

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)  
on Motion to Instruct Budget Conferees on AMT and Extenders  
May 15, 2008**

I will offer a side-by-side amendment that seeks to achieve the same goal. This is one place where we have an agreement. None of us want to see the alternative minimum tax imposed on the American people. That would involve 26 million people, up from 4.2 million now. All of us want the so-called tax extenders to be extended. It would involve the research and development tax credit and others.

We would add this additional caveat: We ask that every effort be made to offset the cost of these policies by closing the tax gap, shutting down abusive tax shelters, and addressing these offshore tax havens that are turning out to be so abusive. We think that is better policy.

We absolutely agree that the alternative minimum tax should not be expanded. We absolutely agree that the so-called tax extenders, such things as the research and experimentation tax credit, the deduction for State and local taxes, the deduction for classroom expenses, the deduction for qualified education expenses, the incentive for the charitable IRA rollover, the combat pay earned-income tax credit, and various energy tax incentives, be extended.

But we believe that rather than just putting that on the charge card and adding to the debt--meaning that we go out with a tin cup and borrow more money from the Chinese and the Japanese--we pay for it by going after these abusive tax shelters, going after these tax scams, these offshore tax havens, and do it without raising taxes. So I hope my colleagues will support that as a general principle and an instruction to the conference committee.

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I am going to extend my remarks. I think many people in the country hear the phrase "AMT" and they wonder: What is that? It is the alternative minimum tax. It was established decades ago because they found there were people making \$200,000 a year who weren't paying any taxes. To address that, they created the so-called alternative minimum tax.

The problem with it is that it was never indexed for inflation. The result is that now, instead of affecting just a few people, it is affecting millions of people. In fact, the estimates are that if we don't do anything about this, it will increase from 4 million people in 2007 to 26 million people in 2008.

In this budget resolution we say: No, no, don't let that happen. Don't increase taxes on 26 million American families. Don't do that.

In this instruction to the conferees, we say: Yes, absolutely, don't allow the alternative minimum tax to grow like a cancer. Instead, let's take care of that. Let's remove it as an option, and let's try to pay for it by closing down these abusive tax shelters, these offshore tax havens, and closing the tax gap.

Our friends on the other side have a different approach. They just want to put it on the charge card. The problem with that is if you eliminate the alternative minimum tax without paying for it, it adds \$1.7 trillion to the debt. That is trillion with a "t." Where do we get the money? Well, we borrow it.

We have been doing a lot of borrowing under this President. This is his record. He is building a wall of debt that is almost unprecedented in the history of the finances of this country. When he came in at the end of his first year, the debt was \$5.8 trillion. At the end of his tenure, it will be \$10.4 trillion. In the 8 years he is responsible for, the debt will have risen to \$10.4 trillion. In fact, he will have nearly doubled the debt of the country.

More alarming is where we are getting it from because increasingly we are getting this money by borrowing from Japan and China. We even owe Korea money. This chart shows it. This chart shows that it took 42 Presidents 224 years to run up \$1 trillion of U.S. debt held abroad; \$1 trillion of foreign-held debt--foreign-held U.S. debt. It took 224 years to run up \$1 trillion of foreign-held debt and all these Presidents, 42 of them. This President tops them all. He increased foreign holdings of our debt by \$1.51 trillion so far, and counting. He has dug a very deep hole.

We have proposed a series of reforms.

I held up just moments ago a picture of a French sewer system and asked the question: What does this have to do with the U.S. budget? Well, it turns out it has quite a bit to do with the U.S. budget because we now find companies in this country--wealthy individuals buying European sewer systems, not because they are in the sewer business but because they want to avoid taxes in this country. How do the two have any relationship? Well, here is how it works: They buy a European sewer system, they put it on their books here, they depreciate it for tax purposes here, reducing their tax bill, and they lease the sewer system back to the European cities that built them in the first place. What a scam.

I just held up a picture of this little five-story building. Here it is. This little building down in the Cayman Islands is home to 12,748 companies. What a remarkable building this is. That little five-story building is supposedly the corporate headquarters of 12,748 companies. Now, are they all really doing business out of that little building down in the Cayman Islands? No, of course not. They are not doing business down there. They have a postal drop down there in order to claim that it is their headquarters for tax purposes. Why would they do that? Because the Cayman Islands doesn't have any taxes. So what they do is they have a subsidiary of this company that sells to another subsidiary that is wholly owned, and they sell at cost to subsidiary No. 2. Then they sell from subsidiary No. 2 to subsidiary No. 3 that is down in the Cayman Islands. They sell to them at cost. Then the subsidiary in the Cayman Islands sells to another subsidiary over in Germany or France and shows a big profit in the Cayman Islands where there are no taxes. That is an outrage. The vast majority of us pay what we owe. We have some who don't, and they are getting away with it with these scams. We say shut it down.

Let's not go borrow more from China and Japan and dig the hole deeper the way the President wants us to do. That is what our budget resolution says. That is what my amendment

says. Yes, absolutely, don't let the alternative minimum tax be expanded from 4.2 million people in this country to 26 million. Don't let that happen. Yes, extend the research and experimentation credit. Yes, extend the sales tax deduction. Yes, provide for these other important tax incentives, especially the energy tax incentives. But instead of borrowing the money, instead of just going back hat in hand to China and Japan and asking them for more money, let's shut down these offshore tax havens, these abusive tax shelters and this tax gap where we have people who owe money but aren't paying it. Let's go after them instead of going over to China and being dependent on the kindness of strangers to finance our country.

We are headed for a cliff here because under this administration the debt has skyrocketed before the baby boomers ever retire. I have shown the chart that shows what has happened to the debt. The debt has gone up like a scalded cat.

Here is what has happened to the debt under this President and these policies: up, up, and away. He has nearly doubled the federal debt. He has more than doubled the foreign holdings of our debt. In fact, the increase in foreign-held debt under this President is now 150 percent of the amount accumulated by all previous Presidents combined over 224 years. As a result, we now owe the Chinese hundreds of billions of dollars. We owe the Japanese even more. We even owe Korea now over \$40 billion. Enough is enough. Enough is enough. Let's quit digging the hole deeper. Yes, absolutely, let's provide middle-class tax relief. That is in this budget.

As I have said before, with all the talk from the other side about the biggest tax increase in the history of the world, here is the record. Democrats had been in charge for 1 year and we have provided \$194 billion of tax relief, and you don't have to wonder if that is true. Just go home and check your mailbox. You are receiving a check passed by this Congress, signed by the President--a stimulus package--with \$150 billion in that package alone. But we have taken other steps to provide other tax relief as well, including not allowing, last year, the alternative minimum tax to be expanded, and we are not going to let the alternative minimum tax be expanded this year either. That is a fact. That is the record. It is not rhetoric, it is a fact.