

**Floor Statement by Senate Budget Committee Chairman Kent Conrad (D-ND)
During Floor Debate on FY 2009 Senate Budget Resolution
March 12, 2008**

I wanted to comment briefly on the Republican leader's statements this morning about our budget. As I was driving in this morning, I heard another Republican on the air saying that we have a trillion-dollar tax increase in this budget. I don't know what budget they are talking about because it certainly is not the budget we have presented here. There is no trillion-dollar tax increase here. There is no tax increase assumed here. Honestly, if I would go down to the Senate dining room and come to this floor and introduce the dining room menu as the budget for the United States, our Republican colleagues would say it was a trillion-dollar tax increase.

This is what they said last year, and we hear the same mantra again this year: It is a trillion-dollar tax increase. When they said it last year, we didn't have a record of a Democratic Congress to refute their claim. Now we do. We can look back and see precisely what happened with Democrats in control. How much did taxes increase after the Republicans asserted repeatedly we were going to increase taxes a trillion dollars? What happened? What happened on the record, not a projection, not a forecast, not rhetorical, what is the fact? It is very interesting. Democrats controlling the House, controlling the Senate, cut taxes \$194 billion -- not a tax increase, a tax cut that overwhelmingly has gone to the middle class. That is the Democratic record.

Let me say about this budget, we don't have the vast spending increases they are talking about. For this year, if you look at total spending, we have one percent more than the President's budget. Where is that money going? We put it into energy, to reduce our dependence on foreign oil. We put it into education, and we put it into infrastructure because we don't want any more bridges, like the one in Minnesota last year, collapsing into the river with people driving home from work. That is a fact.

In terms of revenue, the truth is that over the five years, we have 2.6 percent more revenue than in the President's budget. We believe that can be obtained not with a tax increase -- don't need a tax increase to get it -- you can go after the tax gap, the difference between what companies and people owe versus what they are actually paying. You can go after these offshore tax havens which the Permanent Subcommittee on Investigations has told us are costing this country \$100 billion a year. You can go after these abusive tax shelters where we have the spectacle of companies in the United States, banks buying foreign sewer systems and depreciating them on their books in the United States to reduce their tax bill here, and then they lease the sewer systems back to the European cities that built them. My goodness. We are better than that as a nation, better than letting people abuse the vast majority of us who are honest. That is not right. That is not fair.

I have shown on this floor many times a picture of a five-story office building in the Cayman Islands called Uglund House. That five-story building is home to 12,800 companies. I would say that is the most efficient building in the world. 12,800 companies claim they are doing business out of this little five-story building in the Cayman Islands. They are not doing

business there. The only business they are doing is monkey business. What they are doing is evading their taxes.

Now we have seen, according to the *Boston Globe*, another building down in the Cayman Islands -- this time a four- or five-story building too -- and we know KBR, who is the biggest contractor for security forces in Iraq and additional workers in Iraq for the U.S. military effort there, is running an operation out of that building to evade the Social Security taxes and the Medicare taxes of thousands and thousands of workers they have employed for Iraq -- another tax scam.

It is exactly the kind of thing we on this side think should be closed down. Over and over, when we have tried, this President said: No, you can't do that. That would be a tax increase. Really? Is that a tax increase? I do not think so. Making people pay their fair share, like the vast majority of Americans already do -- I do not think that is a tax increase. I think that is making those folks pay like all the rest of us do. That is fair.

Senator Conrad's Response to Senator Kyl's Unpaid For Estate Tax Reform Amendment

This amendment as we understand it -- we have just seen it -- would virtually eliminate the estate tax. Let me say why. Let me first say there is no death tax in the country. Of course, if you poll people and you ask them, "Do you want to eliminate the death tax?" They will say, "Sure."

I had a baggage handler stop a colleague of mine, and he said, "My number one priority is to eliminate that death tax." My colleague, who is the current occupant of the chair, told him, "There is no death tax here. You are not going to pay any tax when you die unless you have \$2 million."

