

**Floor Statement by Senator Kent Conrad (D-ND) on Estate Tax  
August 1, 2006**

We heard debate start this morning on permanently cutting the estate tax. I heard some of my colleagues again this morning refer to it as the death tax. There is no death tax in America. We have no tax that applies at death. We do have an estate tax. We have a tax on wealthy accumulations that occur in families. That tax does not affect an individual unless they have at least \$2 million. For a couple, that would be \$4 million before they face any estate tax.

Of course, my colleagues know there are many ways you can further reduce the taxes that apply to wealthy estates. But the first thing we ought to say clearly and directly to the American people is, there is no death tax. There is no tax that applies at death. None.

One of the most interesting stories I have heard was a colleague of mine who was at the airport. A baggage handler said to him: My God, you have to get rid of that death tax. That is going to affect my family. And my colleague said to him: Unless you have at least \$4 million as a family, you do not have to worry about any death tax because there is no death tax. This baggage handler was completely shocked to hear there was no death tax. He has heard over and over and over there is a death tax. He believed it. Everyone in this Senate knows there is no death tax.

What is most extraordinary about the proposal before this Senate is the context in which it occurs. Our country is deep in debt -- deep in debt. Now our friends on the other side, their idea in the last week we are in session for the next month is to come out here and put us deeper in debt. Dig the hole deeper and deeper and deeper. What an extraordinary proposal that is.

And for what purpose? To help the struggling middle class? No, no, they are out of this. This is not even the upper class. This is the wealthiest among us. That is who this is designed to help.

Here is our current circumstance. The deficit last year was \$318 billion. The deficit for this year is now projected to be just under \$300 billion, some modest improvement in the deficit. But that completely misses the point because at the same time the deficit is showing some modest improvement, the increase in the debt is getting much worse. Last year, the debt increased by \$551 billion. This year, we now project the debt will increase by almost \$600 billion.

Someone out there listening might say: How can that be? How can it be the Senator is saying the deficit is less than \$300 billion, but the debt is going to increase by almost \$600 billion? How can that be? That is largely because under the President's plan, they are also taking hundreds of billions from Social Security to use to pay other bills. All of it gets added to the debt. None of it gets counted for the deficit.

This chart shows the deficit for 2006 just under \$300 billion. Here is the amount added to the debt -- almost \$600 billion. And you can see the biggest difference between the deficit and the increase in the debt is the amount of Social Security money that is being taken to be used

for other purposes: \$177 billion in this 1 year alone, Social Security money taken to pay other bills. And, of course, it all gets added to the debt. None of it gets counted to the deficit.

When one looks at what is happening to the debt, here is what one sees: We are building a wall of debt that is extraordinary. At the end of this President's first year in office, the debt was \$5.8 trillion. We do not hold him responsible for the first year. But at the end of this year, the debt will have climbed to \$8.5 trillion. And if the President's plan is put in place, for the next 5 years, the debt will go over \$11.5 trillion.

The debt under this President has taken off like a scalded cat, and at the worst possible time. The debt is increasing before the baby boom generation retires.

What are the implications of this rapidly rising debt? Well, one of them is that increasingly we are borrowing this money from abroad. Increasingly, we are going, hat in hand, all around the world borrowing money. This chart shows that it took 42 Presidents -- all the Presidents pictured here -- 224 years to run up \$1 trillion of debt held abroad. This President has more than doubled that amount in just 5 years. That is a completely unsustainable course. You go back to President Clinton, you go back to the previous President Bush, you go back to President Reagan, President Carter, President Lyndon Johnson, and all the other Presidents -- 224 years of American history -- they ran up \$1 trillion of external debt. This President, in just 5 years, has run up more than \$1 trillion of U.S. debt held abroad.

So what we see are these countries to which we now owe money. We owe Japan \$638 billion. We owe China \$326 billion. We owe the United Kingdom almost \$200 billion. We owe the oil exporters over \$100 billion. My favorite down here, the Caribbean banking centers, we owe them over \$60 billion. Mexico now is on the top 10 list of countries that we owe money. We owe Mexico \$43 billion.

