



Feinstein Opposes Tax Cut Bill, Urges for More Equitable Tax Relief

-Tax breaks would benefit the wealthiest Americans at the expense of middle- and low-income families-

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Washington, DC – U.S. Senator Dianne Feinstein (D-Calif.) today opposed a package of tax cuts that would provide billions of dollars in breaks to the wealthiest of Americans, while offering virtually no benefit to middle-class and low-income households. Senator Feinstein expressed concern that while millionaires are reaping huge benefits, education programs, job training assistance, food stamps, and law enforcement programs are facing huge budget cuts.

This conference report reflects misplaced priorities. It exacerbates an already serious deficit. It certainly exacerbates the national debt. And most importantly, it is not equitable,” Senator Feinstein said. ***“At a time when most American families are struggling to meet the rising cost of living, we should be taking constructive steps to provide targeted tax relief to those who need it most.”***

Senator Feinstein is urging a more balanced approach to tax policy in order to restore a program of fiscal responsibility. She asserted that debt-financed tax breaks, to those who do not need them, fail to serve the interests of all Americans, ultimately harming the U.S. economy, jobs, and the U.S.’s ability compete internationally.

Following is the statement Senator Feinstein made on the floor of the Senate today, as delivered:

“Madam President, I don't think any single bill or issue more delineates the difference between the Democratic and Republican Parties today than this bill and the issues it contains.

I would like to respond to the Senator from New Hampshire. He talked about how good this was for job creation. Under the Clinton administration, 23 million new jobs were created. So far, 2.6 million jobs have been created under President Bush. Take a look at the difference between the two in jobs and also in debt. These are the early years of Clinton, up to 1997. Look at the blue. That is all surplus: \$69 billion, \$126 billion, \$236 billion, \$128 billion. These are the years under George Bush, the deficit: \$158 billion, \$378 billion, \$412 billion, \$318 billion, and \$350 billion. So far, the tax cuts have cost \$1.9 trillion.

I believe this conference report reflects misplaced priorities. It exacerbates an already serious deficit. It certainly exacerbates the national debt. And most importantly, it is certainly not equitable.

At a time when most American families are struggling to meet the rising cost of living, we should be taking constructive steps to provide targeted tax relief to those who need it most. We are not doing that. You would think this package of tax cuts might take steps to alleviate some of the financial strain. Instead, the bill offers no benefit to middle-class and low-income households. These provisions have been removed in favor of billions of dollars of additional tax cuts for the wealthiest Americans. Unfortunately, this conference report does not resemble the bill that left the Senate earlier.

Today, Americans deal with record gas prices. It is \$3.40 a gallon in some areas in California. The conference committee chose not to require more from big oil companies, even as corporate profits hit a record \$1.35 trillion last year, now accounting for the largest share of national income in 40 years. The conferees decided not to do anything to affect the oil companies, the special incentives and tax breaks they get. Instead, middle-class families were left to bear the brunt of these decisions.

Rather than providing millions of Americans with the necessary extended relief, the lion's share of this bill -- \$50 billion over the next 10 years -- is devoted to extending reduced rates for capital gains and dividend tax breaks. I have never had anyone in the business community come up to me and say: You have to lower capital gains. What they have said to me is that it doesn't make much difference, certainly not dividend tax breaks. Unlike the AMT fix, these rates were not scheduled to expire this year or even the next. Why are we doing it now? We are doing it now only to make the future bleaker. More than 75 percent of the capital gains and dividend tax breaks have served Americans earning more than \$200,000.

The Senator from New Hampshire says how great these are for the average person. No, they aren't. They are good for the very wealthy, for the individual who makes more than \$200,000 a year. That is 75 percent of the benefit. The average millionaire will receive a \$42,000 tax cut from capital gains and dividends alone in 2005. Meanwhile, the average taxpayer, earning less than \$75,000 -- that is three quarters of the taxpayers -- receives only \$13. So three quarters of the tax-paying population of America receives only \$13, while the individual earning over \$200,000 has a huge tax break. This is unfair. It is irresponsible. It is not without consequences.

The Federal budget deficit will be at least \$300 billion this year. The national debt is soaring. We have fewer resources available for critical domestic priorities.

Under President Clinton, we had 4 years of budget surplus. When he left office, we had a projected 10-year surplus of \$5.6 trillion. What is interesting to me is, the two parties have switched. The Republicans are not the deficit hawks; the Democrats have become the deficit hawks. The Republicans have become the big spenders, and this bill clearly identifies that.

The economic policies of the last 5 years have produced a catastrophic turnaround. Record budget surpluses have given way to record deficits projected at \$1.6 trillion over the next decade. The full impact of this administration's fiscal policies remains clouded. This President has broken with his predecessors by submitting only 5-year budgets. Why? Think about it, especially after we were presented with the traditional 10-year numbers during the President's first year in office. I will tell you why I think he is doing it, and that is to hide the fact that these tax cuts explode in the out years. They create enormous problems for the future. The result is a wall of debt.