The guy was very surprised about that because he heard all this talk about a death tax. There is no death tax in America. There is a tax on estates. At today's level you would have to have \$2 million to be taxed. That affects only one-half of one percent of estates. When the exemption increases, as it does under current law, and reaches \$3.5 million per individual, \$7 million a couple in 2009, which is next year, only two-tenths of estates will be taxed.

If you are out there and you are hearing about this death tax, don't worry. It does not apply, next year, to 99.8 percent of people who pass away. It only applies to two-tenths of one percent of estates.

We already have a tax structure that has overwhelmingly benefitted the wealthiest among us. The amendment by the Senator would cost an additional \$478 billion over 10 years, and none of it is paid for. That means it goes on the debt. That means we have to borrow that amount of money, and where are we going to borrow it? We are now borrowing over half the money at our bond auctions from abroad -- most of it from the Chinese and the Japanese.

So we would have, if the amendment of the Senator is agreed to as is, the unusual situation of borrowing this money primarily from China and Japan to give a tax advantage to two-tenths of one percent of the people, but the borrowing would be in the name of all of the American people. So 99.8 percent of the American people would be borrowing this money, primarily from China and Japan, to give it to the Warren Buffets, the Paris Hiltons, and others of enormous wealth in this country.

I do not think that is a good policy. In the underlying budget, we have improved the estate tax situation, reformed it in what is, I think, a reasonable way. This is the bizarre circumstance that is in current law. The exemption now, in 2008, is \$4 million -- \$2 million a person. OK? So if you are a husband or wife and you pass away at the same time, you have \$4 million of exemption that applies today. You don't pay anything if you have estates of less than \$4 million.

In 2009 that will go up to \$7 million. Then in 2010, under current law, there is no estate tax, it is repealed. Then, in 2011 -- it is utterly bizarre -- it goes down to \$2 million per couple, \$1 million a person.

In the underlying budget we are saying, no, that makes no sense at all to go back down to \$2 million a couple, \$1 million a person. It should be at \$7 million a couple, as it is in 2009. If, in fact, we adopt those levels, virtually no one will pay the estate tax. That is a fact.

Senators Conrad and Durbin Discuss Senator Kyl's Unpaid For Estate Tax Reform Amendment
Senator Kyl's Unpaid For Estate Tax Reform Amendment

Senator Durbin:

If the Senator from North Dakota would further yield. I was listening carefully to his debate as I presided. It is my understanding that he says under current law, two-tenths of one percent of the people who died in the United States each year might be subject to liability to pay the estate tax or, as the Republicans called it, the so-called death tax.

Senator Conrad:

Yes, that is true, under the exemption rates for next year. Under the exemption rates for next year, it will be two-tenths of one percent. I believe this year it is five-tenths of one percent; there are 99.5 percent this year that are exempt. Next year it will be 99.8 percent exempt, as the rate goes up.

Senator Durbin:

I tried to do a quick calculation on the .2 percent. I think I have come to the conclusion that each year in America, 3.5 million Americans die. Of that number, you are projecting that 7,000 out of 3.5 million might have some estate tax liability next year?

Senator Conrad:

That is the correct math.

Senator Durbin:

It is my understanding the proposal by the Senator from Arizona is to further enlarge the exemption of those who pay this tax, so that even fewer than 7,000 will actually pay. Is that correct?

Senator Conrad:

My understanding, and the Senator might correct me, that under the Kyl proposal the cost would be approaching \$200 billion over -- \$458 billion over 10 years.

Senator Durbin:

So the Senator from North Dakota, as Chairman of the Budget Committee, has come to the floor repeatedly with a chart which he can get his hands on in a moment that talks about the accumulation of debt in America under the Bush administration compared to the accumulation of debt in America under all previous Presidents. Does the Senator recall the numbers that were involved in that chart?

Senator Conrad:

Well, first, in terms of the gross debt of the United States, under this President's watch, the gross debt has nearly doubled. The foreign holding of U.S. debt has more than doubled.

