

Ms. SNOWE. Mr. President, I rise in support of the bipartisan conference report on the fiscal year 2002 tax cut reconciliation package that provides much needed tax relief for the American people, including a provision that I and Senator LINCOLN and others fought to retain: a new refundable per child tax credit for low-income, working families.

I first want to thank and commend Chairman GRASSLEY and Ranking Member BAUCUS for working so closely together to develop a fair and balanced tax bill that passed the Senate by a vote of 62 to 38 last week—and for fighting to retain the structure and focus of that package so effectively in the ensuing House-Senate conference. Because of their efforts—and the manner in which they so successfully defended the Senate's position—I believe the conference report we are now considering deserves at least the same level of bipartisan support as the original Senate bill, and urge its adoption.

No package could truly be said to produce fairness without including a refundable child tax credit. That's why, as part of the original Senate package,

I worked with Senators LINCOLN, KERRY and BREAUX—as well as both the Chairman and Ranking Member—to include a provision that builds on the President's proposal to double the \$500 per child tax credit by making it refundable to those earning \$10,000 or more, retroactive to the beginning of this year. That's why I offered an amendment last week that called for the retention of this provision in the House-Senate conference—an amendment that was adopted by a vote of 94 to 4. And that's why, during the conference, I continued to fight to retain this provision in the face of strong resistance by detractors.

Through these efforts—and because of the unyielding support of Chairman GRASSLEY and Ranking Member BAUCUS—families earning the minimum wage will be able to receive a refundable per child tax credit for the first time. Let there be no mistake, this is introducing a wholly new concept with respect to that child tax credit, and one that is most assuredly warranted.

How will this help? In its original form, the tax relief plan would not have reached all full-time workers—the tax reduction would have disappeared for wage-earners with net incomes of less than about \$22,000. Indeed, without refundability, there are almost 16 million children whose families would not benefit from the doubling of the Child Tax Credit. To give an idea of how many children we're really talking about, that's about twice the population of New York City or about thirteen times the entire population of my home State of Maine.

Thanks to this provision, the bill now provides a substantial tax credit to a total of 37 million families and 55 million children nationwide who might otherwise have gained no benefit from the proposal to simply double the per-child credit.

Many of these are families earning minimum wage, struggling to make ends meet in addition to paying their share of State and local taxes, payroll taxes, gasoline taxes, phone taxes, sales taxes, and property taxes. All told, the average full-time worker earning the minimum wage pays more than \$1,530 in payroll taxes, and more than \$300 in federal excise taxes.

This is no small burden to working families already living on the fiscal edge. In fact, despite America's strong economy, one in six children live in poverty, and the number of low-income children living with a working parent continues to climb. My provision to make the child tax credit refundable will give these families a hand up as they strive for self-sufficiency, and give these kids the hope of a childhood without poverty.

When fully phased-in, the partially refundable credit will provide a benefit of up to 15 cents on every dollar earned above \$10,000 per year, adjusted for inflation. Likewise, the maximum refundable credit will rise from \$500 to \$600 this year, increasing to \$1,000 by

2011. Families with more than one child would also receive a refundable credit based on their income.

Will this tax relief solve all the financial problems faced by eligible families? No. But it will help to purchase essentials, like groceries, heating fuel, or electricity. And it sends an important message of encouragement that we want those who work hard and strive to improve their lives to succeed. Refundability shows that tax relief is for all full-time working families.

With these kinds of adjustments, we take a critical first step in ensuring that the balance of this package in its totality will help lower and middle income taxpayers.

The fact of the matter is that the case for tax cuts has never been more compelling. As a percent of GDP, federal taxes are at their highest level, 20.6 percent, since 1944—and all previous record levels occurred during time of war or during the devastating recession of the early-1980s, when interest rates exceeded 20 percent and the highest marginal tax rate was 70 percent.

The fact of the matter is, it would be irresponsible not to return a reasonable portion of the surplus—which is really just an overpayment in the form of taxes—to the American taxpayer. And there should be no mistake—if we fail to enact meaningful relief package, we will fail both working families and the economy upon which their work depends.

And let us not forget that this package is nearly 25 percent smaller than was proposed by President Bush in his budget. Let us not forget that it will utilize less than one-half of the projected surplus over the coming 10 years, 45.7 percent, excluding both Social Security and Medicare surpluses.

In fact, even with a \$1.25 trillion tax cut over the coming ten years, we will still have about \$1.5 trillion available for other priorities, including the funding of a new prescription drug benefit and additional debt reduction. This package is neither unreasonable nor irresponsible.

Just as importantly, many of us fought hard to ensure that the benefits of this tax cut package will be weighted toward those who need relief the most—middle and lower-income taxpayers—and that weighting has been retained.

We have before us a thoughtful proposal that addresses concerns I, myself, had with the distributional effects of the original package. And it does so in a variety of meaningful ways—retroactively creating a new “ten percent” bracket, providing much-needed AMT relief for middle-income families, and ensuring marriage penalty relief for all couples while bolstering the Earned Income Tax Credit.