I asked my staff the other day: What do we see in terms of our borrowing compared to other nations borrowing? Sometimes that is a good way to get a sense of where we stand. They came back with this answer. It is not their numbers; it is the International Monetary Fund. It shows the percent of world borrowing by country. These are the world's biggest borrowers. And who is No. 1? Our country. We borrowed over 65 percent of the money that was borrowed by countries last year -- 65 percent borrowed by our country. Turkey borrowed about 2 percent. I see the United Kingdom borrowed about 4 percent. Spain was next biggest after the United States. We borrowed 65 percent of all the money that was borrowed by countries last year. The next biggest was Spain at 6.8 percent; then the United Kingdom at just under 4 percent; then Australia, just over 3 percent; France, under 3 percent; Italy, just over 2 percent; Turkey, just under 2 percent. The United States, 65 percent.

With all of this occurring, with the deficit skyrocketing -- that is by historical comparison; yes, it improved somewhat over last year, but these are the biggest deficits our country has ever run -- and the debt taking off like a scalded cat, what do our colleagues do in the last week before we break for a month? They come out here and propose to virtually eliminate the tax on wealthy estates. Now, there is an idea whose time has come. While we cannot pay our bills now, while we are borrowing money from Japan and China, their answer is:

Let's go give an enormous tax break to the wealthiest among us. And where will we get the money to fill in the gap because we cannot pay our bills now? Let's go borrow some more money from Japan and China. Let's go borrow some more money from Japan and China. You would think you were in a movie -- not even a very good movie -- that somebody had dreamt up if you were to describe what is going on here.

Our country is the biggest debtor nation in the world. Our colleagues have cut the revenue, cut the revenue, cut the revenue, increased the spending, increased the spending, increased the spending; and now their answer is: Let's cut the revenues some more, and let's cut it on the wealthiest of the wealthy, the top three-tenths of 1 percent of the estates in this country, because they are the only ones who are paying the estate tax now.

Our friends say: Oh, no, my goodness, let's cut them some more. Let's cut them some more. The wealthiest among us have already gotten the greatest benefit of the tax cuts that have been enacted -- by far. Now they say: Let's cut their taxes some more and borrow the money from China and Japan. This is a farce -- a farce -- which is occurring here. And it is a disaster for the economic strength of our country.

Here is what the size of estates has to be before they pay any tax. We are in 2006. These are the estate tax exemption levels under current law for a couple. Couples have to have \$4 million before they pay a penny of estate tax -- \$4 million, not of gross assets, of net assets. They have to have \$4 million free and clear before they pay a dime. And in 2009, that will go up to \$7 million.

Our friends on the other side of the aisle say: Whoa, that is not nearly enough. Let's jack this thing up dramatically. Let's lower the rates. Let's increase the exemptions. And let's borrow the money from China and Japan. Now, there is a format to strengthen America.

The number of taxable estates is already falling very dramatically under current law. In 2000, there were 50,000 taxable estates in the whole country. This year, there will be 13,000 in the whole country.

Now, people say there is a death tax. There is no death tax. There is no tax that attaches to anybody at death in this country. The estate tax applies to people who have accumulated wealth. Good for them. I am glad for their success. But does a further tax cut on multi-million dollar estates make any sense for our country? Does it make any sense at all when we cannot pay our bills now that we would go out and dramatically cut taxes on the very wealthiest among us who already have tax cut after tax cut after tax cut -- let's give them one more -- when we have to borrow the money from China and Japan?

In 2009, the estimates are that there will only be 7,000 estates taxable in the whole country. In 2009, only two-tenths of 1 percent of estates will be subject to tax. That is under current law. Under current law, 99.8 percent of estates will not pay a penny of tax -- 99.8 percent.

Our colleagues say: That is not good enough. Let's cut it some more. Even though we

cannot pay our bills now, let's give another big tax cut to the wealthiest among us and go borrow the money from Japan and China and Great Britain and the oil exporting countries -- because the money is gone. The money is gone. There are no surpluses here. We cannot pay our bills. We are borrowing 65 percent of the money that is being borrowed in the world today by countries. We are borrowing 65 percent of it.

This is insanity. This is irresponsible. This is reckless. And not just a little bit reckless, this is totally reckless. Now our friends come with a proposal to virtually eliminate the estate tax. Full repeal from 2012 to 2021 would cost just over \$1 trillion. This proposal costs \$753 billion from 2012 to 2021.

