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THE FAMILY FIRST ACT: THE ECONOMIC EFFECTS OF A $500 PER-CHILD EXPANDED TAX CREDIT

HEARING

before the

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

ONE HUNDRED FOURTH CONGRESS

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Prepared by DONALD C. EVANS III

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THE FAMILY FIRST ACT:
THE ECONOMIC EFFECTS OF A
$500 PER-CHILD EXPANDED TAX CREDIT

Thursday, April 6, 1995

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
WASHINGTON, D.C.

The Committee met at 10:05 a.m., in Room 562 of the Dirksen Senate Office Building, the Honorable Rod Grams presiding.

Present: Senators Grams, Mack, Bennett and Robb, Representatives Stark and Manzullo.

OPENING STATEMENT OF SENATOR ROD GRAMS

Senator Grams. Good morning.

First of all, I want to thank the Chairman of this Committee, Senator Mack, for allowing us the time and the opportunity to hold this hearing on what I think is a very, very important topic that we're going to be talking about this day, and also coming on the heels of the successful effort in the House last night to pass a major tax bill.

We want to extend our congratulations on that accomplishment last night.

Before we start, I've got to apologize. I'm going to slur a little bit. I had some dental work this morning. The dentist said, that's okay. You can just talk out of the other side of your mouth. And I said, well, I guess I'm used to that.

(Laughter.)

But, again, I want to welcome our witnesses this morning.

The topic of today's hearing is family tax relief. We're going to hear this morning from some of my colleagues in Congress, along with policy experts and Washington insiders.

I also appreciate the time that they could take today to join us.

But the witness I'm most eager to hear from this morning is Mr. Steve Keen. Now Mr. Keen isn't a tax analyst or a budget specialist. He is an average American. In fact, a taxpayer from Woodbridge, Virginia, the father of three children.

Most importantly, he's one of millions of Americans who foot the bill for this government, a government that doesn't serve him or other taxpayers very well.

Now I know that Mr. Keen has a great deal to say about taxes and how the Federal Government's tax burden has made it difficult for him and his wife to raise their family. And I'm quite certain that Mr. Keen's message will echo a theme the voters tried to drive home last November.

That message is that taxes are too high.

Since 1948, the Gallup organization has asked Americans what they think about the taxes they pay. That first year, 57 percent of the people said, yes, taxes are too high. Today, 67 percent of the American people say that they're handing over too much of their own money to the Federal Government.

They might feel differently if they were getting a fair return on their investment. But while they're paying nearly 50 cents on the dollar in some form of taxes, paying more in taxes than they spend for food, clothing, insurance and recreation combined, Americans see their hard earned dollars being wasted by the Federal Government.

They look at the services they're getting in return and they feel like they're being taken to the cleaners. They need tax relief. They need it desperately. And they aren't asking for just a little extra pocket change.

The tax relief has got to be meaningful, such as $500 Per-Child Tax Credit which Senator Coats and I introduced in our "Families First" legislation, and which Representative Tim Hutchinson carried so successfully in the House.

For a Congress that counts its billions like most Americans count their ones and fives, $500 per-child may not seem like a lot. But as Mr. Keen can tell you, that extra $500 could mean health insurance for a family that couldn't otherwise afford it, a special education for a gifted young person, or the basic necessities that family life demands every single day.

In families where both spouses work, the salary of the second wage-earner doesn't go to support the family. Most of it goes to support the government. And that $500 per-child tax credit might allow one parent to stay home and raise their children as only a parent can.

And as it channels as much as $25 billion every year back into the American economy, the $500 per-child tax credit benefits everyone. Putting more money in the pockets of consumers and ultimately creating new jobs and new opportunities.

Now during the debate over the family tax credit, we've heard the argument that tax relief and deficit reduction just can't go hand in hand. But the two must go hand in hand and we can't allow the opponents of middle-class tax relief to pit one against the other.

I'm reminded of the animal trainer who walks into the lion's cage and there's a lion to the left of him and a tiger to the right.

Both are ready to pounce if he makes the wrong move.

Now do you believe for one instant that the lion tamer would be foolish enough to focus his attention on either animal while completely ignoring the other?

Well, like the lion tamer, Congress is facing a pair of equally dangerous beasts. In one corner looms the Federal deficit and in the other sits the oppressive tax burden that American families are being asked to bear.

We can't ignore one at the expense of the other. They both need to be dealt with before they overpower us and eat this Nation alive.

The mandate of November is clear and the people are demanding change. They're tired of the rhetoric. They're tired of empty promises. And they're tired of their elected representatives merely tinkering around the edges, afraid to make real changes.

They expect Congress to deliver on the promises that we made in November, such as the $500 per-child tax credit. And they deserve courageous representation.

We need to let the people keep more of their own money so they can spend it on their family's priorities -- not Washington's priorities. The $500 per-child tax credit is a good first step toward keeping our promises.

And what about the opponents of middle-class tax relief who say we can't have our cake and eat it, too?

Well, I'll remind them that when we're talking about a tax burden that eats nearly half of every dollar earned by hard-working American families, tax relief is not cake. Tax relief is not dessert. It's not something Congress can reward the American people for cleaning their plates.

Tax relief is something that we owe overtaxed middle-class Americans and together with deficit reduction, tax relief should be the main course of this new diet that we're outlining for the Federal Government.

This country has been and always will be deeply concerned about the most needy of our society, but Congress needs to recognize that middle-class American taxpayers need our help as well.

If Congress turns its back on the taxpayers, if we abdicate the responsibility that they have entrusted to us in November, then we have failed miserably in our efforts to change the very face of Washington and our ability to meet our future needs.

Now I ask every member of this Committee today to think about this issue, not as Senators, Congressmen, Chairman, or Ranking Members, but I ask that we think as ordinary taxpayers, as people who have to meet the budgets, work hard, and care for our children every day.

That's the way real people think, and budget, and live, and as representatives of the people, that's how we should proceed with this hearing this morning.

I'd like to now recognize Senator Connie Mack for his opening statement.

Senator Mack?

[The prepared statement of Senator Grams appears in the Submissions for the Record.]

OPENING STATEMENT OF SENATOR CONNIE MACK, CHAIRMAN

Senator Mack. First, I want to commend Senator Rod Grams for initiating these important hearings on providing genuine tax relief to working families with children. For too long, Congress has found ways to increase the tax burden on American families. The time has come to give them back some of their money.

The $500 family tax cut is a good way to start.

There's a lot of talk in Washington these days about compassion. But let me ask this -- where's the compassion when a heartless, faceless Federal bureaucracy takes money away from families and makes it harder for those families to pay for their children's education, purchase health insurance, buy that first home, or start a small business so that they can improve their lives.

Last November, the voters sent a message to Congress. They want us to reduce the size, the scope and the cost of government. But there are still some in Congress who claim we cannot cut Federal spending, reduce the deficit, and lower taxes at the same time.

They couldn't be more wrong.

History teaches us that higher taxes do not lead to lower deficits. They only lead to more government spending. Congress can and should keep its promise to reduce taxes and cut spending so that families can keep more of their own hard-earned money.

In 1960, the Federal Government spent 18 percent of GDP, ran a $300 million surplus, and the total Federal tax bite on the typical family was 21 percent of its budget.

Today, the government spends 22 percent of GDP, runs a $200 billion deficit, and confiscates 28 percent, or nearly one-third more of a family's budget, for taxes.

Simply stated, thirty years ago, we had less spending, less taxing, less government and no deficit. The Federal Government should operate by these standards today.

Government's hypocrisy regarding family income should surprise no one. Washington talks a great game when it comes to families, but the rhetoric has seldom been matched by positive action.

If the government was more interested in feeding children rather than feeding its own spending habits, the dependent exemption that was $600 in 1948 would need to be more than $4100 today. Unfortunately, through higher taxes and spending, Uncle Sam is mistakenly trying to be the family provider rather than allowing parents to keep their own money needed to raise their children.

Typical working families now pay more in taxes than they spend on food, clothing, and housing combined. And they now work until May 5th just to satisfy the tax collectors before they can begin to look out for themselves. That's why the $500 tax credit is an important first step in reducing the tax bite on American families.

It won't take draconian spending cuts to let families keep a little more of their own money. A $500 per-child tax credit in each of the next five years represents less than 1.2 percent of the $8.8 trillion President Clinton wants to spend during that same period.

Granting American families genuine tax relief as we slow the growth of government spending is a vital and achievable goal. It's time we shrink the size, scope and cost of the Federal Government and let American taxpayers keep more of what they earn.

America's families need and deserve this tax relief. This is the people's money -- they deserve it back.

And again, I want to say to Senator Grams, thank you for your effort and your leadership on behalf of America's families.

[The prepared statement of Senator Mack appears in the Submissions for the Record.]

Senator Grams. Thank you, Senator Mack.

Representative Pete Stark of California, the Ranking Member of the Committee.

Do you have an opening statement?

OPENING STATEMENT OF REPRESENTATIVE PETE STARK, RANKING MINORITY MEMBER

Representative Stark. Thank you, Mr. Chairman. I can't tell you what a joy it is to be here today. People often ask me about the first 100 days on the House of Representatives. I'd say it's kind of like a kidney stone. We know it will pass. It will be painful as it goes through. You think you're going to die. Some days you'd rather. But we know that once it's over, hopefully, the Senate will save us from ourselves and life will go on.

I do want to comment a little bit about this. At today's hearing, we consider proposals of the family tax credit. And as my colleague, Congressman McDermott, put it yesterday in *The Washington Post*, that this is really affirmative action for the rich and bait and switch for the poor, or the lower-income working families.

The revisions in the Contract With America have eliminated the benefits that would have gone to low-income workers.

Now, I want to credit Senator Grams for taking care of those new children who have the misfortune of being born into families with more than $200,000 a year of income. About one percent or about a million of those kids would be included.

But at the bottom of this pile, 34 percent, almost 24 million American kids, would get no credit in this process. And another 10 percent, about seven million, will get a partial credit.

It occurs to me that if this is a good program, and I would question it for some reasons that I'll get to in a minute, we ought not to be hurting those people particularly whose children we want to participate and become hard-working citizens and pay some of these taxes which many people object to, but the more broadly we can spread that base, the less we all have to pay.

So I hope that if the Senate persists in this, that they would consider bringing into the pot the other 24 million children who we have excluded, I think in our haste to judgment, and I hope that you will be more deliberative, more judicious, and certainly, more fair.

I wonder what a tax credit of $500 will do to improve the lives of people with hundreds of thousands of dollars of income. But I'll leave that to those who are more familiar with people with hundreds of thousands of dollars of income than the people in my District.

We have been urged to support this credit because it's family-friendly.

Which families this policy is supposed to be friendly to is open to some discussion. Not only does the credit give little or no benefit to the low-income families, but it is to be at least partly paid for by cutting the programs.

This thing costs $100 billion bucks and change in the first five years and $200 billion over 10 years.

Now there is no tax fairy who is going to put this money under our pillow, gentlemen. We've got to pay for it.

It seems to me that the credit will be paid for by those children who have been impacted by the personal responsibility act.

We're going to cut food stamps, Medicaid, and other benefits for the low-income families.

I'm not so sure that there isn't some changes that should be made there. But to take everything away and then compound that harshness and that unfairness by sort of throwing it in their face and saying, we're going to give $500 bucks a year to the very rich, while we have just destroyed the opportunity for education, decent housing, and nutritious food, seems to me to be a little heavy-handed.

These charts will show you that families in the bottom fifth of the income distribution lose far more from spending cuts than they get from the tax cut. And for even those in the second quintile, any gains are just about balanced out by losses.

Let me tell you one thing we're doing you can stop -- and it happens. It's our fault. But I'm begging you to correct it.

We're going to give a tax cut to very rich seniors. We're only going to have to tax 50 percent of their income instead of 85. That makes good sense to my mom.

But all of that money comes from where? The Medicare trust fund. Because when Senator Mack and I raised that limit, we put the money in the Medicare trust fund to make sure that we wouldn't let it go broke.

Now this year it was extended one year. That's going in the right direction, not fast enough. But by giving that tax cut to the seniors, we knock the money out of the trust fund.

That isn't enough.

Then it's going to be proposed on our side in this more relaxed second hundred days that we raise the part B premium for those same seniors who we just gave a tax cut. And it's going to come out even. But that money goes to the Treasury.

You shouldn't watch us. Give a tax cut to the seniors, raise their part B premium, and take all the money out of the trust fund. We've done nothing for the seniors and we've bled the trust fund of $22 billion.

Gentlemen, I beg you. Look at these programs. They can be improved. We're counting on you to do that.

Chart three here shows the percentage of benefits and losses going to families in the top 40 percent, working families in the middle of the distribution and low-income families in the bottom fifth of the distribution.

As you'll see, 74 percent of the benefits from the family tax credit go to those in the very top income category.

