt is so high and deficit spending so endemic that the solvency of our country is threatened, it is very difficult to find a Democrat who is willing to reduce the net tax burden and cut the size of Government. Kennedy was right three decades ago, and we are right today. Our Democratic colleagues have already gotten $245 billion more to spend than they expected to be able to spend just a few months ago; all we are asking with the Abraham amendment is that if even more money materializes, it be used to cut the deficit or returned to the American people. We urge our colleagues to support this sensible amendment.

Those opposing the motion to waive contended:

The Abraham amendment is fiscally irresponsible. It would lock Congress into only two options for using any extra revenues that materialize. Cutting taxes and reducing the deficit are certainly important goals, but we do not know in the coming years if they will always be the most important goals. In the ensuing years, it may become more important to address an important social need, or to increase defense spending to respond to a new military threat. Agreeing to the Abraham amendment would make it much more difficult to use extra revenues for purposes, unforeseen now, that may be more important in the future than deficit reduction or tax relief. We will not vote to make it more difficult to make sound fiscal policy decisions in the future. Therefore, we oppose the motion to waive.