Now, our friends on the other side say: Hey, Social Security is short \$4 trillion. They say: Medicare is short \$29 trillion. And they are not doing anything about that. What they are doing is digging the whole hole deeper. Let's get rid of another \$750 billion we do not have -- that we have to borrow from Japan and China and all the other countries in the world, even Mexico, because we now owe Mexico \$43 billion -- let's do that so we can cut the taxes on the very wealthiest among us.

What earthly sense does this make? I will tell you for whom it makes sense. It makes sense for -- as this article in the New York Times on June 7 says, it is "A boon for the richest in estate tax repeal." Over the last decades, 18 of the wealthiest families in the country have spent more than \$200 million lobbying to repeal the estate tax. Eighteen families have put up \$200 million to repeal the estate tax. How happy they must be on this day. How happy they must be. The wealthy families include the Mars candy family; the Gallo wine family; the Wegman supermarket family; the Dorrance family, which controls Campbell's Soup; and the Waltons, who control Wal-Mart.

I applaud people who have been successful, but people who have been successful have succeeded not only because of their own hard work and creative approach to solving problems; no, in part they have succeeded because they are part of this country. How incredibly fortunate we all are to be born in America.

Many very wealthy people I know believe they have an obligation to give back. We just saw an extraordinary example of that with Warren Buffett. Warren Buffett, the second wealthiest man in America, worth some \$40 billion, just decided to give virtually all of his wealth to Bill Gates's foundation, who is the wealthiest person in the country, in order to do good works, in order to give back, in order to make a difference for others.

What is being said here on the floor of the Senate? No, that should not be the test -- giving back, helping others, making a difference to improve this world, understanding that part of each of our success is because we had the good fortune to be born in America. This proposal is all about me, all about me. I have it. I am keeping it. I am not giving it away.

What is the result? Well, our country will have to go borrow more tens of billions and hundreds of billions of dollars from Japan and China and Great Britain and the oil exporting countries, and even Mexico. That is what is going to happen. Or our friends on the other side

will, at some point, just shred Social Security and Medicare. That is where this is all headed. Make no mistake. That is where this is all headed because America cannot pay its bills now.

Hurricane Katrina put the estate tax repeal in some perspective. The chairman of the Finance Committee said this: "It's a little unseemly to be talking about eliminating the estate tax at a time when people are suffering." He said that last year. People are suffering this year as well, suffering the aftermath of Katrina -- I have been with families suffering from losses in Iraq and Afghanistan -- but also suffering because our country is in deep trouble. Our country is living on the credit card. Our country is borrowing money at a rate unprecedented in our history. We are borrowing 65 percent of all the money that was borrowed by countries of the world last year, our country. And who did we borrow it from? It used to be when we ran deficits we borrowed the money from ourselves. We issued bonds and Americans bought them. It has all changed because now more than half of the bonds that we sell are going to foreigners. Every time we have another month where we spend more than we take in, we have to borrow more money. Over half of it now we are borrowing from Japan, China, Great Britain, the oil exporting countries, and the Caribbean banking centers. What sense does this make?

Now we are told: Do you know what we should do? Here is a good idea. Just before we take a break for the month, let's go out and dig the hole deeper. Let's go out and have a plan that will reduce taxes on the wealthiest among us by \$753 billion for a 10-year period -- not million, \$753 billion -- and put that on the charge card. Boy, we will have a real party in August.

The cost of the proposal before us absolutely explodes, because they have a clever device called a phase-in that hides the long-term cost. It is not in full effect until 2015, and then the cost goes up like a scalded cat, as this chart depicts. The cost between 2012 and 2021 is about \$600 billion plus an additional \$154 billion of interest cost, because, after all, where is the money coming from? Is it coming out of the Treasury of the United States? No, it is all going to have to be borrowed. And who are we borrowing from? Increasingly, we are borrowing from abroad.

And what is going to happen? Some in this town say deficits don't matter. Go ask the Germans about that. Ask the Germans what happened after World War I when they were on a course like this, borrowing, borrowing, borrowing, increasingly borrowing from abroad. How did they try to get out of it? They inflated their currency until the German mark was virtually worthless. If you wanted to buy a pair of shoes, you had to fill up a wheelbarrow with German marks and go to the store because the currency had so little value. That is one way out. It is a disastrous way out, but many countries have tried it.

