United States Senate
Committee on Finance

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Opening Statement of Senator Chuck Grassley
Senate Floor Debate on the Fiscal Year 2008 Budget Resolution
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Mr. President, over the last six years, I've had the privilege of working with Senator Domenici, former Senator Nickles, Senator Gregg, and Senator Conrad, each in his capacity as chairman of the Budget Committee. While we did not always agree on every issue, by and large, there was coordination between the Budget Committee and the Finance Committee.

Those efforts generally led to a budget resolution that provided the necessary resources to allow the Finance Committee, usually in a bipartisan manner, to realistically address the demands of tax, trade, health, and welfare policy. But this year was different.

The people spoke in November, and for the first time in 12 years, the Democrats are in the majority and in control the Congressional budget process. As Ranking Republican on the Finance Committee, I was not consulted by the Chairman on this year's budget resolution. Unfortunately, after reviewing this resolution, it is abundantly clear that it does not realistically address the needs of the Finance Committee.

Despite claims to the contrary, this budget does not provide for even one year of AMT relief, let alone two years, or even a one year extension of provisions that will expire this year. So this budget puts the burden on the Finance Committee to come up with the offsets to pay for AMT relief and extenders.

Press reports have largely echoed the defenders of this resolution on the needs of the Finance Committee. I would strongly suggest that media folks take a careful look at the claims of the Democratic Leadership and see how they stack up to the cold hard numbers and the operating history of the Finance Committee on these policy areas.

Let's turn to those numbers. Over the five-year budget window, going out to 2012, keeping existing policies in place will have a revenue effect of about $916 billion. This includes AMT relief, extension of the bipartisan 2001 and 2003 tax relief, and extending other broadly supported expiring provisions. In the aggregate, this budget provides no resources for extending these policies over the 5-year window.

As a farmer, I'd like to think we country folks can teach city folks a lesson or two by referring to country sayings and metaphors. Although I'm going to be using numbers, you'll recognize some rural touchstones in the charts I'm using.

The first chart involves the method a lot of us farmers use to get our water. Mr. President, you'll see a well in this chart. Here's the top of the well. You can see it is a long well and there's some water way down there at the bottom. But most of the well is dry.

At the top of the well, you'll see the number that represents a rough, and it is probably a bit on the low side, but, rough amount of the revenue raisers this budget assumes the Finance Committee will find. Put another way, this budget puts the burden on the Finance Committee to come up with $916 billion in offsets over 5 years, just to pay for extending existing tax policies that expire during that period. And that doesn't include any new starters, like tax relief to encourage renewable energy, or education, or healthcare. So, this budget assumes the well of revenue raisers is full to the brim.

Now, as a farmer, I know something about the predictability of well water. You hope you'll get rain and it'll give you a decent level of well water. And as a former Chairman and now Ranking Member of the Finance Committee, I know something about revenue raisers. I've been there and done that.

When I was Chairman of the Finance Committee, I aggressively lead efforts to identify and enact sensible revenue raisers aimed at closing the tax gap and shutting down tax shelters. And as Ranking Member, I continue to look for ways to shut off unintended tax benefits. So I consider myself to be a credible authority on what is realistic when it comes to revenue raisers. From 2001 through 2006, Congress enacted over 100 offsets with combined revenue scores of $1.7 billion over 1 year, $51.5 billion over 5 years, and $157.9 billion over 10 years. That figure is reflected on this chart.

To show you I'm not making this up, I'm going to ask unanimous consent to insert in the record a table that shows the track record on enacted offsets. I would note that these numbers are conservatively high, because they include the repeal of FSC/ETI to comply with the ruling of the World Trade Organization, which could not have been done without also providing tax relief with the manufacturing deduction.

The legislation that contained these provisions spans a few years, so they don't correspond on a year by year basis. But the point here is to look at what Congress was able to accomplish over a 6-year period as evidence of what it might be able to accomplish over this budget's 5-year window. Some might say it's an apples to oranges comparison, because the House was under Republican control during that period. But, as we are seeing, Democratic control does not seem to have changed the House's allergic reaction to revenue raisers. During the mark-up, while the Chairman of the Budget Committee was holding up his chart with a picture of a German sewer system that U.S. companies are claiming phony depreciation deductions on through abusive leasing transactions, the Chairman of the Ways and Means Committee was holding a hearing and sympathizing with lobbyists about how it is bad tax policy to shut off these tax benefits.

