

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

I have enjoyed listening to my colleagues describe this budget resolution. But it has nothing whatsoever to do with the budget resolution we have produced. It is a wonderful speech. It is the same speech they give every year no matter what the budget resolution says. But it absolutely has no attachment to what we have presented.

I hear this talk about the biggest tax increase ever in the world history. He said the same thing last year. And you know what happened. We have cut taxes. In fact, I have that chart too. It is very interesting because he gave precisely the same speech last year. It may have been exactly the same speech.

And what has happened with this Democratic-controlled Congress? Well, here are the tax cuts we have enacted, \$194 billion. After they said we were going to have the biggest tax increase in the history of the world last year, we have cut taxes by \$194 billion, with \$7 billion of revenue raised through loophole closers that have been enacted, loophole closers that, frankly, many of them supported to advance the legislation that was important to us all. But that is the record.

After the speech, the identical speech, virtually the identical speech he gave last year, that we were going to have the biggest tax increase in the history of the world--what is the record? We have cut taxes by \$194 billion, overwhelmingly on the middle class.

Now, let's look at this budget resolution. The green line is the revenue that is in our resolution. The red line is the President's. That is a very small difference, as you can see, a very small difference between the two. In fact, here is the difference: \$15.6 trillion of revenue in our resolution, \$15.2 trillion of revenue in the President's proposed budget. That is a difference of 2.6 percent. So I do not know what he is talking about when he is talking about the biggest tax increase in the history of the world. That has nothing whatever to do with our resolution.

In fact, our resolution has substantial tax relief. The Baucus amendment adopted on the Senate floor with bipartisan support extended the middle-class tax relief by providing for marriage penalty relief, by providing for extension of the child tax credit, by extending the 10-percent bracket.

We also provided alternative minimum tax relief to prevent 26 million people from being caught up in the alternative minimum tax, almost an eightfold increase from the number affected now. We have taken effective action to prevent that from happening. We have estate tax reform that will provide that only two-tenths of 1 percent of estates will face any taxes.

We provide for energy and education tax cuts. We provide for property tax relief, and we provide for extension of the popular tax extenders. All of that is done in this bill.

Now, there is a difference in revenue, as I indicated, a very modest 2.6 percent between what is in our budget resolution and what the President called for. Well, where are we going to get that revenue if we are not going to have a tax increase? Well, the first thing we do is go after the tax gap which is now estimated at \$345 billion a year. That is the difference between what is paid and what is owed, \$345 billion a year. If we got 20 percent of that amount alone we could meet our numbers with no tax increase.

But that is not the only place we can look because, as I have shown before on the floor of the Senate, this building down in the Cayman Islands called Ugland House, this little modest, five-story building is the home to 12,748 companies.

Now, I have said this is the most efficient building in the world. Think of that. That little building down in the Cayman Islands, and 12,748 companies claim they are doing business out of that little building. Of course, the only business they are doing in this building is monkey business because what they are doing is claiming they are doing business there in order to engage in tax avoidance. That is the business they are engaged in in Ugland House.

Now, if anybody doubts it, here is a recent story from the Boston Globe from March 6 of this year: Shell companies in Cayman Islands allow Kellogg, Brown and Root to avoid Medicare and Social Security taxes in the United States. What they have done down there this is the Nation's top Iraq war contractor until last year, a subsidiary of Halliburton, is to avoid paying hundreds of millions of dollars in Federal Medicare and Social Security taxes by hiring workers through shell companies based in this tropical tax haven.

Now, what we are saying is, let's shut down this kind of scam. How much is there? Well, the Permanent Subcommittee on Investigations said there is \$100 billion a year that is being lost to the U.S. Treasury in tax scams being run in these offshore tax evasion schemes. So if you have \$345 billion a year in the tax gap, money that is owed that is not being paid, and the vast majority of us pay what we owe, it is outrageous that some are getting away without paying what they owe. And our argument on our side is that we ought to go after those folks who are not paying what they owe and are cheating all the rest of us.

On our side we say: Let's shut down these offshore tax havens that are costing us another \$100 billion a year, these tax scams that are cheating all of the rest of us. You add those two together, that is \$445 billion a year.

Again, now we need less than 20 percent of that in order to completely close this revenue gap.

But it doesn't end there, because I have shown this chart on the floor of the Senate too. This is a picture of a sewer system in Europe. What does a sewer system have to do with the budget of the United States? We have companies in America buying European sewer systems to write them off on their books to reduce their taxes here. Then they lease the sewer systems back to the European cities that built them in the first place. Is that unbelievable? Our friends on the other side don't want to do anything about that. They don't want to shut that down. They think

that is OK. We don't. We think that should be shut down. This is another tens of billions of dollars a year in these types of tax scams.