In contrast, 80 percent of the spending cuts will be paid for by the credit that comes from programs serving those in the bottom income group. These cuts reduce funding for child nutrition and health programs that are crucial to the well-being of low-income children.

This can hardly be called family-friendly. I think that we all can serve our constituency well by looking to the children. We may have to be less generous to some families. But I think if we all agree that health care, nutrition, safety and education for children is the best investment we can make in this country, that I'm counting on the Senate to do the right thing and straighten out the mistakes that we made in haste on our side of the aisle.

So, gentlemen, I want to thank you for being here. Thank you for taking your time. Don't rush. Work at this. It can be fixed.

The country needs you. Thank you.

Senator Grams. Thank you very much, Mr. Stark.

We've been joined by Mr. Bennett of Utah. Senator?

OPENING STATEMENT OF SENATOR ROBERT BENNETT

Senator Bennett. Thank you. I do not have an opening statement.

I just want to say to Mr. Stark, I'm delighted to hear his explanation of what happened on Medicare. That's one of the reasons that I voted against that particular thing last year.

Thank you, Mr. Chairman. I'll be happy to hear the witnesses.

Senator Grams. I know our first panel members have other commitments this morning, so we want to get right away to their opening statements.

I want to welcome Senator Dan Coats and also Representative Tim Hutchinson for joining us this morning.

First, Dan Coats was elected to the United State Senate from Indiana in 1990. Since then, he's been a strong voice for strengthening America's families and limiting the size and scope and intrusion of government into their lives.

Senator Coats is the Chairman of the Labor Committee, the Subcommittee on Children, Families, Drugs and Alcoholism.

Senator Coats is a graduate of Wheaton College and Indiana University School of Law. Senator Coats is married to the former Marsha Crawford, and has three children and one grandchild.

And also, I understand that Senator Coats has a mark-up this morning and will be leaving us at the completion of his testimony.

Also joining us, Tim Hutchinson, who was elected to the House of Representatives in November of 1992, after serving eight years in the Arkansas State Legislature. He serves on three committees -- the Veterans Affairs Committee, the House Transportation and Infrastructure Committee, and the Economic and Educational Opportunities Committee.

Representative Hutchinson is a leader in the House for advocating tax relief for America's hard-working families. During the last Congress, he sponsored legislation to provide American families with a $500 per-child tax credit.

He is a graduate from Bob Jones University and earned a masters in political science from the University of Arkansas.

Representative Hutchinson is married to the former Donna King and is the proud father of three children.

Representative Hutchinson will also need to return to a committee mark-up shortly. So, again, gentlemen, I want to thank you very much for taking the time to join us this morning. And Senator Coats, we'll hear from you first.

PANEL I

STATEMENT OF THE HONORABLE DAN COATS, SENATOR FROM INDIANA

Senator Coats. Mr. Chairman, thank you very much, first for calling this hearing and Chairman Mack, thank you for your interest in this subject.

I regret that in the waning hours of the first 100 days of the 104th Congress, there are mark-ups going on all over the Capitol and that I can't stay to engage Congressman Stark in what I think is an extremely important debate on an issue that I feel very strongly about.

Unfortunately, I'm leaving to participate in a mark-up that started nearly half an hour ago on medical malpractice reform, another issue that Congressman Stark has a significant interest in.

He probably would enjoy engaging some of our colleagues on the Labor Committee, on that issue also.

I'm pleased, Senator Grams, that you and I in the last Congress were the Senate and House sponsors of the $500 per-child tax credit. And, I am pleased that you have moved to the Senate to join in our efforts here and that Congressman Hutchinson has taken up the mantle in the House.

I'm also very pleased and want to congratulate Representative Hutchinson for the fine work that House Republicans have done in reaching out to America's families and addressing a very real concern by their actions last evening passing the $500 per-child tax credit.

I think that a great deal of credit goes to our House colleagues.

In response to Mr. Stark's injunction that we take our time, I can guarantee that the Senate will take its time.

(Laughter.)

For those of us who formerly served in the House, it's one of our deep frustrations about the amount of time that we take in the Senate. But, hopefully, we will get to the same end-point that the House did.

Let me just divert a little bit from my prepared statement to address somewhat the questions that Representative Stark raised.

I note with interest that in 1993, the bipartisan National Commission on America's Urban Families recommended the following, and I quote. One of their key policy recommendations was to "increase the self-sufficiency and economic well-being of families by either significantly increasing the personal exemption or through a child tax credit for all children through the age of 18."

Now that was not the Republican family forum or the suburban family forum. This was the bipartisan National Commission on America's Urban Families.

The findings of the National Commission on Urban Families were remarkably similar to those advocated three years earlier by the Democratic Progressive Policy Institute. In an impressive report entitled, "Putting Children First: A Progressive Family Policy for the 1990's," this group found America, our country, is the only country among 18 rich democracies in the world, and I'm quoting from the report, "that does not have a family allowance or some other sort of government subsidy per-child. Western European countries recognize that nurturance has great societal value... these societies have acknowledged that there are some things that only families can do and that if families are placed under so much stress that they cannot raise children effectively, the rest of society cannot make up the difference in later years.

"The United States -- they go on to say -- used to have a form of family allowance; we just did not call it that. In 1948, there was a pro-family government policy based on a simple notion: the government should not tax away that portion of a family's income that is needed to raise children."

Mr. Chairman, I would suggest to you that that is exactly what we've done. From the $600 allowance allowed by Congress in 1948, increased today to $2450. The $600 allowance in 1948 meant that a family of four paid only three percent of its income in Federal income tax. The bald truth today is that the personal exemption, which once shielded 42 percent of the income earned by the average family of four, today shields only 12 percent of income -- the Federal tax bill has now skyrocketed 24.5 percent of family income.

So, while we have seen an increase of more than 700 percent in the tax burden for families with two children, we've seen all kinds of special tax breaks go to all kinds of special interests. The Tax Code is loaded with them.

I had to take a year-long course in law school just simply to begin to understand the complexity of the U.S. tax code and the special breaks designated for special interests, every special interest except America's most special interest, the American family.

I think the time has come to restore some equity to the American family and to recognize that the challenges that families face today are significant and need to be addressed in a meaningful way.

The average family in my State of Indiana, the median-income for a family of four is $34,082. Of that, nearly $11,000 is devoted to Federal, state and local taxes.

When I go back home and talk to families in Indiana, they say, Dan, it's not just the Federal taxes. It's the Federal and the state and the local option, and the personal property, and the excise and the sales and the real estate taxes and on and on it goes.

That tax burden today for the American family is allowing them not only to not increase their standard of living, but they are lucky if they can stay even.

And so it's time that we address that fundamental fact.

The Tax Foundation has said that Indiana families will work this year 117 days just to pay the tax burden. That is from January 1 to April 27th.

We will be working nearly another month in this year just to send money to the government.

Now some have said that, well, what's $500? That's not going to go very far. But as economists have noted, that if that $500 per-child is invested over that child's lifetime, at least lifetime with the family up to the age of 18, it's enough to pay for a college education. It means $80 of grocery money each month. And it may buy time for parents to spend some time with their children, time to instill the values, love and discipline that are critical in the formation of citizens of character.

Mr. Chairman, the $500 tax credit will provide tax relief to 52 million American children. The tax credit will eliminate the total tax burden for 6.4 million children whose families make less than $23,000 per year. 85.7 percent of the tax relief will go to families making less than $70,000 per year.

Now, I know that serious questions have been raised about our ability to pay for the child tax credit, while reducing the deficit at the same time. These questions are legitimate and if we are honest, we have to admit that this will be a formidable challenge.

But I do not believe that these two goals are mutually exclusive, nor should they be.

Senator Grams and I have proposed slowing the rate of government growth to realize savings and to utilize some of these savings to pay for this family tax relief.

The House of Representatives, as I said earlier, demonstrated yesterday that deep cuts can be made to accomplish both deficit reduction and family tax relief.

Mr. Chairman, in conclusion, the American social fabric today is serious strained. When families fail, the cost to society is enormous.

That failure is measured in lost dollars and in lost lives. The lessons learned from decades of social spending are clear. Government cannot effectively stay the hand of despair and destruction for our children and for our families but strong families can.

We simply cannot afford any longer to ignore the evidence before us. Family preservation must be paramount in our Federal policy.

I thank you, Mr. Chairman, for your leadership on this issue. As I said, I regret I cannot stay and debate it. I know that Representative Hutchinson will pick up the ball and run with it.

I will excuse myself and go to my mark-up. But thank you very much for this important hearing. I look forward to working with you and other members of the Committee in addressing this issue.

[The prepared statement of Senator Coats appears in the Submissions for the Record.]

Senator Grams. Senator Coats, thank you very much for your testimony and your information. We appreciate your time in coming to the hearing this morning.

Representative Tim Hutchinson, your opening statement, please.

STATEMENT OF THE HONORABLE TIM HUTCHINSON, REPRESENTATIVE FROM ARKANSAS

Representative Hutchinson. Thank you, Mr. Chairman.

I welcome the opportunity to appear before the Committee today to discuss the importance of family tax relief.

I, first of all, want to extend my personal sympathy to you in the loss of your grandchild. I know that you're grieving and our prayers are with you.

Let me say also at the outset, Mr. Chairman, how much I appreciate your personal commitment to the American family and your leadership in promoting legislation which strengthens and empowers American families. You and I introduced the Putting Families First legislation in the House two years ago. It seemed a virtual impossibility. And being in the minority as we were, with those who are concerned about the costs.

So, today, there is a spirit of celebration on the part of most House Members, I assure you, and a great dense of victory in the passage of the tax relief bill last night, which included many of the components, most of the components that were in our Putting Families First legislation.

So my congratulations to you. I think that you ought to be part of that celebration today and I really respect and admire your leadership on this issue.

And I know that the miracle that's been performed in the House, you will now perform that in the Senate.

The intact family is our country's most effective government. It's the best department of housing. The most meaningful department of education. The most compassionate department of human services. And the most responsible department of labor.

It's the fundamental unit of our society and it's the guardian of our social fabric, and it's the means by which values are conveyed from one generation to another.

And yet, today, the American family is embattled. It is under attack. And the amazing thing is that it is under attack by its own government.

We could not have devised a more anti-family public policy to the end of undermining the traditional American family if we had sat down and consciously designed such a plan.

We have taxed them until both parents have to work in the job market, regardless if one wishes to stay at home and rear the children. The average family of four now spends 38 percent of its income on taxes, more than it spends on food, as the Chairman said, clothing, housing, insurance and recreation all combined.

We have allowed the value of the dependent exemption to erode over time until it's worth only a fraction of what it was four years ago.

In effect, we have said, in our tax policy, the children and families are of less value today than they were a generation ago.

We have allowed a marriage penalty to exist in our tax law that sends the undeniable signal to our citizens that marriage really isn't all that important after all.

We have codified inequitable IRA tax provisions that say a spouse in the marketplace is more valuable to society than one in the home.

We have created a costly and bureaucratic adoption system that leaves thousands of adoptable children in less stable and secure environments than they could be enjoying.

And we have defended a welfare system that offers cash subsidies to unmarried teenage mothers.

Why are we then surprised when family break-up becomes commonplace, dysfunctional families are routine, and one out of three children born in America are born out of wedlock?

If it were a foreign government that had imposed these policies, I daresay we would regard it as an act of war.

It is not too much to expect that government be the friend of the family, not the foe. And I believe that one critical step toward that goal is the passage of the $500 per-child tax credit. Seventy-four percent of this tax relief would go to families with incomes under $75,000. It's progressive and would be worth a lot more to the guy with a lunch bucket than to the guy in the corporate country club dining room.

This $500 per-child tax credit would shift power and money from Washington bureaucrats and return it to the moms and dads of middle America.

And may I say that, as Senator Coats cited several studies of the American family that have said, this is exactly what we need to be doing, there are others. In fact, I think that almost every objective evaluation of the American family says that we ought to have some kind of tax credit or dramatic increase in the dependent exemption.

One that Senator Coats did not cite is the final report of the National Commission on Children, in their report, "Beyond Rhetoric," a bipartisan panel, presidentially appointed, not right-wing or anything else.

They said that there ought to be a $1000 child tax credit for all children through age 18 and, Congressman Stark, they said that it should benefit all families with dependent children regardless of their income or tax liability.

Representative Stark. Would you yield at that point?

My wife wrote that, Congressman. And underline, all children, not just children of rich families.

Representative Hutchinson. Yes. And I also underline, regardless of their income or tax liability. Not a $200,000 cap. Not a $300,000 cap. Not any kind of threshold, but that all children should be benefiting.

And we would provide a $500 tax credit for all children.

For a middle-class family of four, that $1000 could mean the difference in whether both parents have to work. It could mean the difference in whether health care premiums can be paid. It could mean clothing costs for an entire year. It could mean the down payment for the cost of a college education. Or it could mean a trip to the pizza parlor once a week.

