



<http://finance.senate.gov>
Press_Office@finance-rep.senate.gov

Statement of Senator Chuck Grassley
Futility of Another Vote on Extenders Bill
Wednesday, July 30, 2008

The great baseball philosopher Yogi Berra said, “It’s deja vu all over again.” Well, here we are, after the fourth failed vote on the motion to proceed to the tax extenders bill, and it’s deja vu all over again, AND AGAIN AND YET AGAIN.

The futility of this exercise, which is motivated purely by partisan politics, makes this vote as silly as a Three Stooges episode. Instead of wasting time on such a silly exercise, the Senate Democratic Leadership should be working on negotiating a bipartisan deal with the Senate Republicans that can be signed into law by the President. The American people do not want another futile vote on tax extenders, they want a bill that will be signed into law. The American people want tax relief.

Today’s extenders vote has now failed four times in the last month. Albert Einstein famously stated that the definition of insanity is doing the same thing over and over again and expecting different results. The Senate Democratic Leadership had already done the same thing three times, and today they did it for the fourth time. This is a waste of time. See through the Senate Democratic Leadership strategy for what it is. It is a purely partisan political exercise designed solely to get a 30-second sound bite for a political ad. Stop this nonsense. Let’s work out a bipartisan compromise on a tax extenders bill. Let’s reach agreement in a form that can be signed into law by the President. This is what the Senate Republican Leadership has been trying to do.

The Senate Republican Leadership has made numerous offers to the Senate Democratic Leadership to try to find a way to break the logjam on tax extenders. So far, our colleagues on the other side of the aisle have been unwilling to enter into a bipartisan agreement on a tax extenders bill that even attempts to address Republican concerns.

As the Senate Democratic Leadership engaged in pure partisan politics by bringing the tax extenders bill up for yet another vote, the Chairman of the Democratic Senatorial Campaign Committee grinned like a Cheshire cat, thinking about all the 30-second campaign ads he will make. However, the American people are not grinning, because they are not getting the benefit of any of these tax relief provisions. All of the tax relief provisions that are very important to the American

people are being held hostage as part of the political game the Senate Democratic Leadership is playing.

Some of these important tax relief provisions are the Alternative Minimum Tax (“AMT”), patch, the deduction for state and local sales taxes, the deduction of tuition expenses, and the deduction for expenses of school teachers. According to the non-partisan Congressional Research Service, without the enactment of an AMT patch this year, over 24 million American families will be hit with the unfair AMT this year. It would help over 338,000 New Yorkers.

The provision for the deduction of state and local sales taxes would help almost 11 million Americans. Also, the deduction of expenses for tuition and fees would help over 4.6 million Americans. In addition, the deduction for expenses of school teachers would help almost 3.4 million Americans. These hard-working taxpayers are more important than a 30-second sound bite to be used in a political campaign.

The biggest divide between Republicans and Democrats regarding tax extenders relates to offsets, also known as revenue raisers or tax increases. Senate Republicans’ position has been clear on this issue. We are perfectly willing to use offsets that make sense from a tax policy perspective to pay for new tax policy. However, tax relief provided by extending existing tax policy—so called expiring provisions--should not be offset. We should not be raising taxes in order to pay for the extension of existing tax policy.

One reason I care about this issue is that there is currently a bias in favor of growing the size of government. The pay-go rules apply to expiring tax provisions, which are not built in to the revenue baseline. On the other hand, expiring spending provisions ARE built in to the spending baseline. Therefore, in order to extend expiring tax provisions, the pay-go rules require an offset, which is a tax increase.

In contrast, the extension of expiring spending provisions do not need to be paid for by decreased spending in other areas, because they are assumed in the spending baseline. Therefore, the pay-go rules apply to the extension of expiring tax provisions, but do not apply to the extension of expiring spending provisions. This inconsistent treatment makes no sense. It is biased to create ever-larger government. The money the American people earn is their money. We should only take the money from them that we truly need to run our government.

In addition, the Democrats’ desire to use permanent offsets to pay for an extension of temporary tax provisions is extremely problematic. It creates a situation where the permanent offsets that can be agreed to on a bipartisan basis – in other words, the low-hanging fruit – all get used up to pay for the extension of temporary tax provisions. Under the Democrats’ tax-side only pay-go obsession, once all the low-hanging fruit is used up, and we are rapidly approaching this point, then the choice becomes much uglier for them. And much uglier for the American taxpayer. The choice becomes whether or not to extend existing tax policy that has broad support by increasing taxes in other areas that will hurt the American people.