We have things we have done to try to shut down some of these operations. We have put these in bills that the President has threatened to veto. This is almost hard to believe, but this is what has been going on. We proposed shutting down these scams. One of the things we propose is codifying economic substance, prohibiting transactions with no economic rationale done solely to evade taxes. We proposed shutting down schemes to lease foreign subway and sewer systems and depreciate their assets on the books of the United States to avoid taxes here. We have proposed ending deferral of offshore compensation by hedge fund managers trying to avoid taxation in this country. One of those people, by the way, earned over \$1 billion last year alone. And there is not just one; there are many of them who earned over a billion dollars a year last year. Then they cook up a scheme where they move their money offshore to avoid paying taxes in this country and stick all the rest of us with the bill. We have said no, let's shut that down. The President has threatened to veto that.

We have talked about expanding broker information reporting to prevent this evasion and taxing people who leave this country and give up their citizenship to evade taxes they owe here. As unbelievable as it may sound, we have people who give up their U.S. citizenship, go to one of these tax havens and say: We don't owe any taxes in America because we don't live there anymore. We are no longer a citizen of that country. We are now down in the Cayman Islands or another one of these tax havens.

In fact, I went on the Internet. It is amazing to go on, put in "offshore tax havens." Punch that in and then do a search. You will get over 1 million hits. One of my favorites is "live offshore in a luxury yacht, never pay taxes again." This is the kind of scam that is going on. We say shut it down. If we only got back 15 percent of the money in the tax gap--not 50 percent, 15 percent--if we got back 15 percent of this tax gap, of these abusive tax shelters, we could meet our numbers with no tax increase.

Remember, in our resolution, we have hundreds of billions of dollars of tax reduction on middle-income people, because we have extended all the middle-class tax cuts. That is what this resolution does. The other side doesn't want to do that. What they want to do is make sure to protect the wealthiest among us. They want to protect those who are engaged in these scams. I don't know why they want to. I don't get it. But that, apparently, is their position. They are going to have to defend it.

As I have indicated, there is no assumed tax increase in this budget resolution--none. There are substantial tax reductions, hundreds of billions of tax reductions.

I will end as I began. Last year the Senator on the opposing side gave the same speech, that our budget resolution had the biggest tax increases in the history of the world. Here is the record. Now we can look back and we can see what happened. Did Democrats increase taxes? No. Democrats cut taxes by \$194 billion. In fact, people all across the country are getting checks from the Federal Government right now that represent those tax reductions enacted and, by the

way, enacted on a bipartisan basis. The President signed the bill. So people know they got a tax reduction from Democrats when we have been in control of Congress this year, because they are getting the checks in the mailbox right now.

After the Senator asserted last year we were going to have the biggest tax increase in the history of the world, it didn't happen. There wasn't any tax increase. Instead, there were tax reductions.

There is no tax increase in this budget resolution either. None. None is assumed. We don't need any to meet the revenue numbers which are only 2.6 percent more than the President's revenue numbers. In fact, we have substantial middle-class tax relief. The middle-class tax relief that is in this package is right here. We extend the middle-class tax provisions that provide marriage penalty relief. We extend the important child tax credit. We extend the 10-percent bracket that provides such good relief to middle-income people. We have provided for relief from the alternative minimum tax. We have provided for estate tax reform. We have provided energy and education tax cuts, property tax relief, and the popular tax extenders. All of that tax relief is in this package.

I hope our colleagues will reject the assertion that is in the Senator's motion because it bears absolutely no relationship to the budget resolution before us.

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Well, Madam President, it is the same song, second verse. Again, it is words. It is no wonder our friends on the other side have lost three congressional elections in a row because they keep chanting the same mantra that has no relationship to reality. These are the exact same speeches they gave last year: biggest tax increase in the history of the world.

Now we can come and we can check the record. We do not have to guess; we do not have to suppose; we do not have to engage in make-believe. We can look at the record. Here it is: Democrats lowered taxes by \$194 billion. If you are listening, you do not have to wonder if that is true. All you have to do is go to your mailbox because all across America people are getting checks from the United States that represent the tax cuts Democrats in Congress passed. So this is not a question; this is a matter of fact. Democrats cut taxes \$194 billion. Those are not my numbers. Those are the numbers from the Congressional Budget Office.

All of this talk about big tax increases is just talk. It has no relationship to this budget and no relationship to last year's budget. It has no relationship to this year's budget.

I present the factual record. It is as clear as it can be. We lowered taxes \$194 billion in the year under the budget resolution we passed last year.

### **Concluding Statement Prior to Vote**

I will be happy to go first. The Senator is talking about this being the biggest tax increase in history. That is the same speech he gave last year. We can now check the record and see what actually happened and, lo and behold, there was not the biggest tax increase ever. In fact, there was no tax increase. In fact, there were tax cuts. The Democrats in both Houses of Congress cut taxes by \$194 billion.

In this legislation before us, we have no tax increases. We have additional tax reductions. Included in this resolution are the middle-class tax cuts, the marriage penalty relief, the child tax credit, the 10-percent bracket, further alternative minimum tax relief, estate tax reform, energy and education, property tax relief, and extenders.

The difference in revenue, which is only 2.6 percent between our bill and the President's, can completely be met by closing down these offshore tax havens, abusive tax shelters, and aggressively going after the tax gap, the difference between what some owe and what they are failing to pay.