



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Response to partisan attacks on the tax bill
Da: Thursday, May 11, 2006

Two Democratic members of the Finance Committee are holding a news conference to criticize Republican tax conferees for “deleting the college tuition tax deduction from the final tax reconciliation bill in favor of \$5 billion worth of tax breaks for big oil companies.” Sen. Chuck Grassley, chairman of the Finance Committee, and chairman of the House-Senate conference on the tax bill, made the following comment on these attacks.

“This is political manipulation of the facts at its worst. People hear what they want to hear and believe what they want to believe. Here are the facts. No one is abandoning the extension of the college tuition tax deduction. I’ve said many times, and I’ll say again – the extension of the college tuition tax deduction will go in a second tax bill that will be finalized and voted on as soon as possible. Chairman Thomas and I have a clear understanding that the second tax bill will contain an extension of the college tuition tax deduction and an extension of other popular provisions, including the research and development tax credit and the tax break for teachers buying supplies for their classrooms. It’s ridiculous to claim that I’d abandon the college tuition deduction. I’m responsible for that deduction. I developed it and included it in the 2001 tax relief bill my Finance Committee passed a few months after I became chairman. The deduction became law. That was one of eight education provisions that became law in the 2001 tax bill.

“On the claim that Republicans are interested only in tax cuts for the rich, remember, the same 2001 law created the new 10 percent tax rate for income that had been taxed at 15 percent. That’s of great value to low-income taxpayers. The new 10 percent tax rate cost \$421 billion over 10 years. The college tuition deduction alone cost \$9.9 billion over three years. It’s meant to help low- and middle-income families afford college for their kids. All of these facts are in black and white on the non-partisan Joint Committee on Taxation’s website. Five minutes of research is all it takes to get the facts. The senators who think we’re abandoning the extension of the college tuition deduction can rest easy. They’ll have the chance to vote on it very soon.

“On the criticism that Republicans are giving ‘\$5 billion worth of tax breaks for big oil companies’ – that’s just completely, factually wrong. The oil companies aren’t getting a \$5 billion tax break. The tax reconciliation bill takes away the oil companies’ tax break for geological and geophysical costs. They have been spared at this time a \$4.3 billion tax increase because we decided not to repeal the last-in, first-out (LIFO) accounting change for oil companies. We stepped back to take a comprehensive look at LIFO – which industries use it, to what extent, and whether it should be

repealed for every industry. I intend to hold a Finance Committee hearing on LIFO in the coming months. In sum, senators have the right to criticize the tax bill. All I ask is that they're intellectually honest about it."