But it ought to be the decisions of moms and dads and not the decision of Washington bureaucrats. It ought to be their choice to make. And I believe that they've got the common sense. They've got the wisdom to make the right kind of choices for their children.

Please remember, family tax relief is not a new spending program. It's not a new entitlement. It's not a give-away from the government. It's simply allowing the American family to keep something that already belongs to them -- more of their hard-earned income.

The time for family tax relief is now. Forty-five million American families making less than $75,000 a year would receive meaningful relief from the heavy burden of taxation.

The American family is tired of the kind of high-sounding rhetoric that we so often give them when we give empty speeches about family values, while we as policy-makers insult them, in effect, kick them in the teeth again and again by saying, we can't afford to do it now.

And I simply say, we can't afford not to do it now.

Our national security is very much intertwined with family security. We've seen the breakdown, the corrosion of the traditional American family.

Strong and secure families mean a strong and secure society. And I believe one step toward that would be providing family tax relief.

Thank you, Mr. Chairman.

[The prepared statement of Representative Hutchinson appears in the Submissions for the Record.]

Senator Grams. Thank you very much, Representative Hutchinson. I know you have to leave, but I want to thank you very much for taking the time to come over this morning. And again, I applaud your efforts and your continued work in the House and the successful passage of this bill last night.

We hope to pick up the ball here, as Mr. Stark said, and pass it here as well, though.

Thank you very much.

Representative Hutchinson. And I have the utmost confidence. Thank you very much.

Senator Grams. Thank you.

Senator Bennett. Mr. Chairman, before the chart is taken down, may I be allowed to make a comment on it?

Senator Grams. Sure.

Senator Bennett. I had not seen this chart before, so I don't have anything really worked out. It's just a reaction.

One of the charts that I'm working on with respect to the argument over the deficit is to look at the deficit as a percentage of the economy rather than in nominal dollars. The deficit in nominal dollars has the chart that scares everybody, looks like the hockey stick.

I think that chart is misleading, if not inaccurate, because, to put it in quick terms of my own business, when I first joined the business, we had a debt of $75,000. Today, the business has a debt of $7.5 million.

When you put those figures on the chart, it scares you to death. What's wrong with this company? When we had a debt of $75,000, we had no cash and $300,000 in sales.

Today, when we have a debt of $7.5 million, we have $65 million in cash and $300 million in sales.

A $7.5 million debt is nothing. Whereas, the $75,000 debt was life-threatening.

So I've said, instead of looking at the debt as nominal dollars as they go up, let's look at the debt as a percentage of gross domestic product. And on that basis, the nation was in its highest level of debt in the 1940s. And the debt came down as a percentage of gross domestic product until about 1980. Then it started going up again.

Right now, it is at the same level it was when Dwight Eisenhower was President of the United States. But it is going up.

Now, with that in my mind, I look at this chart. We were at a high point of the debt as a percentage of gross domestic product in the 1940s. This chart shows who's been paying it off.

And you get to 1980, when the debt starts going up again as a percentage of gross domestic product, then you look at this chart. The so-called disastrous Reagan tax cuts that we hear so much about in rhetoric hit in 1980. And what happened to the percentage of Federal taxes paid by modest families? It leveled out.

In 1980, we stopped making the median-family pay off the national debt and said, we're going to freeze your percentage of Federal payments at a level -- you see that level in that chart form 1980 to 1990 and beyond? And that's the point at which the deficit starting getting out of control.

I think this chart demonstrates to us -- as I say, I haven't seen it before. I haven't analyzed it as thoroughly as I could. I think that this chart demonstrates to us that we were paying down the debt as a percentage of the economy on the backs of ordinary families. And when we said ordinary families have had enough, that's when our own financial problems started to come home to roost.

This chart says to me that the previous activities were in fact unsustainable and the leveling off that occurred in 1980 was a logical thing. And I want to see what I can do to see that it stays level.

Just an observation before the chart disappears.

Senator Robb. Mr. Chairman, may I join in?

Senator Grams. Senator Robb.

OPENING STATEMENT OF SENATOR CHARLES ROBB

Senator Robb. I appreciate the remarks of our very thoughtful colleague, Senator Bennett, who clearly has a track record in business that is frequently heard and resonates in at least this Chamber, and I personally respect him.

I think that another chart that might be relevant, however, is tracking the interest on the debt as a percentage of the total Federal budget.

When you place that particular chart next to the one that the distinguished Senator from Utah made reference to, you come out with a little different conclusion as to whether or not we're moving in the right direction as far as debt is concerned. And if you get out very far, i.e., 10 to 12 years into the next century, which is close upon us, you have a situation where all of the interest on the debt, plus entitlements, will take up the entire Federal revenue stream.

So that it's not quite as innocuous, I suspect, as it might be portrayed if you look at it just from that one perspective.

But I do appreciate his comments.

Representative Stark. Would the distinguished gentleman yield to me for just a comment?

When you order those charts, it would be interesting, too, to see the Federal taxes as a share of income of the families, say, in the upper ten percent, which dropped drastically after the period of 1980 to the current time.

So what you're dealing with here is with people in a very modest income, the median, and ignoring the fact that the share of income paid in taxes by people with over, say, $150,000 income, dropped precipitously.

So there are some other interesting statistics underlying these that we should look at.

Senator Bennett. Yes, I agree. And as I said, I have not seen the chart before, so this is the first reaction to it. But I am struck by the fact that I hadn't realized before, that from 1950 to 1980, the trend line is steeply up. And then in 1980, you see a leveling-off.

And I like that. And I kind of think that you ought to like it, too.

Representative Stark. Oh, I do, to see it go down.

Senator Bennett. Okay.

Senator Grams. I also want to welcome Representative Don Manzullo for joining us this morning.

OPENING STATEMENT OF
REPRESENTATIVE DONALD MANZULLO

Representative Manzullo. Thank you, Senator Grams.

You know, I hate to add to the despair and the despondency going on. So often people say, well, this country is on the verge of bankruptcy.

That's not true. We're in Chapter 11 reorganization. This whole thing is hemorrhaging so badly -- there is a chapter in normally every budget.

It doesn't appear in this year's budget. Called the generational forecast. And that says because of the $4.8 trillion debt, by the time every child born after 1992 enters the work force, that child will have a local, state and Federal tax rate of between 84 and 94 percent.

So what we have, unless this Congress asks dramatically, and we lay all the firewood at the door of the Senators because of the magnificent job we've done in the House of Representatives yesterday, unless this country acts dramatically, we have guaranteed socialism for every child born after 1992.

And you can take all the charts you want and talk about the top 10 percent or the bottom 10 percent. And that is, if you want guaranteed socialism in this country for kids born after 1992, then we should do absolutely nothing. We've got to move.

And I guess I would encourage my Republican colleagues here in the Senate to move expeditiously so that the people who are sitting out here, especially Mr. Keen, who I believe is going to testify, can get that money in his hands and he can start making plans to carry out the dreams and the desires of his family.

Senator Grams. Thank you, Representative Manzullo.

I'd like to now welcome our next panel member, who is Mr. Keen. Today, the Congress is debating tax relief for America's hard-working families. Often, when we discuss these issues, we don't bother to listen to the American people who sent us here to look after their best interest.

We have invited an ordinary American taxpayer to testify today because he possesses the extraordinary insight from struggling to pay bills and to raise a family.

Steven Keen served in the U.S. Navy from 1973 to 1976. He is a resident of Woodbridge, Virginia. He works for the Virginia Department of Alcohol Beverage Control.

He is married to the former Aletha Lynch and he has three children -- Rachel, Sarah and Esther -- and they attend the Calvary Baptist Church.

Steve and his wife are members of their local PTA. They serve on the Potomac Parent Organization of Potomac Senior High School, home of the Virginia AAA basketball champions, by the way.

I want to thank Steve for taking time off from his job today to join us so he can appear before the Joint Economic Committee, and let us hear from him and his testimony and also give us an opportunity to talk with him and question him this morning as well.

Mr. Keen, welcome.

PANEL II

STATEMENT OF STEVE KEEN, TAXPAYER AND FATHER OF THREE CHILDREN

Mr. Keen. Thank you very much, Mr. Chairman, distinguished members of the Committee.

I know that you're accustomed to hearing testimony from expert witnesses. But I'm not an expert. At least not on tax codes.

I'm a husband, a father, a neighbor and a taxpayer.

Last year, between my wife and myself, our Adjusted Gross Income was $44,500. On that income, we're buying a modest home, supporting the charity of our choice and raising three daughters.

I couldn't tell you the potential fiscal impact of a tax credit versus a tax deduction or the consequences of an increase in the earned income credit as opposed to an increase in the income threshold.

But in the 15 years I've been a parent, I've learned a thing or two about what it costs to raise children. I've learned what it costs to feed a family of five and how much gasoline it takes to drive children to and from social events and school.

Last year, for instance, I had my three daughters in three different schools. Between dances and field trips, my wife and I must have logged the equivalent of a cross-country trip.

I've become an expert at first-year algebra and second-hand clothes. I know the cost of everything from asthma medicine to orthodontic braces.

I know that sometimes prices go up due to inflation. Sometimes they rise because of increased overhead due to government regulation and sometimes -- well, just because prices go up.

When that happens, for any reason, something has to give in a family's budget. Savings begin to deplete. Credit card balances go up. And pretty soon, you're forced to make choices between types of discretionary spending, like charitable donations and savings for college.

Last year, for example, we were forced to give up our support of Young Life, a nonprofit Christian youth organization. When the head gasket on our minivan blew, we were forced to decide whether to cash savings bonds that we had planned for our children's education or to increase our credit card debt.

Most of you are parents and it comes as no surprise to any of you that these are the kinds of choices that we make every month.

I want to say that I'm perfectly willing to pay my fair share of taxes, whether that be for state, Federal or local government. But when my share of those taxes becomes so high that I cannot afford to set aside for my children's college, and then government borrows money to pay for the higher education of others, it makes me question the value of the contract between myself and my government.

Statistics show that there's no stronger indicator of future earnings than education. I realize that I'm forced to make a choice between savings for college now and emergencies today, that this decision could have long-range impact for my children and possibly for theirs.

I know that there are those who say that the best way for government to help children is to invent new programs like AFDC or food stamps, or to create new agencies, or to otherwise increase the size of government.

But a private program already exists that deals with the needs of children and it's proven its ability to deliver cost-effective care. It's not an advocacy group like the Children's Defense Fund or an orphanage like Boys Town.

It's called the family.

The millions of us who manage the branch offices of this agency have proven ourselves under fire. We stretched the food budget by the "macaroni and cheese" method. We've stretched clothing budgets by the "thrift store" approach. We've otherwise met our obligations because we want to set the standards for our children.

Whether we had our families alone or with another, we're united in our purpose -- to provide for and teach our children. And when the time comes, to deliver them into society ready to contribute.

We're not asking you to subsidize this venture. When we entered our role as parents, we entered it fully expecting to underwrite the cost of raising our children.

But while our children are young, we would ask that you leave us a little more of our own hard-earned money so that we can fund the child care program that we designed for our children without earning assistance.

With the extra money that this bill represents to me, I will, I hope, to provide for an in-state college tuition for my daughters. It might not be Harvard, but it's a start.

Last Sunday morning, I heard the distinguished Chairman of the Senate Finance Committee who was a guest on CNN's "Evans and Novak" show. Mr. Evans took the opportunity to ask Senator Packwood his opinion of this bill.

The Chairman said that while he was not opposed to the principle of a tax cut, that he felt this bill was the worst way to cut taxes because, in his mind, it wouldn't lead to job-producing investment.

I would respond to that by saying that the most efficient producer of new jobs is new technology and that new technology is a product of innovation and education.

Capital may be the oil that lubes the engine of industry, but new technologies are the fuel that makes the whole thing run.

When those who oppose this bill say it would not encourage investment, I would say it's more a matter of investing in our youth instead of simply in plants and machinery.

In summation, I want to urge you all in the strongest possible terms to adopt this family-oriented tax relief program. Let us show you what we can do when we're empowered to set the priorities for our own children.

It's an investment in our nation's future.

[The prepared statement of Mr. Keen appears in the Submissions for the Record.]

Senator Grams. Mr. Keen, thank you very much for your opening statement.

I just want to point to the chart that's here and put this in a perspective. In 1948, and this is after World War II and the heavy debt this country incurred at that time, and in inflation-adjusted dollars, for a median-income, the Federal Government in 1948 was taking a slice of $812, their share of your income.

And then you look at the second pie chart and it shows that that has risen now to over $10,000 that the government is now taking.

So what can you do with that $10,000 if it was back into your pockets? How much government assistance would you need in many of these programs or how much could you pay for yourself if you had that extra $10,000 in your pocket to begin with?

Mr. Keen. I would say that when I first heard about this proposal, the first thing that came to mind for me on what I would do with it is that I would set it aside for my children's education.