The most significant package of revenue raisers over this period was in the American Jobs Creation Act of 2004. I took a lot of heat for those revenue raisers, as shown in a Congress Daily article, titled "Balance of Payments: A Closer Look At Tax Bill Losers." This article refers to the revenue raisers in the Senate-passed JOBS bill as "the most significant rollback of tax loopholes since 1986." I ask that this article be inserted into the record.

So, looking at the 5-year number, Congress has enacted $51 billion of revenue raisers since 2001. That's only about 6 percent of the amount that's needed to make this budget work, without regard to any new tax relief, which will also have to be paid for.

What other revenue raisers have been identified and scored? The President's budget contains a package of 16 tax gap measures that JCT scores as raising $5.7 billion over 5 years. You'll see that figure reflected in the chart. The Democrats have identified raisers that amount to $35.6 billion. So that's $41.3 billion of identified and scored revenue raisers. That's only about 5 percent of the amount that's needed to make this budget work.

Based on these facts, the likelihood that the Finance Committee will be able to come up with revenue raisers of this magnitude is remote, at best. If that's the case, what will happen? The revenue side of the budget will be ignored, but the spending side will be followed. The net effect will be a massive tax increase, a bigger deficit, or both.

So, Mr. President, I'm letting you know the revenue raising well is about 5 to 6 percent full. If you look at the Finance Committee tax staff's aggressive record on revenue raisers as a guide, we might be able to fill the revenue well a bit more, but there is no way we can get to where this budget purports to go.

In conclusion, this budget represents a dramatic step backward for the American taxpayer. For the first time in 6 years, the budget is a barrier, not a path, for bipartisan tax relief for virtually every American taxpayer. I have another chart that uses a farm analogy. We farmers are frequently visited by Canadian Geese as they fly South for the winter or come North in Spring. Geese are not like chickens in that they don't hang around to lay eggs. Here is a chart with a goose on it. This chart shows that the budget guarantees a goose egg for tax relief.

City folks know the term goose egg means zero. For the first time in six years that's what the American public is getting in guaranteed tax relief. A goose egg, Mr. President. That's what they're getting. Zero, zip, nothing, Mr. President. So, take a look at our track record. Take a look at the revenue offsets Senate Democrats have identified and scored. What you'll see is a minimal amount. This budget puts an unrealistic demand on the revenue offsets that are possible. The well of offsets cannot be filled to the level the budget assumes. It is so unrealistic as to be fictitious. It means virtually every taxpayer gets a goose egg.

Now, for six years we've heard the primary reason for partisan opposition to popular bipartisan tax relief is fiscal responsibility. Where's the fiscal responsibility on the spending side of the ledger of this budget, Mr. President? If you take a look, you'll see that goose egg again. So, after six years of these fiscal responsibility arguments, you'd think that, if the American taxpayer was going to get a goose egg in tax relief, the party in power would show us more than a goose egg on the spending restraint side. Not so, Mr. President. As a matter of fact, spending goes up several hundred billion.

As Ranking Member of the Finance Committee, I'm sorry to say this budget doesn't even attempt to mesh the demands of the Finance Committee with the numbers in this budget. From a Finance Committee perspective, we might as well just write 60 vote bills designed to ignore the budget.

I hope deficit hawks on both sides of the aisle are paying close attention. The only thing certain here is that the new spending will occur. The deficit impact of not realistically dealing with the tax, trade, and health policy spending priorities of the Finance Committee disguises the deficit built into this budget.

Mr. President, I will have more to say on this disconnect between the Finance Committee policies and this budget as we debate this budget in the coming days. Today, I wanted to let the Senate know how the numbers on the revenue side don’t work. As we take up amendments, I’m hopeful that we can make this budget mesh with the Finance Committee’s policy demands.