The other way out is, you have to cut spending and raise taxes. That is tough. That is hardly popular politically, go out and tell people: Gee, none of this adds up. We have been spending money we don't have in your name. It is your debt. The President likes to say it is the people's money. He is exactly right, it is the people's money. It is also the people's debt. This debt is being run up in the people's name. This debt is owed and is going to have to be paid.

The cost of the House proposal, if you compare it with the cost of extending the middle-class tax cuts, is very interesting. Over the first 10 years of this proposal, it costs \$268 billion;

from 2012 to 2021, it costs \$753 billion. But in just the first years, it dwarfs the cost to extend the child tax credit. That would cost \$183 billion. It dwarfs the money to extend the marriage penalty; that would cost \$46 billion. It totally overwhelms the cost to extend the college tuition deduction; over that period that would cost \$19 billion. Those are tax reductions and tax relief that do benefit the middle class. This is one of the most irresponsible proposals to come before the body in the 20 years I have been here. It is completely and totally irresponsible.

I was a conferee on the conference committee to deal with the issue of pensions. Last Thursday the conferees were to meet at 6 o'clock. We were there. House Republicans did not appear. They asked us to come back 2 hours later. They needed some more time. We came back at 8. They still did not appear. At that time they apparently made the decision to forget about the conference committee. The conference committee worked since March of this year in good faith to deal with the pension crisis, and they added to that package the so-called extenders, those tax provisions that are about to expire that are critically important to the country. We were prepared to pass that package. The leaders from the conference on the other side decided, no, they didn't want to have that discussion in the public. Instead they didn't appear, and they hatched this other plan to have a pension bill come out of the House freestanding and this other package that includes elimination of the estate tax and an increase in the minimum wage for some States.

I was with the Senator from California, Mrs. Feinstein, who informed me in her State the so-called minimum wage increase will actually reduce the minimum wage for millions of workers because of its provisions. They put together the Abandoned Mine Lands Act in this package in order to try to get the support of Members here, and they have wrapped it all in a big package to try to get this body to do something that makes absolutely no sense for the fiscal future of this country. That is, without question, the most irresponsible package I have seen offered here in my 20 years in the Senate. It is not just a little bit irresponsible; it is wildly irresponsible. This is reckless, the course this country is being taken on, utterly reckless.

Why do I say that? Because sometimes you wonder if anybody is paying attention. Here is what is happening to the debt of our Nation: \$5.8 trillion in 2001; \$8.5 trillion at the end of this year. If the budget the President proposed is followed, the debt will rise to \$11.5 trillion in 2011. If this proposal is adopted, it will be even worse. From 2012 to 2021, this proposal that is before the body will take another \$750 billion and add that to the amount this country will have to borrow. It is unbelievable.

This President has taken us on a reckless course. Forty-two Presidents took 224 years to run up a trillion dollars of our debt held abroad. This President has more than doubled that amount in only 5 years.

So what is before the body now? A plan to go out and put another \$750 billion on the charge card, because this money has to be made up from somewhere. We can't pay our bills now. If you reduce the revenue that is scheduled to come in, the debt goes up. You have to have more borrowing, more going to the Chinese, more going to the Japanese, and asking them for more money. How are we going to pay it back?

Our friends say this is a tax cut. I don't think so. I think what this is an enormous tax shift. Because at some point we are going to have to start paying our bills. And when we do, I have a feeling I know what they are going to do. They are going to come out here and they are going to say: All of us have to contribute. All of us have to participate. We are going to have to cut spending. We are going to have to raise revenue.

I can see their proposal now. They will be coming right at the middle-class people who are the bulwark of this economy. They will either cut programs that are important to them, such as Social Security and Medicare, or they will raise taxes on them, all so that we could give a big reduction to the very wealthiest among us, the people who have benefitted most from the genius of the American economy.

Many of the wealthiest people I know say: Don't do it in my name. Don't do that in my name. I don't need another tax cut. I do need a country that pays its bills. I do need a country that isn't borrowing more and more money from China and Japan and Great Britain and Mexico.

I can't think of a more consequential fiscal decision that will be made than this one. Are we going to keep digging the hole deeper and deeper? Or are we going to head in a new direction and get serious about getting America back on track?

I thank the Chair and yield the floor.