I don't know what other people would do, but I know that in my case, I've been struggling. My wife and I have been struggling for a while about how we're going to educate our children.

It is our intention if this bill passes to take the extra money specifically and set it aside. I know it won't pay for a whole tuition, not even in-state, not with three kids. But it's our intention to set it aside and dedicate it for that purpose.

Senator Grams. Now that's the $1500 that you would qualify for. It's not near the $10,000 in extra money in adjusted income.

Do you just believe, quickly, before I move on, that you could spend that money more wisely than the government can for you?

Mr. Keen. Yes, Mr. Chairman, I do.

Senator Grams. Thank you.

Senator Mack?

Senator Mack. Thank you, Mr. Chairman. I don't know that I really have a lot of questions, but you sure said some things that brought back some memories for me in conversations that I have had with people around my state.

I think about literally the millions of families like yours who have year after year after year worked hard. I'm thinking of the family where both the husband and wife works, gets up while it's dark, works all day, gets home after it's dark.

I'm thinking of a family down in Fort Myers where the husband works two jobs during the week and the wife stays home and takes care of their only child.

She goes to work on Saturdays and Sundays while he stays home and takes care of the child.

What I hear them saying, and I guess where I'm kind of leading is that maybe you might share with us some other thoughts that you have. What people are really saying is that they do and they are willing to help others, but they really have serious questions about the programs that are in place and who's participating in those programs.

The impression is that they're really not trying to help themselves.

Here we are struggling to take care of our families and we're giving more and more and more and more of that to government to disburse to people who are not willing to try to help themselves, and they've had it and they think it's unfair.

Is that a fair conclusion of what you're expressing? And do you hear that? What do you hear from the other folks that you work with? What are they saying about what they see government doing?

Mr. Keen. I would say to you, Mr. Mack, that I would say it slightly differently.

When I look at my budget and I know what I have to pay and I know what my expenses are and I see how much goes out to the Federal

Government, it's difficult for me to sum up and say, well, I know that I've received this from government in exchange for what I've paid.

I wouldn't want to characterize anybody else because they're taking government assistance, as not willing to help themselves. I know many of them are.

But it's my general impression that if the government leaves the money with us, that's less money for the government to use for these programs and they'll have to be more cost effective, more efficient in delivering those services.

A government can promise to be more cost-effective, to be more efficient, to reduce their expenses. But they never quite seem to get it done until the money isn't there.

If the money comes to us so that we can use it at the family level where it's most effective, and then those programs that everyone questions the value of will have to be more efficient.

That's the way I see it.

Senator Mack. Thank you, Mr. Chairman.

Senator Grams. Thank you very much.

Senator Bennett?

Senator Bennett. I don't have any earth-shaking questions. I just thank Mr. Keen for coming.

Jogging my memory, we have six children. I remember a time when we had little or no income. I've had some years where I've had no income at all. People would say to me, gee, you don't know what it's like to be without health insurance.

Yes, I do. That's the fate of an entrepreneur. They start businesses and they fail and you don't have any income and you don't have any coverage and all the rest of it.

Your reference to the credit cards going up struck particular responsive chords because I can remember a time when credit card balances were my only source of income. And that, of course, is the most expensive kind of credit and you try and get off of it as quickly as you can.

So I simply thank you for coming here and stirring those kinds of memories and we'll try to respond to those memories as we respond to your testimony.

Thank you, Mr. Chairman.

Senator Grams. Thank you very much, Senator.

Representative Manzullo?

Representative Manzullo. Thank you, Senator.

Mr. Keen, your voice is not being heard in the national news media. The Republicans in the House are being called cruel to children because we want to streamline the hot lunch program, and instead of feeding bureaucrats in Washington, make sure that the children most needy get the food and eliminate the waste, and that the money that we save in not paying bureaucrats goes into your pocket.

That's the message in America today.

Several years ago when I practiced law in a small town in northern Illinois, a little bitty town of 3500 people, I had 60 bankruptcies pending, 6-0. And many of the people, in fact, most of the people, were in bankruptcy because of a tremendous downturn in the economy and they had no savings on which to fall back.

You and I probably read the same books by Larry Burkett and the other experts who say, set aside a portion of the money just in case a downturn comes. You have at least one or two or three or four months' salary to set aside for that day, not the rainy day, but the day when the hailstones come down and you lose your job and get the pink slip.

And most, if not all, of these people were people similar to you and most Americans who live from paycheck to paycheck and were being robbed of the fruit of the labor of their hands by a government that continues in a leviathan state with a voracious appetite and the arrogance of a Federal Government that says it knows how to spend your money better than you do.

Now, Mr. Keen, there is no Federal tax dollar. Everything belongs to the people. Whatever the people give to the government is by way of the contract that was formed with the Constitution of this country.

And I would encourage you to take your message to as many public places as possible. And one of the reasons for this forum is that you, representing the American family, have been shut out of the medium.

And this morning, it's your opportunity to say, it's our money and we want it back.

God bless you for coming here. I appreciate that very much.

Mr. Keen. Thank you, Mr. Manzullo. And I just want to state for the record that I don't own a pair of silk stockings.

(Laughter.)

Senator Grams. Mr. Keen, before you go, I wanted to go back to part of your testimony where you said in the words, something to the effect that if we would allow you to keep some or a little more of your hard-earned dollars, that you would be able to meet or be able to provide more of the things that your family needs, such as putting away money for an education or some of the things that families always can use extra money for.

How important is this $1500 that would be available to you, that would help you to meet these extras, that you would be able to provide for your family without turning a hand to Washington or the Federal Government?

Mr. Keen. To give you an idea of the importance, we are determined that our children will have whatever college education they qualify for and are able to get through their own work.

If we don't have this money to set aside to pay for it, we will take out loans. We will go for as many scholarships as we can get and take out loans for the rest.

And of course loans add, again, to finance charges and will make sure that our family stays in this situation even longer.

So one way or the other, our children are going to be educated. What it means to me is not having to incur extra debt and being able to climb out from some of the emergency stuff I have now.

Senator Grams. Would you consider yourself rich, Mr. Keen?

Mr. Keen. Yes, I do consider myself rich. I have three of the most wonderful children in the world.

I'm the richest man in this room.

Senator Grams. Well, I want to again thank you very much for taking the time because, as Mr. Manzullo pointed out, so many times, the work we do here seems to forget the people who are involved.

I always call it where the rubber meets the road. You have to go back to Main Street, to the cafes and to the homes of this country, to find out exactly the impact that our legislation here has on individuals at the grassroots of this country.

Sometimes that is forgotten.

And all these well-intended programs, many started out with good intentions. But Mr. Stark said earlier, he wanted to underline all children.

Well, all children are included in this tax break, up to $200,000. He seems to forget of all the tax credits and other programs available to those making under $16,000 a year.

But when they talk about providing more services, what they have to do is take your money, and that is for people making $25,000 to $60,000 a year, who are the bulk of the taxpayers in this country. They have to take some dollars from somebody in order to give them to somebody else.

So when they're here talking about how much they want to help this country, they want to direct your hard-earned dollars to what they think is important.

I really believe that this program, even though maybe not enough right now, but would help direct or keep some of those dollars into your pockets for you to make those decisions at the discretionary levels for your family.

Mr. Keen. Exactly.

Senator Grams. Again, Mr. Keen, thank you very much for taking the time to be with us and I appreciate your insight and your testimony this morning.

Mr. Keen. Thank you for the opportunity to testify.

Senator Grams. Thank you. I'd like to take about a five-minute recess while we have the members from our third panel come to the table.

Thank you.

(Recess.)

Senator Grams. I'd like to welcome our next panel. We have a couple, Mr. Ferrara and Mr. Bauer, who are still on their way and they should be joining us within the next five to ten minutes. But I'd still like to get the panel underway.

I want to welcome our guests. I'm not going to give you long introductions because I know you all have accomplishments and achievements, a long record of those. So I won't go into detail, except to say, thank you very much for taking the time to join us and to share some insights that we hope to glean from your testimony, in our efforts to pass on the very important tax legislation.

So I want to welcome Mr. Scott Hodge, who is an analyst with The Heritage Foundation, Mr. Wittmann, who is director of legislative affairs with the Christian Coalition, and also Mr. David Liederman, who is executive director with the Child Welfare League of America.

We're also going to be joined shortly by Mr. Gary Bauer, who is president of the Family Research Council, and also Peter Ferrara, who is a senior fellow with the National Center for Policy Analysis.

So, again, I want to welcome you gentlemen here. I'll just quickly show this chart before we get started because it was something that Mr. Stark referred to earlier about which children will qualify for the tax credits.

And as you can see by that chart, the vast majority, over 85 percent, nearly 86 percent going to families that make $75,000 a year or less. And only 5.6 percent goes to the families making between $100,000 and $200,000. And that cap has just focused the attention on the wrong spot, and they're trying to emphasize, well, you're giving tax breaks to the rich.

You can see very well that most people who make $100,000 a year today do not consider themselves rich. Maybe middle class, but by no means rich.

But the bulk of this goes to the families who really need it, those who have been asked over the last 40 years to bear a larger and larger share of the tax burden.

And that is where this tax cut has been aimed.

I want to welcome Mr. Bauer for joining us. Thank you very much.

I'd like to start with the testimony. Mr. Bauer, would you like to start. We'll go from left to right.

Thank you.

PANEL III

STATEMENT OF GARY L. BAUER, PRESIDENT, FAMILY RESEARCH COUNCIL

Mr. Bauer. Thank you. Mr. Chairman, with your permission, I'll submit my statement for the record and just make a few comments, if I may.

Senator Grams. So noted.

Mr. Bauer. Thank you. Yesterday, I was traveling through the west in a number of states when word came that the House had passed the tax package.

I must tell you, Mr. Chairman, I didn't find any of the anger or horror at that news that, by reading the Washington newspapers, you would think that one would find.

In fact, the people that I ran into, from taxi drivers to folks at the airport, were excited and happy that Washington was moving to allow them to keep more of their own hard-earned money.

I must admit that I did find a little bit of skepticism.

As you know, Mr. Chairman, the last time we had some real family tax relief was in 1982, when Ronald Reagan doubled the personal exemption. And in the time from then until today, there's been a lot of commissions that have issued reports. There have been a lot of candidates that have promised pro-family tax relief. I think the last one was the Rockefeller Commission, Senator Rockefeller who headed up a commission that was heavily weighted with nominees appointed by a Democratic Congress and by a Democratic President. And that Commission said that the most desperately needed thing for the American family was tax relief, and in fact, specifically recommended the kind of increase or credit that you and your colleagues have been supporting.

And yet, in spite of all of these recommendations over the years, there always seems to be a reason not to give the family that kind of relief.

I noted in the paper today that a Congressman from Florida, from the other side of the aisle, was quoted as saying, this is the wrong time in American history to be lowering taxes.

And as I looked at that quote, I was thinking about the fact that, I think a good bit of official Washington has never found a right time in American history.

When the economy is improving, the nay-sayers say, well, we can't possibly lower taxes now. That would be inflationary and it will spur the economy on too much. And when the economy is slowing down a little, then people like that Congressman from Florida say, well, we can't possibly lower taxes now. That will add to the deficit.

There never seems to be a right time.

I think for the average American, there's a desperate need for this relief now. The average American family works until about May each year just to meet their tax burden. I think it was Congressman Armey yesterday who pointed out that the average family now spends more on taxes than they do on shelter, food and items like that combined.

So, clearly, the family is overtaxed and we need to do something quickly about it to help families that are in desperate straits.

I hope that the news analysis and the pollsters and pundits are wrong when they say that the Senate will be a black hole on this proposal, that somehow it's going to disappear and that nothing really will come out of the Senate.

I have high hopes that the Senate will act on this, and whatever else they do with the bill, that they will leave the relief for the American family.

And I commend you and your colleagues for the work you've done to try to make that happen.

Thank you, sir.

[The prepared statement of Mr. Bauer appears in the Submissions for the Record.]

Senator Grams. Mr. Bauer, thank you very much.

Mr. Hodge, your opening statement, please.

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STATEMENT OF SCOTT A. HODGE, GROVER M. HERMANN FELLOW IN FEDERAL BUDGETARY AFFAIRS, THE HERITAGE FOUNDATION

Mr. Hodge. Thank you, Mr. Chairman. I've submitted my testimony for the record and I'd like to summarize it, if I may.

I think today is a banner day for American families. Yesterday was indeed a banner day for American families, when the House passed that very comprehensive tax cut bill, which the centerpiece, of course, is the $500 per-child tax credit.

I think this means a great deal to the 52 million children who live in 35 million working families. This is really Congress' first attempt to do something about families overburdened with taxes since Ronald Reagan's tax cuts in 1981.