Over the next 10 years, the debt is projected to reach \$12 trillion. In this year alone, our national debt is slated to increase by \$654 billion. More startling is the fact that the national debt is currently at 66 percent of our gross domestic product. I heard someone make a speech the other day and say it was 2 percent of GDP, "don't worry about it." So we went and got the CBO figures. It is 66 percent of GDP; worry about it.

The total debt equates to roughly \$30,000 owned by every man, woman, and child in America. This is really troubling to anyone who runs a household or runs a business. You would have your house repossessed if you ran your books this way. You would lose your business if you ran your books this way.

When all costs are included, the tax breaks for the wealthiest Americans will cost almost \$2 trillion over the next decade. When you combine the cost of the tax cuts with spending on the war in Iraq -- currently totaling \$370 billion -- the inevitable result is the programs that matter most are squeezed.

Let me explain that. This chart takes 2 years, 2005 and 2015. It looks at everything the Federal Government spends. It is deceptive to look just at the budget. The budget does not reflect what we spend in entirety. The fact is, entitlements -- Social Security, Medicare, Medicaid, veterans' benefits -- are 53.5 percent of what the Federal Government spent in 2005. Interest on the debt alone was \$184 billion. That is 7.4 percent. So 60.4 percent of everything the Federal Government spent in 2005 was not budgeted and cannot be controlled. What is left? Forty percent of total spending. There is 20.1 percent for defense -- not likely to be cut much in view of the circumstances of the war on terror -- and non-defense discretionary, which is everything else, at 18.9 percent of what the Federal Government spent in 2005. That is a fact.

So because the only thing you can cut is discretionary defense and other discretionary spending, these tax policies mean the only thing you can do is cut every program that matters to the American people. Fewer cops on the street, down 15,000. Every nutrition and supplemental aid to seniors is cut. Less for highways, interior, and agriculture. That is what you have to cut. That is it. And that is what these tax cuts, when they explode exponentially at the end of the 10-year period, will do. They will create an enormous problem for the future.

If you add interest on the debt and go to the year 2015, 70 percent of everything the Federal Government spends will not be controllable -- it will increase 10 percent from 2005 to 70 percent in 2015. Defense discretionary will be reduced to 15 percent and non-defense

discretionary to 13.7 percent. That is the projected inevitable trend of what we are doing here today.

Let me talk about some of the cuts: Food stamps for poor people, \$272 million; COPS Program, \$407 billion or 15,000 fewer officers nationwide; job training, \$55 million. Education, the President's signature program, No Child Left Behind, will be under-funded this year by more than \$12 billion, and \$39 billion since it was enacted. That is the impact forced by passing a bill like this. No wonder people look at No Child Left Behind and say: "Yes, we like the standards, yes, we want to strive for excellence, but you have to provide the money that was assured when the bill was signed." The fact is, it is \$39 billion under-funded since that bill was signed.

So we are shortchanging our Nation, and it isn't worth the tax cut for millionaires. I have never had a millionaire -- and I would defy any Member of this body to identify one -- come before me and say: "You know, I really need a tax cut. I really need that additional \$140,000 a year these tax cuts provide for me." I challenge anyone to bring a name forward of someone who said that because I don't believe they need it at all.

I have supported tax cuts in the proper context. Let me tell what you that context is. It is a balanced budget and a projected surplus. That is the time to cut taxes for people, when you can say: "We have balanced the budget and we are in surplus." That was true when the first tax cut went through. The budget was in surplus. The projected surplus was \$5.6 trillion over 10 years. That is when the first tax cut was made.

This is the difference between the two parties. The Republicans cut taxes even when the red ink is great. Cut out the revenues, force the squeezing of Government. That means you have to cut transportation, and agriculture, and cops, and aid to seniors and virtually every other program, because you cannot cut entitlements. You cannot cut interest on the debt. We are in a war and unlikely to cut defense. So you have to cut everything else.

That is where we are going and it is only going to get worse in the future. The fact of the matter is that we don't have to make these tax cuts permanent at this time. There is only one reason they are in this bill. I don't believe it is for jobs. Clinton balanced the budget and produced 23 million jobs. This administration produced 2.6 million jobs. That is a pittance in comparison, and it is tax cut after tax cut. And when we finish here, we will be faced with an estate tax cut that will take hundreds of billions of dollars out of this revenue stream. So if there are any cops left, you can be sure they will be gone. If there are any food stamps left, they will have to be cut.

Those are the choices this forces. It is wrong, it is immoral and, I think, long term, it is a disaster for this Nation.

Bottom line: I urge my colleagues to vote no on this conference bill."

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