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Floor Statement of Sen. Chuck Grassley
A Trigger and a Tax Hike on the American People
Delivered Wednesday, May 9, 2007

Mr. President, press reports indicated we may be in the ninth inning of the budget season. The President sent his budget up to Capitol Hill over three months ago. The Senate Budget Committee marked up a budget resolution. It passed the Senate. That resolution lays out the Democratic Leadership fiscal priorities for the next five years. As everyone knows, the American People spoke last November and sent a Democratic Majority to both Houses of Congress. For the first time in 12 years, Democrats have the privilege and the responsibility for our budget.

The Senate spoke very clearly in support of some tax relief. The voice came in the form of the Baucus amendment. My friend, the Chairman, secured \$180 billion to prevent part of the big tax increase that will go into effect on January 1, 2011. Although the Baucus amendment only provides 44 percent of the tax relief room needed, it is far superior to the House position. The House position is zero tax relief. That's right, Madam President, zero tax relief. Zero tax relief means a total tax increase of \$936 billion over 5 years. That's the largest tax increase in history and one that occurs without a vote of Congress.

That tax increase means real dollars out of the wallets of real middle income families. I've got a chart here. The chart shows a wall of tax increase. This chart shows that a family of four at \$40,000 will face a tax increase of \$2,052. Now, for a lot of my rich liberal friends that may not seem like a lot of money. For a hard working family of four in Iowa, that \$2,052 matters.

As a senior Republican member of the Budget Committee, I've not been consulted on the budget by our Chairman, but I've made my views clear to our distinguished Chairman. What I know about the budget I've learned from press reports. If those reports are true, I'd encourage the Chairman and Senate Leadership to stand strong for the Senate position.

Press reports indicate that the Democratic Budget Committee chairmen are working on a compromise that would condition the tax relief on a surplus. That is, the Baucus amendment would be subject to a trigger. Now, Madam President, what's a trigger?

I have another chart. This chart deals with perhaps the most famous trigger. The chart shows

“Trigger,” the cowboy actor, Roy Rogers’, horse. You can see from the chart that Trigger is a pretty impressive-looking horse. Would definitely like to have Trigger on my farm to help with the chores. Am sure my grandkids would want to ride him if Trigger were stabled on my farm.

As Western movie buffs know, Trigger is no longer with us. Trigger is stuffed and on display at the Roy Rogers-Dale Evans Museum in Branson, Missouri. Although Trigger was an impressive- looking horse, this trigger device the Democratic Leadership is looking at is not impressive.

The trigger notion is something that has a long history with the Democratic Leadership. Back in 1996, the Clinton Administration and Democratic Leadership argued for a trigger for the \$500 per child tax credit and other family tax relief proposals. They took this position after President Clinton had vetoed the bill containing the family tax relief proposals. If the Clinton Administration and the Democratic Leadership had prevailed, millions of American families would have received the \$500 per child tax credit perhaps in 1999 through 2001 only. If President Clinton and the Democratic Leadership had won and the trigger were in place, millions of families would have lost the child tax credit in the years 2002 to now.

The same dynamic occurred in 2001. With surpluses, the Democratic Leadership opposed broad-based bipartisan tax relief, including a doubling of the \$500 per child tax credit. One of the ideas the Democratic Leadership flirted with was a trigger. There were a few Republicans attracted to the idea.

The trigger was debated somewhat, but never found to be workable. It is a complicated matter. It could be suggested that the mechanics of a broad-based tax trigger are like trigonometry. Trigonometry is a division of mathematics that deals with triangles. It is simple on its face, but as you can see from this text book, can become complicated quickly.

Interweaving the complexity and uncertainty of triggered tax relief with the vast American economy could lead to a new term. That new term would be “trig-o-nomics.” As much as folks complain about uncertainty and complexity in tax policy, I don’t think the Democratic budget negotiators should want to take us to the land of trig-o-nomics.

To some degree, the current law sunset of the 2001 and 2003 laws is a de facto trigger. If you look at those in opposition to permanence of the bipartisan tax relief, you’ll find that it is, with very few exceptions, the same folks who like triggers.

The tax system is a very complex and pervasive force in our society. It affects all Americans and all economic activity. Creating conditional tax relief through a trigger mechanism would destabilize an already unwieldy tax system. How are families, businesses, and investors supposed to plan their affairs with a trigger hanging over current law tax rules that keep taxes low? Think about that, Madam President. What would we be doing to the hard-working American taxpayer?

As an aside, those taxpayers, by the way, are sending record amounts of revenue to the Treasury. The bipartisan tax relief plans of 2001 and 2003 are growing the economy. Revenues are ahead of projections by double digit figures for the third year in a row. It’s there in the black and

white of Treasury and CBO reports. The American taxpayer is doing his and her part to reduce the deficit. I ask unanimous consent to insert in the record a couple of articles from the BNA Daily Report for Executives, one dated May 3, 2007, and another dated May 7, 2007.

So, why a trigger on tax increases, when the current law tax levels are bringing in plenty of money to the federal Treasury? It makes no sense to punish the American taxpayer.

The biggest problem I have with a trigger is that it creates yet another budget process bias for higher federal spending. If Congress decides to spend more than planned, the trigger gives the American taxpayer the shaft. Spending taxpayers' money trumps future promised tax relief if a trigger is in place.

The American taxpayer need look no further than the budget resolution conference to see triggered future tax relief's futility. After winning the November elections by claiming to enforce fiscal discipline, Democrats have done three things with the budgets in conference. One, they've guaranteed new spending of at least \$205 billion over the budget baseline. Two, with multiple reserve funds, they've set up many arenas of new spending and new taxes. Three, for the first time in six years, a tax hike on virtually every American taxpayer is built into the budget in future years. Did the American People know that this was how fiscal discipline would be defined after the votes were counted? Higher taxes and higher spending? Did the American People vote for this definition of fiscal discipline in last year's campaign? My guess is the answer is the American taxpayer didn't think fiscal discipline meant higher taxes and higher spending.

If fiscal discipline were the real goal of the Democratic Leadership, they'd employ a trigger on the new spending they've baked in the budget cake. Madam President, how about that? The new spending in this budget would only be triggered if the federal budget were in surplus. Do I have any takers among the Democratic budget negotiators?

Madam President, before the Democratic Leadership rolled out its budget, I challenged them to show a proposal with a single dollar of spending restraint dedicated to deficit reduction. It's a challenge I've issued for several years as bipartisan tax relief has been attacked on fiscal discipline grounds. My challenge has not been met. If you go back a decade, you won't find a proposal for spending restraint from the Democratic Leadership. Check the record. You won't find anything on the spending side of the ledger.

The use of a trigger is more evidence of this obsession with taxing and spending. Instead of accepting the Baucus amendment, which is supported by strongly-bipartisan votes in both bodies, the Democratic negotiators are taking a different path. They want to use a trigger as cover. The trigger will likely mean future Democratic spending proposals will gut future tax relief, thereby guaranteeing a tax increase on virtually every American taxpayer.

Madam President, it's not too late. I suggest that, if the Democratic budgeteers want to talk the talk of fiscal discipline, they need to walk the walk of fiscal discipline. Apply the trigger. But apply it to the \$205 billion in brand new spending. Don't build a wall of tax relief on America's families. Build a wall of fiscal discipline against runaway federal spending.