But, now that the work has been done by the House, the Senate now has the burden of the heavy lifting. And I think a good point to start off with is the Putting Families First bill, sponsored by Senator Dan Coats, of course, and Rod Grams, the Chairman.

While Speaker Gingrich calls the $500 per-child tax credit the crown jewel of the Contract With America, it really has been one of the most criticized and, I think quite unfairly, elements of the Contract With America.

The criticisms come from all directions, as Mr. Bauer mentioned. Some want to lower the income threshold from $200,000 to $95,000. Others such as the White House say, well, the $500 credit is not fair because families making under $17,000 won't get any tax relief.

These families, by the way, don't pay any taxes.

Others simply don't want tax cuts at all until Congress finally gets around to balancing the budget. And as we all know, the last time Washington balanced the Federal budget was in 1969.

Let's hope American families don't have to wait another 25 years to get tax relief.

The Wall Street Journal says that the $500 per-child tax credit is nice, but overall, it's kind of a waste of money because it won't stimulate economic growth.

A lot of these arguments are simply red herrings. They're merely veiled attempts to protect Washington's government class at the expense of American families. And I think a lot of members of both the Senate and some on this Committee might be swayed by the idea that the $500 per-child tax credit won't stimulate economic growth and therefore, really, shouldn't be included in the tax cut package.

I think in a traditional economic sense, this view is correct. In traditional economics, if you finance family tax cuts with spending cuts, you've simply transferred government demand spending over into private-sector demand spending.

And while some economists may say, well, you'll get efficiencies because you've taken money away from the inefficient Federal Government and turned it over to the hands of private people, it's hard to measure that impact.

And so, economists tend to discount the benefits of family tax relief.

But I think that we ought to avoid being trapped into this notion that the only reason to cut taxes is to stimulate economic growth.

I think that there are positive reasons just in and of themselves for cutting taxes on American families.

I think the beauty of the Contract With America is that it links pro-family tax cuts with pro-family business and economic growth tax cuts.

I think when you cut the capital gains tax and you improve business depreciation, you encourage businesses to put better tools and equipment back into the hands of their workers. Workers who work with better tools are more efficient and therefore, earn more money.

That's pro-family.

Now once workers earn more money they will finally get to keep it because of the $500 per-child tax credit. I think that that's why the contract is pro-family on both elements of the tax cut.

Family tax relief, especially a partially refundable $500 per-child tax credit, is particularly important, especially as we consider welfare reform. As we've mentioned many times here during this hearing, low-income families especially are still eligible for many of the welfare benefits, the billions of dollars in welfare benefits that government distributes.

Wouldn't it make more sense for these families who pay thousands of dollars of taxes on Friday, and yet pick up a modicum of Federal benefits on Monday, to keep that money on Friday, so that they don't need free orange juice and subsidized school lunches on Monday?

But there are many other very sound reasons why we should be cutting taxes on American families. As we've mentioned many times, families are overtaxed. And as we've seen on some of these charts, American families have been taxed out of house and home.

It's little wonder why people are nervous about cutting government programs. We've literally taxed them into dependence on government programs.

As we've mentioned many times, millions of families will benefit from this tax relief. The families of 52 million American children, 35 million American families, will be eligible for this.

This will build a very powerful constituency for smaller government. By transferring monies from this overblown Federal Government back into the hands of 35 million American families, you build a powerful constituency to stand up to all the lobbyists, the pro-big government lobbyists.

The $500 per-child tax credit, in my mind, has unfortunately been mislabelled middle-class tax relief.

I don't think it is. It is family tax relief. That is the crux of the issue. All families are overtaxed. All families should be treated equally.

As we've seen, 86 percent of all eligible children live in families with incomes below $75,000 a year, middle income by everyone's standards. And 94 percent live in families with incomes below $100,000 a year.

Yet, some would deny these 35 million American families tax relief just because someone like Michael Jordan or a Member of Congress, even, might get a $500 per-child tax credit.

I don't think that's fair.

I think cutting taxes on all families is fair. Means testing would be a disaster.

A flat $500 per-child tax credit is equitable. It affects all families equally. And yet, when you look at how much of the share of a total family income is eliminated with a $500 per-child tax credit, the benefits go disproportionately to low- and middle-income families than it does to upper-income families.

A family making $18,000 a year would receive a 33 percent tax cut under this plan. And yet, a family at $200,000 a year would get a mere 1.5 percent tax cut.

I think that's fair.

The Heritage Foundation has shown, and this has been included in my testimony, the number of children in every state and congressional district in America. The typical congressional district will receive about $59 million a year in family tax relief.

States such as California will receive $3.3 billion a year in tax relief. Illinois, $1.2 billion a year in tax relief. And Minnesota, $443 million in tax relief.

This is good for all families. It should not be means-tested. It should be the centerpiece of what the Senate will consider as it takes up the good work that was done in the House of Representatives.

Thank you, Mr. Chairman. I appreciate the opportunity to speak here today.

[The prepared statement of Mr. Hodge appears in the Submissions for the Record.]

Senator Grams. Thank you very much, Mr. Hodge, for your testimony.

Marshall Wittmann, we'll hear from you. Thank you.

STATEMENT OF MARSHALL WITTMANN, DIRECTOR OF LEGISLATIVE AFFAIRS, THE CHRISTIAN COALITION

Mr. Wittmann. Mr. Chairman, thank you very much. I'd like to submit my full statement for the record and summarize my remarks.

Senator Grams. Without objection.

Mr. Wittmann. We wish to express our appreciation to the Committee for the opportunity to testify today on behalf of family tax relief.

Last night, the House took a historic first step in reversing the tide of the past half-century by supporting families and limiting bureaucracies.

And you, Mr. Chairman, have led the way in this historic effort. You can count on our vigorous support for your Families First legislation.

We strongly believe that this hearing is rather unique. Unlike many who have testified before Congress in the past, we are now asking for something. Our request is not for a new spending program, a new entitlement, or a new subsidy.

However, in the interest of full and complete disclosure, Mr. Chairman, I must reveal that I have a conflict of interest.

I am the father of two and would directly benefit from this credit.

I am not alone, however. As has been said before, it is estimated that 35 million families will profit from this tax credit, 86 percent of whom have incomes of less than $75,000 per year.

In short, we are here in allowing parents, not the social welfare industrial complex, to determine how best to spend their income on behalf of their children.

Bureaucrats do not know our children's names.

In the past few years, much has been made of the issue of family values. We do not expect, nor do we want, the Federal Government to legislate family values.

However, we do urge that Washington value the family. Unfortunately, far too often, the government subsidizes family dissolution and taxes family stability. It is time for this dynamic to end.

Allowing families with children to retain a larger share of their hard-earned income will be a first step towards freeing American parents from the national treadmill of working long hours at the expense of time with their children, while failing to meet the standard of living of the prior generation of one-parent wage-earners.

There is a genuine crisis of family income. For the past two decades, income for the average family has remained stagnant. Yet, the tax bite of their earnings has soared.

Some have expressed reservations about providing tax relief for families on the grounds that, A, the $500 per-child credit is not "progressive," because it doesn't distinguish between high- and low-income families, and B, family tax relief is a revenue loser that needs to be jettisoned in order to meet the difficult deficit reduction goals of balancing the Federal budget.

Neither reservation stands up to scrutiny.

The argument that the tax credit must be means-tested according to income in order to be equitable is a familiar but unconvincing appeal to the politics of class conflict. Since the effect of this credit decreases as family income increases, there is no need for means-testing criteria.

As has been said before, a family of four earning $40,000 per year would only see its tax liability reduced by 11 percent. A family of four, however, earning $200,000 per year, would see its tax burden reduced by 1.5 percent.

The Family First version of the child credit wisely avoids the whole issue of means-testing by eliminating the income cap provisions of the House bill, as well as restoring the ability of lower income families to deduct the credit from their social security payroll taxes, which constitutes a large part of their tax burden.

The problem with the argument that family tax relief is a revenue loser is that it presents a false dichotomy. Legislators can choose to either balance the budget or give some tax relief to struggling families.

In reality, those goals are simply not mutually exclusive. And if anything, they work together hand in glove.

The relationship between deficit and the tax burden on families is just the opposite of what the anti-tax cut argument implies. The fact is that the tax burden on the average family has soared during precisely the same period that the deficit has spiraled out of control.

We are aware of the budgetary impact of this proposal. The Christian Coalition submits that this tax credit should be paid for with spending cuts. We cannot burden future generations with the mounting national debt and we believe that we have good credentials in the deficit reduction fight.

Moreover, we do not believe that higher taxes should be levied on other Americans in order to pay for this tax credit.

Mr. Chairman, you and your colleagues can count on the support of our organization in this year's important undertaking to dramatically limit government. We are not summertime soldiers in the deficit reduction battle.

Entire departments, agencies, and programs should be re-evaluated, eliminated, cut, or sent back to the states. We realize that bold cuts in government spending will need to be taken. Cutting government and the social welfare industrial complex is a necessary step towards returning control over spending decisions on children's health care, education, and well-being to parents and communities.

That is the family dividend of budget reduction.

Thank you very much.

[The prepared statement of Mr. Wittmann appears in the Submissions for the Record.]

Senator Grams. Thank you very much, Mr. Wittmann. We appreciate your testimony.

Mr. David Liederman, your opening statement, please.

STATEMENT OF DAVID S. LIEDERMAN, EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA

Mr. Liederman. Thank you, Mr. Chairman.

I appreciate the opportunity to testify on this critical subject.

Mr. Chairman, I believe that some of the representatives of the people in this country have lost their way.

Two weeks ago, we listened to a debate which demonized 16-year-old moms, which treated 15- and 16-year-old moms as if they were responsible for everything that was wrong in the United States of America, as if 15- and 16-year-old moms even caused the war in Iraq --

as if they've just caused every single problem that we have in this country. Yet teenagers represent only 8 percent of mothers in AFDC families.

Two weeks ago, the House of Representatives voted to use children as human guinea pigs, thinking that you can somehow modify families' behavior and modify people's behavior by withholding money and using money as some sort of a behavior modification tool.

Two weeks ago, the House of Representatives voted to cut $3 billion in funding for abused and neglected kids, Mr. Chairman. Last year, there were 3 million reports of abuse and neglect of children in the United States of America. There were 1300 child deaths as a result of abuse and neglect in the United States of America.

Some of these could have been avoided had we had national standards for child welfare services. Some of these could have been avoided had we had the resources and had the states and counties had the resources that they need so that they don't have caseloads of 50, 60 and 75 clients, 50, 60 and 75 kids per caseworker in some jurisdictions around this country.

Two weeks later, our representatives of the people now turn around and pander to the middle class and upper middle class voters with, as Speaker Gingrich put it, a gift to America.

Mr. Chairman, I think a tax credit to all Americans is a wonderful idea and I would love to see it at some point in this country. It would be great.

But I would suggest to you that not one penny ought to be spent on tax cuts right now. Not one penny ought to be spent on tax cuts until we satisfy ourselves that every effort is being made to see that not one child dies in this country because of abuse, that not one child dies in this country because of neglect, because we're not making the investment that we should make in our child welfare system.

There was a time when people in public office felt a responsibility to help the most vulnerable among us, the young and old alike, to help the poor, to help hard-working low income people.

But I must tell you, Mr. Chairman, that it's hard to find a political leader in this country who mentions the poor or low income working families when they talk about who they want to help in this country.

Every politician seems to be falling over themselves in order to show that they're helping the middle class.

The middle class, loosely defined, is anyone earning up to $200,000 a year. I understand that this is good politics. I spent ten years in political life. I understand it's good politics. But it's lousy public policy.

To cut programs for our neediest citizens in order to help mainly our most comfortable citizens is outrageous and it's bad public policy.

The Speaker last night, and I heard him with my own ears, said, government is too big. Government spends too much, and it needs to be brought under control.

So what do we have here?

Sixty-six billion dollars of cuts on the backs of poor kids and a gift to the American people of ten times that much mainly to take care of middle- and upper-class families.

This is called bringing government under control? This is called spending less?

As a famous Yankee philosopher and a member of the Baseball Hall of Fame once said, this is déjà vu all over again.

We need only to examine recent history to see that poorly conceived tax plans cause havoc for the Nation. The Reagan budget plan in 1981, which the speaker to my right referred to, combined huge tax cuts with spending cuts on the poor to produce record deficits.

The deficit increased from $79 billion in 1981 to $208 billion in 1983, instead of going to zero, as some congressional leaders had promised. Nearly four million people were thrown into unemployment and the unemployment rate rose to 11 percent.

Deficits exploded four times over their previous highs and the national debt has gone from $950 billion in 1980 to nearly $4.5 trillion today.

The rich rode the gravy train while everyone else paid the bill.

Mr. Chairman, I would suggest to you that if we really want to bring spending down and bring government under control, how about for starters cutting corporate welfare?

