

Op-ed on the RELIEF Act
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By Sen. Chuck Grassley

In farming, a field is only as good as the last crop it yields. In legislating, a bill is only as good as the last vote it survives.

The tax relief package moving through the Senate is holding up pretty well so far. I'm grateful for that. This is a heavily analyzed bill, and for good reason.

If it passes, it'll create the largest tax cut in 20 years. It's a key test of the political instincts of a new president. It transfers \$1.35 trillion over 11 years from the government to the taxpayers. I welcome the scrutiny of my Senate colleagues, economists and the public.

Their scrutiny is bearing fruit. Before Finance Committee consideration, our 20 members filed 171 amendments attempting to change the legislation. In committee, they brought up 25 amendments. One succeeded; the rest were defeated, withdrawn or ruled non-germane. On the Senate floor so far, senators from both parties offered three amendments. Each amendment failed.

More amendments will come today. Some might be successful. Even if they are, I hope this bill's basic framework will remain intact.

It's a solid bill, built upon bipartisanship; consultation with many senators, including all Finance Committee members; and the recognition that nobody in a 50-50 Senate can get everything they want, but maybe a majority can get something they can support.

Here are the parts of this package, the *Restoring Earnings to Lift Individuals and Empower Families (RELIEF) Act*:

- ▶ Affordable tax relief. The budget surplus is projected to exceed tax cuts every year covered in this legislation, from 2001 to 2011, with a comfortable margin. The ratio of surplus to tax cuts gets bigger toward the end. The tax bill refunds only 24 cents of each dollar of the projected surplus. We can afford to cut taxes.
- ▶ Secure funding for national priorities. The budget resolution takes care of this. That blueprint provides record levels of funding for education, prescription drugs and defense. It pays down every dollar that is possible to pay down on the national debt over the 10 years of the budget resolution.
- ▶ Across-the-board cuts of individual income tax rates. This bill creates a new 10-percent rate that will apply retroactively to the beginning of this year. This new low rate will apply to income that is currently taxed at a 15 percent rate. That means people who are hit first by

the 15 percent rate will know that going back to January 1 this year, they'll pay 10 percent, not 15 percent, on their first taxable dollars after deductions. That will give immediate tax cuts to millions of Americans. It also will provide an immediate stimulus to the economy.

For married persons, the upper end of the 15 percent rate bracket will be expanded to include income currently taxed at the 28 percent rate. So for those people being taxed at 28 percent, they'll see more of their income taxed at the 15 percent rate. The current 28 percent rate will drop to 25 percent. The current 31 percent rate will fall to 28 percent. The existing 36 percent and 39.6 percent rates will be lowered to 33 and 36, respectively.

- ▶ Immediate death tax relief and eventual death tax repeal. This recognizes that death shouldn't be a taxable event.
- ▶ Expanded child credit. The bill embraces President Bush's proposal of expanding the child credit to \$1,000. It also includes a new proposal that will allow the child credit to benefit working families that would n't otherwise receive the child credit under current law because they have too little or no income tax liability.
- ▶ Marriage penalty relief. The package gives income tax relief to married couples with both spouses working and only one spouse working. This relief will begin in 2004.
- ▶ Retirement savings. The legislation allows Americans to save more money in their retirement plans. It provides a special incentive for low- and middle-income savers. It encourages employers to offer pensions.
- ▶ Education savings. These steps include removing the limitation on the deductibility of student loan interest and raising the amount that can be contributed to an education savings account from \$500 to \$2,000.

Some observers find fault with these elements. One criticism is that the bill's tax cuts are "back-loaded" for high-income taxpayers. In other words, high-income taxpayers receive a lot of relief toward 2011, instead of closer to 2001. That's a true fact, but not a valid criticism. The budget blueprint dictates how much surplus money we have to spend. The blueprint tells us to expect more money in the out years. That means we can provide some tax relief now, more later. We chose to start with low-income taxpayers. You could argue this bill is "front-loaded" for low-income folks.

Another criticism is that the tax cuts aren't deep enough at the higher levels. I agree with this, and so does President Bush. One-third of your income in taxes is plenty. But we could cut only so deeply and expect success in the Senate. Most taxpayers would agree that any tax cut is better than no tax cut.

I've heard that too many of the bill's cuts take too long to kick in. I'd like every tax cut to begin the minute the President signs this bill. But the budget blueprint limits how much we can cut each year. And the federal tax burden is a big, mean beast. It wasn't grown overnight, and it can't be tamed in a day.

Looking back on producing this legislation, I think of my farming background. You put the seed in the ground. When the seed sprouts, you cultivate the field over weeks and months. You watch the seedling weather storms or drought. The seedling either grows into a strong, healthy plant or it doesn't.

President Bush planted the seed of tax cuts as candidate Bush, months ago. With cultivation in Congress, his seedling has thrived. This week, the Senate will help to decide whether Americans will reap a harvest of tax relief. I hope for a generous yield.

Sen. Chuck Grassley, an Iowa Republican, is chairman of the Committee on Finance.