This is it. It took 42 Presidents 224 years to run up \$1 trillion of external debt. Perhaps this is the chart the Senator is referring to. It took 42 Presidents, all of these Presidents pictured, 224 years to run up \$1 trillion of debt, U.S. debt held abroad. This President, as you can see, has far more than doubled that amount in seven years.

Senator Durbin:

Let me, through the Chair, ask the Senator from North Dakota a question. The pending amendment by the Senator from Arizona is not paid for, which means he has not suggested increasing some other tax to set it off or cutting spending to offset it; it is simply added to the debt of America. And if that debt the Senator from Arizona wants to add to our national debt over the next 10 years is funded from foreign sources, how much more is going to be added to this figure by the Senator from Arizona's amendment?

Senator Conrad:

Well, if his amendment costs another \$458 billion, it is not offset. And in a typical bond auction now conducted by the United States, over half of the money, well over half now, is money from abroad. So you can take well over half of the \$458 billion, and it would be added to this external debt.

Senator Durbin:

I wish to ask the Senator, who is going to pay this debt?

Senator Conrad:

Well, that is the unfortunate part of, as I see it, the amendment of the Senator from Arizona. What he is doing is saying -- he is asking all of us, all Americans, to put our name on the bill. But the money is only going to two-tenths of 1 percent of us. I think that is unfortunate.

Senator Durbin:

So that I understand this, I want to make it clear, in order to spare, at a maximum, 7,000 of the wealthiest people in America who may die in the outgoing years, in order to spare them estate tax liability, even though America has been very kind to them and they have lived very comfortable lives because of this great Nation, to spare them the possibility of paying back to this country for having lived and enjoyed this great Nation, we are going to add some \$400 billion plus in debt to Americans. And over half of that will end up being debt we owe to foreign countries, as I understand the Senator from North Dakota. Is that correct?

Senator Conrad:

I think that is clearly correct.

Senator Durbin:

So for those who are so-called fiscal conservatives, we are going to cut taxes for the wealthiest people in America, and add debt for everyone else in America, an added debt we are going to borrow from overseas and ask our children to pay for it. It sounds like a great idea if you happen to be in the lucky 7,000 club. This lucky 7,000 club that will be benefitted by Senator Kyl's amendment will have a great outcome. It appears that everyone loses -- I take that back. Everyone but China and Japan and other countries will be losers in this proposal by the Senator from Arizona. Is that correct?

Senator Conrad:

Yes, I think that is undeniably the case. The problem this country confronts now is we have massive deficits and, under this President, a dramatic increase in the debt. So all of these provisions are based on borrowed money. So why would we go borrow this amount of money, which is increasingly from foreign countries, in order to give a benefit to two-tenths of one percent of the American people, when 99.8 percent of the estates in this country are already exempted from the taxation? That is lost on me.

Senator Durbin:

If I can ask one more question. I know the Senator from Arizona wishes to speak.

Aside from the lucky 7,000 club the Senator from Arizona is taking care of, the wealthiest people in America -- nothing but good luck, they have lived comfortable lives in a great democratic, free nation with the protection of our laws, and now, as they leave and go to perhaps a better place, they want to make sure they do not pay back to this Nation, aside from the lucky 7,000 club.

I wish to ask the Senator from North Dakota, I have heard this concept, talking about pay as you go, that the Democrats, when they came to control the Congress, would pay for any tax

cuts or any spending increases so it would not add to the national debt. So I wish to ask the Senator from North Dakota, I know he believes in it very passionately: Is this a pay-as-you-go proposal from the Republican side so that there is no net loss to future generations? Is this being taken care of by the Senator from Arizona offsetting it, for example, with an increase in taxes on maybe working people of this country, or some other group, or cutting spending in some other area?

Senator Conrad:

No, this is all put on the tab. This is all borrowed money.

Senator Durbin:

I thank the Senator.