Yesterday, in an op-ed piece in *The New York Times*, a gentleman from The Cato Institute tells us that corporate welfare costs $100 billion a year to help 125 companies.

We help Sunkist oranges sell their oranges overseas. We help Pillsbury muffins sell their muffins overseas. We help McDonald's sell their Chicken McNuggets overseas.

Taxpayer money, $100 billion a year, goes to corporate welfare. We could cut the deficit in half by cutting out corporate welfare and no one would feel pain. There wouldn't be any pain. It wouldn't be on the backs of the poor.

Mr. Chairman, it costs the same for a low-income family to care for an infant in the United States as it costs a high-income family, about $200 a month. And we've attached a chart at the end of my testimony which outlines what it costs to raise an infant in the United States, on the low end. And it's about $186 a month.

The increased cost for caring for children these days affects both groups.

This debate is not about class warfare. It's about common sense. It's about fairness and common decency.

Listen to the way this debate plays out.

In the House, when they were taking away cash benefits for minor children of moms under the age of 18, and the House took some heat from the Catholic bishops, they revised the plan and they came up with the idea of providing vouchers, instead of cash benefits, for these low-income families, right?

Now I listen to testimony that says, families ought to have the choice about how they spend -- you've heard speakers here this morning talk about how families ought to have the choice about how they spend their money.

We have a double-standard going on here.

When we talk about low-income families, we don't trust them with the money. When we talk about middle-class and upper-income families, we trust them with the money and we want them to have the cash so they can make the choice.

Now, the other double-standard is means testing. I can't believe I'm listening to speaker after speaker talk about how they don't believe in means-testing.

Do you guys not believe in means-testing for day care? How about we have universal child day care in the country? We don't think it should be means-tested.

How about we have universal health insurance in this country? We don't think it should be means-tested.

How about we have nutrition programs for everybody in this country? We don't think they should be means-tested.

Well, what is it? You don't want means-tested programs for middle- and upper-income families on a child tax credit, but you want means-tested programs for health care and for child day care?

I don't get what this is all about.

If the Senate insists on a tax credit, at least let's make it refundable so it applies to all families and reduce the upper income limit down from

$200,000, so that it truly helps lower- and middle-income American families.

And finally, Mr. Chairman, and I just will take one minute because I realize my time is up, if we were serious about investing in families, we would look at a neighborhood strategy where we would take $100 billion and invest in a targeted neighborhood strategy that would deal with economic conditions, that would deal with affordable housing, that would deal with lousy schools, that would deal with crime problems.

That would really help families in the United States of America and help children, instead of this giveaway which is poorly thought through and which is going to break the bank and not do what it's intended to do.

I hope, Mr. Chairman, that the Senate will use better wisdom than the House and come up with a proposal that truly helps children in the United States.

Thank you very much.

[The prepared statement of Mr. Liederman appears in the Submissions for the Record.]

Senator Grams. Thank you very much, Mr. Liederman, for your testimony.

Mr. Ferrara, thank you for joining us. I appreciate you taking time to be here. We'd like to hear your opening statement, if we could.

STATEMENT OF PETER J. FERRARA, SENIOR FELLOW, NATIONAL CENTER FOR POLICY ANALYSIS

Mr. Ferrara. Thank you, Mr. Chairman. I'm sorry I wasn't here earlier. I was told to come at 11:45. I guess I got here just in time.

Family tax relief is necessary. You may have already -- some of the other speakers may have said the same that I'm saying here -- because the tax burden on America's families has grown so sharply.

In 1950, the average family with children paid three percent of its annual income to the Federal Government in taxes. Today, that same family pays about 25 percent of its income in Federal taxes.

The average family's expenditures for Federal, state and local taxes are now higher than what the family spends for food, clothing and housing combined.

So I believe that justifies tax relief for families and the proposed $500 per-child tax credit would merely only slightly offset this huge and heavy tax burden which I think needs to be cut far more heavily.

In addition, there should be no income limit on which families can receive the credit for at least three reasons.

First, any such cap constitutes another tax on savings, investment, and work. If the credit is removed at any income limit, then it constitutes a penalty against the savings, investment, work or other productive activity that pushes income above that limit.

This would only add to the discouraging effects of the Tax Code on such activities, leading to lower economic growth, fewer jobs, and reduced wages.

Second, any such cap is unfair. Fairness requires equal treatment for everyone, which would mean allowing the tax credit for all children. An income limit for the credit provides different, unequal treatment for some simply because of the productive steps they have taken to earn the extra income.

Third, any such cap is inconsistent, at least for Republicans. An income limit for the credit directly contradicts the principle of a flat tax, which so many in the Majority say they support.

The flat tax says everyone should be treated the same regardless of income. The same rate would be applied across the board. An income limit for the credit treats people differently because of their income.

Moreover, if family tax relief is justified on the grounds that taxes on the family has soared to a high heavy burden, that would be even more true of higher income families who are generally subject to much higher taxes.

Let me give you this statistic which I bet no one else here has emphasized.

The top 1 percent of income earners in fact pay about 25 percent of all Federal taxes. They are one percent of the people, but they pay 25 percent in taxes. About 12 percent of taxpayers earn over $95,000 per year, but they pay 43 percent of all Federal income taxes. 12 percent of the people pay 43 percent of the taxes.

I suggest that they are carrying more than a fair burden at this point.

I want to suggest, however, that in my opinion, I support the tax credit. I support it without limits. I think there's a better way of doing family tax relief. I support instead the alternative of increasing the personal exemption for children. I would prefer to double the personal exemption for children. I think that has stronger economic effects because it cuts marginal tax rates over the income range for which the personal exemptions apply. It also may move some taxpayers into lower marginal tax brackets.

And so it has at least some effect in reducing marginal tax rates, which a tax credit does not. So I think it would deliver family tax relief and do it in a way which has a stronger economic effect.

And I believe that Senator Grams is proposing that for that reason. *The Wall Street Journal* has similarly editorialized in favor of that alternative.

But either way, I think they're both good proposals and I would support the adoption of either one.

Thank you.

[The prepared statement of Mr. Ferrara appears in the Submissions for the Record.]

Senator Grams. Thank you very much, Mr. Ferrara, for your testimony this morning.

I have just one note here, that Mr. Grover Norquist, who is the President of Americans for Tax Reform, has some testimony that he would like to submit in writing for the record.

If there are no objections, then his testimony will be submitted.

Thank you very much.

[The prepared statement of Mr. Norquist appears in the Submissions for the Record.]

Senator Grams. I'd like to ask Mr. Liederman just a quick question before we move on.

You said that this is good politics, but it's bad policy.

I have to disagree because I think it's good policy to put -- not put money into the pockets of families, but allowing them to keep their hard-earned money. I don't think many people get up in the morning, go to work, earn a paycheck, so they can send it to the government rather than providing for their own families.

You've pointed out very pointedly to take care of children, that somehow, this country, after spending trillions of dollars on hundreds of programs with dozens of tax credits for the poor, that somehow, we are insensitive and callous to the needs.

When you talk about wanting to protect children, when you look at that chart and where the majority of eligible people have children and make under $75,000, who protects those children in those families that do not qualify?

If you make $25,000 or $30,000 a year in this country, you don't qualify for 90 percent of the Federal programs. Who protects those children, then, if we don't offer in a small way this tax relief package?

This is only a small slice of what other children do receive in benefits from the Federal Government.

Mr. Liederman. Mr. Chairman, I'm not accusing anybody of being callous and I think that what you're suggesting, as I said, in the best of all worlds, would be wonderful.

There's a couple of problems here. First of all, you've got to look at the total cost of the tax bill. You're just talking about the tax credit portion of the tax bill, not the other provisions of the tax bill which obviously skew who the money goes to.

And you know that when you put all of the provisions of the tax bill on the table, then the bulk of the money is going to middle- and upper-income people, not to that group that earns between $17,000 and $75,000.

So that's the first problem. And again, it would be wonderful if we could do a tax credit. But the problem is that we have these huge needs, all right? And I hear people in this town and some of the people on this panel always throwing around this number on how much money we've been spending on social programs over the last 30 years. Three trillion dollars, $8 trillion, $9 trillion.

We make up these numbers, right?

When you examine what's in those numbers, you're talking about social security. You're talking about Medicare. You're talking about Medicaid. Those are the big-ticket items. You're talking about public housing. But, what are the programs that the House chose to cut, Mr. Chairman?

The AFDC program. The AFDC program costs the Federal Government $15 billion. The child welfare program costs the Federal Government $4 billion. They are the teeniest parts of the entitlement programs in this country and they help 14 million people, 10 million kids. And we're cutting it.

So all I'm saying, Mr. Chairman, is let's use some common sense. Let's have some equity. I'm not opposed. I would love to give people earning between $17,000 and $75,000 a break.

I think the taxpayer who testified here, he should get a break. I think those families should get a break.

But if you were cutting corporate welfare, if that was the first thing that the House cut, or if the first thing that the House cut was the Pentagon, if the House looked for things to cut other than the most vulnerable kids in the United States of America and they really went at it in earnest, then I would say, hey, they're trying. This is good public policy. This has common sense to it.

I would say, they're trying to cut those things that don't affect the most vulnerable kids and families in this country, and at the same time, they're trying to help working-class and middle-class families.

That would make sense.

And that's why I said it was good politics and bad public policy because I believe, Mr. Chairman, that what I suggested would be good politics and good public policy. But, unfortunately, that's not what we're doing.

Mr. Ferrara. Mr. Chairman, may I respond to that?

Senator Grams. Sure.

Mr. Ferrara. First of all, $350 billion a year, that's what we spend by Federal, state and local governments on means-tested programs for the poor. We have a study at the NCPA which details that. It does not include social security. It does not include Medicare. It does include Medicaid, which is the biggest welfare program that we have.

Over the past 30 years, it's at least $5.5 trillion. Again, it does not include social security. It does not include Medicaid.

Even if you look at the entire tax bill, the tax credit is the biggest element of it and the real numbers are most of the money in the entire tax bill that was passed by the House will go to people earning under $75,000.

We don't support means-testing of people keeping their own money. That's the distinction that Mr. Liederman misses. We support means testing for people who are taking the taxpayers' money. But when we're talking about people keeping their own money, there should not be means-testing.

As for refundability, which Mr. Liederman mentioned before, we already have a refundable tax credit for low-income people called the earned income tax credit.

So, as you properly suggested, Mr. Chairman, we are talking here about giving relief to the families who have been pulling the wagon, as Senator Gramm says. People who earn over $17,000 a year, and middle-income people are $17,000 to $75,000. They're the ones who need the break. And I think we have a debate here which shoes the difference.

Here we have both groups talking about how do you help children? And it seems that the old establishment liberals, most of whom are represented in the Democratic party, think the way to help children is to have another government program and another government bureaucracy.

And what the Republicans are suggesting here is that the way to help children is to give more money back to the family.

I think that's a good debate. That's where the debate should be. Let the debate proceed and the public decide.

Senator Grams. Thank you very much, Mr. Ferrara.

Mr. Hodge, I know you're an economist and work at the Heritage Foundation. But I want to point out what Mr. Ferrara just mentioned about the earned income tax credit and the refund, when you look at the total tax burden. And it does go to all levels of family.

When Mr. Stark was here earlier, I know he underlined all children should be included in some kind of program that gives tax relief. And this chart proves that they do. Even those children that live in families below a certain income line.

But the $500 per-child tax credit is really to help middle-class, $25,000 to $60,000 a year. Those families have children which need tax relief as well.

Would you like to comment on that, Mr. Hodge?

Mr. Hodge. Certainly. Indeed, as the chart shows for low-income families below $17,000, the earned income tax credit not only eliminates their entire Federal tax burden, that's the combined income and FICA or Social Security payroll tax burden, but it also provides a substantial, what you might call wage subsidy that exceeds their entire tax burden and provides additional cash.

Now, as Mr. Ferrara also pointed out -- this is what we're doing for people below $17,000 a year, is provide them with nearly $350 billion a year in total welfare and anti-poverty program spending. That's $3400 a year for every tax-paying household in America. $3400 a year per tax-paying household in America goes to support the welfare state.

Now all we're asking here is for $107 billion for working families, the people who do pay taxes and pull the wagon in America.

So for every three dollars that we give annual as a nation to low-income people, we're asking to provide a dollar or allow people who are actually working to keep a dollar of their own income.

And we're doing it not on the backs of the poor or on poverty programs, but we're actually doing it by cutting things like the market promotion program that you mentioned earlier. We're cutting other sorts of corporate welfare. We're cutting the National Endowment for the Arts and Humanities.

Is it better to allow families to keep their own money or to pay for pornographic art?

Is it better to have subsidized television or to allow people to keep money in their own pocket?

That's the debate here. Where is money better spent -- Washington or at the kitchen table. That's the real debate here.

Senator Grams. Senator Bennett, your questions.

Senator Bennett. I should hesitate to jump into this. I've declared my support for the National Endowment for the Arts.