And that’s not all. The bipartisan education package that the Finance Committee reported in March is included in this bill, along with a new de-

duction of up to \$4,000 for higher education tuition paid—a provision that I sought along with Senators TORRICELLI and SCHUMER. With the cost of college quadrupling over the past 20 years—a rate nearly twice as fast as inflation—this provision will provide critical assistance to individuals and families grappling with higher education costs.

It also includes the bipartisan IRA and pension package—introduced separately by Senators GRASSLEY and BAUCUS that will not only strengthen and improve access to pensions and IRA’s, but also enhance fairness for women who frequently leave the workforce during prime earnings years, and suffer from reduced retirement savings accordingly.

Again, this is a balanced and fair package. In looking at the various analyses of the changes we made to the package, the Joint Tax Committee estimates that those earning less than \$50,000 will see their share of federal taxes drop from 14.3 percent under current law to 14 percent in 2006. Conversely, in the same year, the share of federal taxes paid by those with incomes of \$100,000 or more will increase from 58.4 percent to 58.7 percent.

Moreover, as a result of the refundability of the child tax credit, according to Joint Tax, those in the \$10,000 to \$20,000 income range will see their share of federal taxes reduced from 1.5 percent to 1.4 percent—a reduction of \$3 billion. And by 2006, this level is down to 1.1 percent.

And in terms of the overall package, it is worth noting that creation of the new 10 percent bracket accounts for \$421 billion, while reductions in all other brackets amount to \$420 billion—that’s 50 percent of the cuts going to the lowest bracket alone.

As for the compromise we developed that results in a reduction of the uppermost bracket from 39.6 to 35 percent, it’s worth noting that many individuals in that bracket are small business owners whose business-related income is taxed as personal income.

According to the Treasury Department, in 2006, 63 percent of the tax returns that would benefit from reducing marginal rates in the top two brackets would be reporting some income or loss from a business. And in my home State of Maine, for example, about 97 percent of all businesses are small business.

The reality is, small businesses have played a central role in our Nation’s economic expansion. From 1992 to 1996, for example, small firms created 75 percent of new jobs—up 10.5 percent—while large-company employment grew by 3.7 percent. So why—when we’re talking about such a tremendous impact on individuals and the economy—when the top corporate tax rate is 35 percent—why should we continue making small business men and women pay more?

And let’s face it, the economic impact of this tax cut cannot be dismissed. In fact, given the warning signs in our economy, I believe the timing of

this tax package is fortuitous. One Business Week article spoke of a terrible first quarter, stating that “The earnings of the 900 companies on Business Week’s Corporate Scoreboard plummeted 25 percent from a year earlier—The first quarter profit plunge was the Scoreboard’s sharpest quarterly drop since the 1990–91 recession.”

Productivity fell at a 0.1 percent annual rate in the first quarter—the first quarterly drop in six years. And layoffs are at their highest levels since they were first tracked in 1993, with major corporations announcing more than 572,000 job cuts this year. Little wonder, then, that the unemployment rate has risen to 4.5 percent, with April’s job loss the largest since February 1991.

Even more ominous is Business Week’s recent observation that if wide layoffs of high wage earners continue, the likelihood of recession becomes even greater.

And the Washington Post noted recently that Federal Reserve cuts in interest rates have been the most aggressive since the second quarter of 1982—the worst recession since the great depression—and that observation came before the most recent half-percent rate cut.

And while it is true that a tax cut may not actually prevent a recession, if one is in the offing, I well remember the words of Federal Reserve Chairman Alan Greenspan, who came before the Finance Committee in January.

Chairman Greenspan stated that tax cuts, while perhaps not having an immediate effect, could act as “insurance” should our recent downturn prove to be more than an inventory correction—that it could soften the landing and shorten the duration of any recession should it occur. And let’s keep this in mind as well—“blue chip” economists have indicated just this week that they are factoring the tax cut in their projections.

Given our growing economic uncertainty and the grim repercussions it could have, I am pleased that—as I urged on the floor last week and in a letter to the Senate conferees—the final conference report ensures that even more money will be in the hands of taxpayers this year than was originally anticipated in the Senate bill. Specifically, by providing for the delivery of refund checks to taxpayers this fall—\$300 for single taxpayers and \$600 for couples—tax relief will be accelerated during the current year, and hopefully help get the economy back on track.

I think the American public often thinks about tax cuts the way they would think of winning the lottery—it would be great if it really happened, but it in reality it really only happens for “the other guy”—that tax cuts will only apply to someone else—and if they do happen, they’ll be so small as to have no appreciable effect on everyday life.

Well, the American people should know that this tax cut applies to everyone, and especially those who could

use the break the most. And that's true not just on paper, but in reality—in the real world.

This is no phantom tax cut—this is real, this is balanced, and this is fair. And what this all comes down to is, if you're really serious about cutting taxes, you should support this package that begins the process of providing some relief given, once again, the status of our economy and the tax burden on the American people.

We know we're never going to get unanimity on an issue of this magnitude. But we can have progress and we can come to some kind of consensus. This package represents a bipartisan effort that, in the aggregate, is good for our future and good for the American taxpayer today. And it deserves our support. Thank you very much.