



Statement by Senator Dianne Feinstein on the Tax Reconciliation Bill

November 18, 2005

“I voted to support the \$59.6 billion tax reconciliation bill because it was an important and necessary step to provide tax relief for middle-income Americans and their families.

The bill was far from perfect. And during the course of the debate, I attempted to roll back the President’s tax cuts for millionaires and eliminate a multi-billion dollar tax break for the nation’s biggest oil companies. In the end, however, I supported the legislation because it provided relief to millions of Americans in need, including victims of the Katrina and the other hurricanes that caused so much devastation this year.

Let me be clear that I remain deeply concerned about what will happen to this bill in conference committee. There is already talk of stripping some of these items and adding billions in tax cuts for the wealthiest Americans. If this happens, I will strongly oppose the final bill.

Here’s what the bill does:

- Provides a temporary one year reform to the Alternative Minimum Tax, which ensures that 15 million more middle-income Americans won’t be subject to heavier tax burdens of the Alternative Minimum Tax, including 2.5 million Californians.
- Extends valuable tuition tax credits to help families pay for their child’s education, including increased awards for the Hope Scholarship and the Lifetime Learning Credit, which allows middle-income families to deduct up to \$4,000 they pay for a child’s college tuition.
- Extends the Savers Credit, which provides temporary credit for contributions to qualified retirement plans – including Roth IRAs.
- Increases incentives for charitable giving, which allows both those who itemize and who don’t to deduct charitable donations, thereby ensuring that Americans can continue to be the most generous people on earth, and respond to tragedies like the tsunami in South East Asia and Hurricane Katrina.
- Provides extensive tax relief for victims of Hurricanes Katrina, Rita and Wilma, including an increase in funding for low-income housing and a new-markets tax cuts

which will assist with rebuilding efforts.

- Extends the Research and Development Tax Credit, which provides incentives for small businesses and cutting edge hi-tech firms to create new innovative products.

The bill currently being considered by the House of Representatives includes several provisions that I believe are the wrong policies at the wrong time. Most troubling is a proposal to extend the reduced rates for capital gains and dividends at a cost of \$20 billion.

Three-quarters of the 2003 capital gains and dividends tax break passed by Congress have served Americans earning more than \$200,000 per year. The average millionaire will receive a \$37,962 tax cut from capital gains and dividends in 2005. Meanwhile, the average taxpayer earning less than \$75,000 will receive a \$13 dollar tax cut. Also, since these tax breaks do not lapse until Dec. 31, 2008, no action is needed now.

When I came to the Senate in 1992, the National debt was \$4 trillion. In the late 1990s, we finally began to pay it down. Finally, by 1998, we achieved the first budget surplus in 29 years. By 2001, the 10-year projected budget surplus was \$5.6 trillion. Now, less than five years later, record surpluses have been turned into the largest deficits in history.

This year the trend is the same. The Federal budget deficit will reach \$515 billion when all trust funds are included. That means over half a trillion dollars will be added to the National debt – a National debt that has already exceeded \$8 trillion.

These are not just numbers. These figures represent the check we are leaving for our children to pay. A check that will handicap their quality of life by keeping interest rates high, slowing down the economy and limiting job creation.

As debt and deficits grow, there is another dimension. Currently, the U.S. owes more than \$680 billion to Japan, \$390 billion to the European Union, \$240 billion to China, and \$57 billion to OPEC nations. Meanwhile, interest payments are multiplying. Just last month, we paid \$19 billion in interest alone.

The end result is that America loses independence as it becomes more dependent on other nations to buy our debt. So it's absolutely critical that we get our fiscal house in order.

But while I believe it is a top priority to roll back the tax cuts for the wealthiest Americans, I also believe Congress should proceed with this legislation. It is not a boon for the wealthy. Instead it will help low- and middle-income Americans just trying to get by each month. It is on their behalf that I voted for this bill.”