I would point out that it is $175 million a year, which, in the numbers we're talking about here, is clearly not going to cover any of the cost of the $500 tax credit.

And of the 30,000 grants made by the National Endowment for the Arts, some 30 have been challenged as being involved in pornography.

So I would hope, Mr. Hodge, I'm on your side. I'm with you. Don't dilute the power of our arguments by saying we're going to pay for the $500 tax credit because we're going to stop 30 grants.

Mr. Hodge. My point is -- I apologize if I stepped on your toes.

Senator Bennett. You can step on my toes any time. I'm saying, don't dilute the power of your argument by raising issues that can be challenged on the amount of money involved.

Mr. Hodge. I understand that. But we often hear in Washington, and mostly from the defenders of government programs, that this program only costs the average taxpayer a nickel, or this one only costs the average taxpayer a quarter.

Well, it starts to add up and you begin to look at the total tax burden that we've seen on American families that has grown over the --

Senator Bennett. Now you're saying the right kinds of things. Now I'm with you. But be careful.

Mr. Hodge. What I'd like to do is put a family portrait behind every program. How many families can we help if we eliminate the wasteful pork barrel project?

You cut a billion-dollar Federal program and you can provide a $500 tax cut to two million American families. A lot more families can be helped with that billion dollars than could be helped through pork barrel projects.

That's the point I'm trying to make. And whether it is the National Endowment for the Arts or whether it's a road project in my neighborhood, I think the money is better spent by families in our neighborhoods and not by bureaucrats in Washington.

Senator Bennett. Okay. I agree with the overall thing. I'm making a caution to you because people like Mr. Liederman are going to trap you with the numbers if you use those kinds of examples.

Where you ended up philosophically is where I am philosophically and my advice to you is simply to stay there.

Let me talk to you, Mr. Letterman --

Mr. Liederman. He makes more money than I do.

Senator Bennett. Yes. Sorry about that. Freudian slip.

(Laughter.)

I did the same thing in the Whitewater hearings. I called Mrs. Kolkla Mrs. Kukla, and got in trouble with that, too.

(Laughter.)

I hear what you're saying and you're right if indeed this were a zero-sum game where we could make two choices. Unfortunately, the world is never that simple.

Let me give you some statistics that do not translate directly into dollars, but that underscore the problem that we have.

I saw these yesterday.

In the city of St. Louis in 1950, the illegitimacy rate was 5 percent. In the city of St. Louis today, the illegitimacy rate is 68 percent.

Regardless of what the Federal Government does in terms of money for those kids, 68 percent of the kids born in St. Louis are born behind the eight ball, Murphy Brown to the contrary notwithstanding.

The statistics are overwhelming that the most serious social problem we have in this country comes from the staggering increase in illegitimacy. That's where the kids that you are so passionately concerned about are coming from.

And the statistic quoted here is exactly right. We have spent as a Nation since Lyndon Johnson declared war on poverty, $5.3 trillion in an attempt to help those kids.

This is not corporate welfare. This is the best-intentioned money that we can spend. And the problem is worse today than it was when we started.

So while I might argue with Speaker Gingrich about this, that or the other in terms of the kinds of programs he wants to cut and the way he wants to cut them or change them, stepping back and looking at it big picture, I say, whatever we've been doing hasn't worked.

And for that reason alone, not because I lack compassion, not because I don't agree with you in your passion. I salute your passion. I salute your courage, coming to sit on a panel like this with all these right-wing nuts that are going to attack you.

(Laughter.)

Now I use the language you will use when you get home rather than the language that we're comfortable with.

(Laughter.)

But it took a lot of courage for you to come and I salute you for that.

I would hope that the passion in this debate would focus on the kids and what is best for the kids. And as I look at it, I say, we have placed a $5.5 trillion bet on the wrong horse. And instead of putting more money on the horse on the hope that if we just up the ante a little bit, somehow, next time he'll win, all of us, Republicans, Democrats, conservatives, liberals, should say, can we adopt a clean sheet of paper approach and say, what do we do as a Nation, at which level of government -- local, state, Federal, wherever -- at which agency -- churches, volunteer organizations, League of Women Voters, however we get together as a Nation.

Can we refocus on this issue of what do we do about our kids? Because I am as terrified about the impact of the future of a nation that is producing 68 percent illegitimacy rate as you are. And I'd be willing to spend as much money as you want to spend, and I'd even be willing to postpone a tax cut for middle-class people, if I could have some assurance that the postponing of that tax cut and the spending of that money would solve that problem.

As I look back from the days when Lyndon Johnson declared war on poverty, poverty has won. We declared that war and we lost it. We spent $5 trillion trying to win it and we lost it.

Maybe we need some new strategies and some new approaches.

So I'm probably going to vote for the $500 tax credit. Actually, I would prefer changing the exemption. And I would say to you the impact of changing the exemption is that it will not be available to the upper-class people because the exemption is wiped out as your tax burden goes up.

So you ought to endorse that as a form of means-testing. Maybe we shouldn't say that out loud because then some other people who do like it would back away from it.

But it seems to me that changing the deduction does make more sense than the tax credit. And I'm going to support it, not because I think we need to do it at the expense of the kids you're arguing so passionately for or not, because I say, well, we have to pay for it this way or the other.

I'm going to support it because I say it's irrelevant to the failure of the welfare system. And if you wanted to come by and sit down and help me and other Senators try to figure out a way to make the welfare system work, I'd be more than happy to do that because I don't think the two are connected in the sum-zero game.

That's the one quarrel I have with your testimony, is that it leaves that impression, that we have an either/or decision to make here.

I don't think we do. I think we have a decision to make with respect to what's good for middle-class families and I want to make that decision.

We have huge decisions to make as to what's good for the folks in St. Louis who are producing a 68 percent illegitimacy rate and throwing money at the problem from the Federal level does not seem to have helped.

And anything you can do to help us help that, I for one Senator, would be more than happy to hear what you have to say.

Corporate welfare? I'm with The Cato Institute. Let's cut them. But, again, that's a separate kind of decision. These two are not as linked as I think they should be.

Now I apologize for that speech, but that's my reaction.

Mr. Liederman. Let me just respond in a couple of ways, Senator. I appreciate everything you say and you're reasonable. And what you're saying makes a lot of sense.

I think it would be helpful if once and for all, we agreed on what was in that $5.6 trillion and what it really went to because I think there's a lot of misunderstanding about where that money went.

I would make a small wager that most of that money did not go to kids. And I'm not questioning where it went but I'd like to see --

Senator Bennett. That's a given.

Mr. Liederman. I'd like to see the analysis of where the $5.6 trillion really went. And then I'd like people to say what they thought they would cut of that $5.6 trillion.

We ought to at least have some common ground.

Mr. Ferrara. Give us your card. We'll send you our study. We list the programs.

Mr. Liederman. I've listened to you, Peter. Thanks.

The second point that I want to make is about the question of illegitimacy.

Clearly a huge problem. Clearly a problem that needs to be addressed. But what do we do? What are we doing here?

We're saying that the way we're going to attack the problem, we're going to cut cash benefits. We're going to institute a family cap. We're not going to give moms that have an additional child on AFDC the additional $60 bucks a month.

There's no evidence, Senator -- 75 researchers gathered, conservatives, liberals, they all said there's no evidence that withholding money has any impact on the decision that a woman makes on whether or not to have a child, that it would have no impact on the illegitimacy rate.

Leave that aside. If you believe that it might -- here we have the State of New Jersey, which two years ago implemented the family cap. They were the first State to implement the family cap, under a Democratic governor. Under Governor Florio.

Why don't we at least give the New Jersey experiment a chance? We're talking about real live kids here, right, which we all agree.

Senator Bennett. Sure, we are.

Mr. Liederman. Why don't we at least give the New Jersey experiment a chance to work? Have an independent researcher come in, evaluate whether or not the family cap did succeed in reducing the illegitimacy rate and succeed in reducing the birth rate to moms on AFDC.

Instead, without any evidence, without any independent research studies on anything that's currently going on in states across the country, we're going to, willy-nilly, do it for the whole country and it won't have any impact.

Senator, I would love to talk to you about it, and I've spent the better part of my life, a large part of my life working in public housing projects, working in low-income neighborhoods.

And I want to tell you, I worked in the south-end of Boston. We had a plan. It was a neighborhood strategy. We had a plan in the south end of Boston that started in the late '60s. And it took 15 years. It took 15 years to turn the south-end of Boston around.

But the south-end of Boston today is a much different neighborhood than it was 15 years ago. It's a viable neighborhood. It's an integrated neighborhood. It's not a perfect neighborhood. It still has problems.

But there was an attempt to improve the quality of the housing. There was an attempt to deal with crime. There was an attempt to deal with the schools. We built a new library. We fixed the streetlights. We improved the street lighting. We did a lot of wonderful things in that community, both from a physical and economic point of view and from a human point of view in terms of social services.

I think if we're serious about dealing with illegitimacy, you're not going to get to it by fooling around on the edges and doing this crazy behavior modification stuff. You're going to get to the problems of illegitimacy by getting into the neighborhoods and doing the things that need to be done.

And it's not going to be done in 20 seconds. It's going to take 10 years or 15 years and a serious effort on our part to get the job done.

So I think it would help, it would help a lot. I think you're a reasonable person. I think Senator Grams is a reasonable person.

I think reasonable people need to sit down and figure out, instead of trying to do it in 100 days, instead of trying to solve these huge problems -- the AFDC program is really the target. Peter throws around this $350 billion number. But that's not the target.

The target is AFDC. But that's a $15 billion commitment for 14 million people, 10 million children. And there isn't one state in the United States of America that meets 75 percent of the poverty level with its AFDC benefit.

The states have not increased the AFDC benefits. If anything, the AFDC benefits have gone down. And I understand there's an earned income tax credit for low-income families. But I want to ask all my friends on the panel, have you tried living on $17,000 bucks a year lately?

Mr. Ferrara. I did at one time.

Mr. Liederman. I mean, these guys throw around loosely that, oh, you know, these lucky people who are earning less than $17,000 bucks a year are getting this windfall of money.

C'mon. We're talking about 17 grand.

Mr. Ferrara. Mr. Liederman, I earn --

Mr. Liederman. Oh, you're wonderful, Peter. You earn it. I earn it, too, Peter.

Senator Grams. Mr. Wittmann?

Senator Bennett. I've touched some nerves here.

(Laughter.)

Senator Grams. We want to get back to the issue.

Senator Bennett. I think we've gotten everybody awake.

Mr. Wittmann. Mr. Chairman, I'd like to perhaps strike a mode of harmony here.

I agree with Mr. Liederman. I agree that the $5 trillion, or whatever it is, that we spent over the last 30 years hasn't reached the kids. I think we have a foster care system in this country that is a shame. It's abhorrent.

I agree with Mr. Liederman. Mr. Liederman wants to put more money into that system.

I think that it was something that was a very significant part of the contract that was passed last night. And I was shocked to see Mr. Liederman not praise it because it's very important about this whole problem of child abuse.

This bill passed last night made adoption easier, helped parents who want to adopt a child who needs to be loved and nurtured and taken care of, who may be in that foster care system, helps it make more affordable to take care of that child.

It's not enough. Today it costs between $10,000 and $20,000 for a parent to adopt a child who needs to be loved. We have thousands of American citizens who are going to Romania and Russia to adopt children.

So I hope that Mr. Liederman will support adoption. I also hope that Mr. Liederman and the social welfare industrial complex will support school choice.

Why should these kids be trapped in schools that don't teach them, that are full of drugs and violence?

Let's have this complex, rather than opposing school choice, supporting school choice and helping the kids, because at the end of the day, it's about kids. It's about middle-class kids. It's about lower income kids. It's about families and kids.

If we don't support families and spend $5 trillion additional money that doesn't reach the kids, we are making a grievous error.

Senator Grams. I want to get to Mr. Bauer because he's patiently been sitting there for an hour since his opening statement.

I had a question I wanted to ask him.

Mr. Bauer, we've heard a lot of talk about the $500 per-child tax credit, how the tax package in itself is going to somehow endanger the budget deficit or the efforts to balance the budget, which I happen to disagree and support the package fully.

Mr. Bauer. Right.

Senator Grams. Do you think, if push comes to shove, that the $500 per-child tax credit should take priority, even over a budget deficit?

And what we're talking about, we're not adding money to the deficit. We're just allowing people to keep it in their pockets.

Mr. Bauer. Right. Mr. Chairman, I agree with you that it's a false dichotomy, that in fact it's not an either/or situation.

In fact, when recent studies were done by a number of journals, *The Wall Street Journal* and others, about what the public wanted, they wanted tax relief for families and deficit reduction.

As you know, this cut is only about, I think, 1.5 percent of the amount of money the Federal Government will spend over the next five years.