Nobody advocates the inconsistency in the pay-go rules more than the famed Blue Dogs. The Blue Dogs portray themselves as fiscal conservatives. We agree with the Blue Dogs’ goal of

fiscal responsibility. They'll have allies over here on this side of the aisle if they want to control spending. The problem is the Blue Dogs are pursuing the same old tax-and-spend game under the cloak of fiscal responsibility.

The Blue Dogs will fight tooth and paw over any tax relief that is not offset with a corresponding tax increase.

However, those same self-described fiscally-conservative Blue Dogs will not dare seek to curb their huge appetite for spending. The Blue Dogs generally do not seek to offset spending increases with spending cuts in other areas. In fact, the Blue Dogs do not even seek to curb the amount of spending increases that they hunger for.

By portraying themselves as fiscal conservatives, while in reality playing the same old tax-and-spend game, the Blue Dogs remind me of the Land Shark character played by Chevy Chase on Saturday Night Live many years ago. In the Land Shark skit, with the theme from Jaws playing in the background, the Land Shark knocked on a person's door. With the door still closed, the person would ask who was at the door, and the Land Shark would reply "flower delivery." The person answering the door then said, "You're that clever shark, aren't you?" and the Land Shark said, "Candygram" in response.

Well, if you don't know how the skit ended, the person eventually let the Land Shark in the door because that person believed the Land Shark when the Land Shark said he was a dolphin. And yes, the Land Shark ate that person. So the moral of the Land Shark story is don't let yourselves be fooled that the Blue Dogs are fiscal conservatives, because they are really pursuing the same old tax-and-spend Washington game. Don't let the Blue Dogs' insatiable appetite for spending swallow the much-needed tax relief contained in the tax extenders. I recommend that folks take a look at the cover story of the June 14, 2008, edition of the National Journal magazine about the Blue Dogs—it is very enlightening.

In trying to reach a bipartisan agreement on tax extenders, the Senate Republican Leadership has made several offers to the Senate Democratic Leadership. One of these offers is to pay for some new tax policy using offsets that make good tax policy sense. This is not simply a vague promise to look for such offsets. For instance, I've suggested that we could use the offset that closes the loophole that allows hedge fund managers to defer compensation in tax haven jurisdictions.

However, we need to remove the huge charitable loophole that is contained in both the Democratic House and Senate extender bills. This charitable loophole allows hedge fund managers to deduct 100% of their deferred compensation that is donated to charity. In contrast, ordinary Americans are only permitted to deduct charitable contributions of up to 50% of their income for the year. Everyone is obviously in favor of charity, but treating wealthy hedge fund managers better than your average American makes no sense from a tax policy perspective.

Also, the Senate Republican Leadership suggested that some of the other new tax policy could be paid for by decreasing the scheduled increase in new spending. Let me be clear—we did not suggest any spending cuts—we suggested that our colleagues on the other side of the aisle consider decreasing the amount of new unspecified non-defense discretionary spending. The non-

defense discretionary spending that has been authorized in the budget is \$350 billion greater, over the next ten years, than the President's Fiscal Year 2009 budget.

This extra \$350 billion is like an extra checkbook that Congress is carrying around in addition to the already fat checkbook. This checkbook covers non-discretionary spending and current levels of discretionary spending. We simply asked that they take a few checks out of this extra checkbook over the next ten years to help pay for part of the needed tax relief provided in the tax extenders package.

However, this suggestion was summarily dismissed. My colleagues on the other side of the aisle are unwilling to even consider decreasing their increased non-defense discretionary spending that is above the President's budget. If the Blue Dogs are really fiscal conservatives, they should come out and say they are willing to decrease this increase in new extra non-defense discretionary spending. Instead, the Blue Dogs' position has been that all of the tax relief provided in the tax extenders package, even just the extension of existing tax policy, must be offset by an equal amount of tax increases. Why not look at curbing this new excess spending to pay for part of this much-needed tax relief? I invite my Blue Dog friends, who claim to be fiscal conservatives, to answer that question.

Getting back to Yogi Berra -- he also said, "It ain't over til it's over." This extenders vote failed because our colleagues on the other side of the aisle have refused to negotiate toward a bipartisan bill that can be signed into law. Because of the Senate Democratic Leadership's doomed plan, this extenders discussion ain't over. Let's get this over with. Let's negotiate toward a bipartisan agreement that can become law so that the American people will benefit. So far, the Senate Democratic Leadership has not done that. For that reason alone, people were right to vote no on cloture.