So the idea that this 1.5 percent, if it's passed, is somehow going to thwart budget deficit reduction is, I think, a false argument.

I think what is going to thwart deficit reduction, if I may say so --

Senator Bennett. Be careful, Mr. Bauer, because Mr. Hodge just said that every nickel here and there counts.

Mr. Bauer. Right.

Senator Bennett. Be careful because it's just a little bit of an amount of money.

Mr. Bauer. Yes. You can tell what's coming, I'm afraid, Senator.

(Laughter.)

I think what is going to thwart deficit reduction is the passionate defense that inevitably will be made of every single program in the Federal budget.

No one is better than Mr. Liederman at making a passionate and articulate defense of the programs he cares about.

There will be passionate defenders of corporate welfare. There will be, and there obviously are, passionate defenders for the National Endowment for the Arts.

The fact of the matter is that when you ask the American public, are you willing to have your ox gored, if you ask a veteran, how about lowering veteran's benefits, he'll say no.

If you ask the social security recipient, how about a few bucks off your check? They'll say no.

If you ask the educator, can you do with a few fewer dollars in the schools, they'll say no.

But if you go back to all of them and say, what if that cut was part of an overall effort where everybody had to concede something, then the results become the exact opposite. People are willing to take a cut if everybody is going to be dealt with fairly.

I disagree with so many things with Mr. Liederman, it would take all afternoon to do it. So just let me say the one thing that I agree with him on.

I think it will be untenable politically and will be unconscionable as public servants and as those of us who work in this arena, if we don't get to the corporate welfare and the other issues that I think are very questionable uses of scarce Federal resources.

And perhaps after the emotions settle down from hearings like this, we can join hands with Mr. Liederman and others to go after some of those budget cuts he finds more to his liking.

Senator Grams. Go ahead. I'd like to ask you, Mr. Ferrara, a question following this.

Mr. Ferrara. I'd like to address the illegitimacy question because I think it's not just a matter that the current system has failed. I think the current system is at the root of the illegitimacy question.

If you follow the statistics, illegitimacy has soared, from the mid-1960s. As these programs have soared, it's continued to soar.

What is the analysis that would lead you to that conclusion?

It's a straightforward analysis. If you have a child out of wedlock, you are eligible for a lot of government programs. If you marry someone, particularly someone who works, you're penalized and you lose it.

So the government is giving rewards for that activity and is penalizing marriage.

Now that's the straightforward analysis. I've been to three or four hearings with Mr. Liederman and he always says, there is no evidence whatsoever that that has any such effect.

We'll provide you the citations of several academic studies which does the econometric analysis and argues that illegitimacy rises as these rewards increase and it falls as these rewards are taken away.

And I would suggest also that we could provide you with data that shows what they've done in New Jersey has in fact had an effect in reducing the illegitimacy rate.

So I think that the system of rewards and penalties, this $350 billion we're spending today, is even worse than a failure. It's at the root of the problem and that's why it all needs to be reformed from the bottom up.

And let me add my voice to this. If there's any corporate welfare left after this Republican budget this year, I'll be shocked.

Let's get rid of it all.

Senator Grams. Mr. Ferrara, I'd like to follow up with a question. And as Mr. Bauer has mentioned, if you ask individuals, will you take a few less dollars for your program, and they say no. Will you take a few less dollars for your pension? No.

But if we don't have the wherewithal to stand up and say that this is going to have to happen, that there are going to have to be reductions in the growth of spending -- we're not necessarily talking cuts. We're talking reductions in growth.

Then I think we'd better have the backbone to stand up and tell these people who make $25,000 to $60,000 a year that we're going to ask them for more taxes, because if we don't reduce spending, we're going to have to increase their taxes.

And who is going to stand up and go to Mr. Keen and tell him, I'm sorry, you don't get a tax cut. But we're going to have to raise your taxes to be able to provide more benefits to the people who won't get out and help pull this wagon.

Do you think that's an important part of this whole package?

Mr. Ferrara. Well, yes. I think that if we do not get serious, and it's not just AFDC that's on the table. It's all those $350 billion programs and it's every program in the Federal budget virtually, is and should be on the table.

Nobody knows better than Mr. Hodge that -- I believe it's 3 percent. If you just increase spending, Federal spending at just 3 percent, rather than the current rates, you would reach a balanced budget by 2002.

Now, if we cannot slow down the rate of Federal spending by 3 percent a year, we might as well give up. The country is going to be bankrupt. It's totally out of control.

We're not talking about slashing the Federal budget to ribbons. If we can't keep control within 3 percent, then the whole system is out of control and needs to be fundamentally changed.

Senator Grams. Senator Bennett?

Senator Bennett. At the risk of maybe exciting another round here, I do have a last comment, Mr. Chairman.

You made the comment, Mr. Liederman, that of this $5.3 trillion, you're sure most of it did not get to the kids.

That's a given. And if I may speak somewhat ill of the dead, Lyndon Johnson recognized the great political truth that the poor don't vote. But people who administer programs to the poor vote a lot.

And so, the programs were structured that an enormous amount of money went to an enormous amount of people on payrolls in the name of the poor. But the actual money that trickled down through the system to benefit the poor was relatively small.

And in fact, the amount of money that we have spent on the poor in real terms is about the same now as it was when Lyndon Johnson declared war on poverty. The Federal budget numbers have gone up astronomically, but the amount of money actually reaching the people who need it has stayed about level.

I've seen the studies on that. And that, in my view, is a scandal as serious as the scandal of corporate welfare. Maybe more so.

And then the other comment that I would make, when the Chairman and others are saying, well, we'll have to go to the folks and say, we're going to have to raise your taxes to meet these additional costs if we're not willing to make the cuts.

The historical fact is, whatever we do with the marginal tax rates, the amount we get back is roughly 19 percent of gross domestic product.

When the marginal tax rate was 90 percent on those hated folks in the top 1 percent who earn all that money, we got 19 percent of gross domestic product.

When Ronald Reagan produced the disastrous tax cut that caused all those problems and cut the marginal rate down to 28 percent, we got 19 percent of gross domestic product.

So we're kidding ourselves if we think we can in fact get the extra money out of a tax increase somewhere because the American people are pretty inventive and they will find a way to work their way around the system so that the actual tax revenue is going to stay steady at 19 percent.

We ought to accept that reality and make our plans based around it, instead of assuming that we can somehow tax our way to more money.

The amount of money that we're going to get out of the system is 19 percent of gross domestic product unless we do something really drastic and really stupid that will really hurt the economy.

And that's the reality we have to live with.

Mr. Liederman. If I may, Mr. Chairman, just two quick points.

I heard the Representative from Pennsylvania talk about how we've got to get rid of this big bureaucracy that's eating all the dollars.

The two programs that I'm the most familiar with are the AFDC program and the child welfare program.

The bureaucracy is not in Washington, D.C. The bureaucracies are in Salt Lake City, St. Paul, Minnesota, Sacramento, California, and Boston, Massachusetts.

The bureaucracies for both of those programs are in the state capitals. The states already run those.

You know how many people there are in Washington, D.C. that run the child welfare program that worry about child welfare? About five. About five people over at HHS that worry about child welfare.

Do you know how many people worry about AFDC that are at HHS? A handful of people. They're basically numbers-crunchers.

The programs are currently administered -- you guys aren't aware that the programs are already administered by the states?

It's like I'm in another planet somewhere.

Senator Bennett. I'm sorry. I have to respond because you mentioned my hometown.

Mr. Liederman. Right.

Senator Bennett. We have a program in Utah on welfare which required 44 waivers from Federal regulations for us to try --

Mr. Liederman. I understand that part. No, I get that part.

(Laughter.)

Senator Bennett. Let me finish the numbers.

Mr. Liederman. Right.

Mr. Hodge. And more than five bureaucrats had to process those waivers.

Senator Bennett. Yes. There were 44 waivers that were required. Finally, when the last waiver was granted, the Feds said, well, this will be better for the welfare recipient, but it will cost 20 percent more.

We're willing to allow you to do this, but we recognize it's going to be a budget-buster and it's going to cost 20 percent more.

We have what you asked for, a control group, a demonstration project. You walk in the door in this place in Kerns, Utah, which is a suburb of Salt Lake, where most of the welfare problems are. You walk in the door and you will get referred to this desk that will apply the traditional Federal program.

You, Mr. Wittmann, will get referred to the state program.

You, Mr. Ferrara, will go the traditional program.

You, Mr. Hodge -- complete control group. They now find that the folks that are in the state-run program, 98 percent of them are working and the cost is 10 percent less than the Federal program.

So I'm willing to give the states a shot at running this because we found, at least in Utah, we can do it cheaper and we can get a better result, which is what we're both after, isn't it, is the better result.

Mr. Liederman. There's a difference between, Senator, with all due respect, there's a difference between talking about bureaucratic red tape that prevents the states from doing creative things. And I think we ought to allow the states to do creative things. I have no problem with that.

We've been calling for that. We've been calling for that in the child welfare system. We've been calling for more flexible money in the child welfare system.

There's a difference between the red tape aspect and the large numbers of bureaucrats.

The only point I was making is that the states already run those programs.

Let me make one final point and then I'm going to shut up at the risk of having you throw me out of here.

I just wanted to respond to Mr. Wittmann and the issue of adoption and this is where the common sense piece comes in that I talked about earlier.

Mr. Wittmann, we run the adoption programs in the United States of America. Our 800 agencies run the adoption programs in the United States of America.

We are not only supportive of adoption. We run the adoption programs.

Mr. Wittmann. Did you lobby for the bill last night?

Mr. Liederman. Well, let me just talk about it for a minute because that's why I want to talk about the common sense provision here.

On one hand, you've got a small token effort to try to encourage adoption that really applies to only a small percentage of the kids who are likely to be adopted. It doesn't apply to any of the kids with special needs.

We're talking about 75,000 kids waiting for adoption who have special needs in this country, while we're spending some money over here to worry about a small percentage of the kids who might be adopted.

On the other hand, the House of Representatives eliminates the entitlement to adoption by eliminating the 4(e) entitlement. So that there's no entitlement if this stands, and please, God, it won't. But if this stands, Utah would not be entitled to the dollars for adoption assistance to help adopt special needs kids, 75,000 of them in the United States of America.

That's the inconsistency.

So what are we doing here? On one hand, we clobber foster care -- he's complaining about the foster care. We're the largest consultant in the country. We're consulting in jurisdictions all over the country on trying to help them improve the foster care program.

The House eliminated the entitlement to foster care assistance.

Senator Grams. You did it again, Bob.

(Laughter.)

Mr. Liederman. So that's the inconsistency. Senator, that's the inconsistency.

Mr. Hodge. We've steered away from the point.

Senator Grams. Because giving $500 per-child back in this tax credit requires no bureaucracy. It can be done very cleanly.

And if you look at welfare states that take in a dollar and give 35 cents to the recipient because, somehow, bureaucrats absorb 65 cents.

What Bob went back to say I think is very real. Let's get back to the $500 and we want to close out this hearing. But I want to have some final comments because -- let's get down to the basics. Let's stop throwing statistics and numbers. Let's look at it.

Senator Bennett. I'll leave so that you'll stay on point now, and I apologize. But I thank the Chair for his indulgence.

Senator Grams. Thank you, Bob, for being here.

Marshall, we'll start with you and then we'll have any final comments.

Mr. Wittmann. Again, I want to thank you, Mr. Chairman, and Senator Bennett, for these hearings today. I thought they were very elucidating.

And I think the primary point here, and I understand why Mr. Liederman is so upset. This would defund the Federal bureaucracy to a very small extent. It would return $500 per-child per family to address a problem that's been lingering for the last 40 years. And that's basically the devaluation of the personal exemption for children.

And that is the bottom line here. For the last 40 years, it's devalued. It should be at $8000. Instead, it's under around $2300.

That is what this addresses, no more and no less. It puts a value on children that we think is worthwhile and we thank you for your work on it.

Senator Grams. Thank you.

Mr. Ferrara?

Mr. Ferrara. I think I made my points. I'll yield my time to Mr. Hodge.

Mr. Hodge. I will conclude by saying that over the next few weeks, we're going to hear a lot of people, such as Mr. Liederman and others, arguing about how many people will be hurt in various states because the few crumbs they get from Federal programs won't now be available.

Well, now that Mr. Bennett's left, I was going to remind him that there would be 473,000 children in the State of Utah who would be eligible for family tax relief, meaning the State of Utah would benefit to the tune of $236 million a year in family tax relief, far better spent by those families than by any bureaucrat, any government program that has ever been conceived on the face of this earth.

I think it is absolutely critical that we link the reduction in government spending with family tax relief. And there is going to be a lot, especially those within the Senate Budget Committee who says, no, we can't do both.

We can. We cannot just simply pass an austerity budget. The only way that we can cut spending is if we cut, say, $5 in spending, give a dollar back to American families.

You will mobilize 35 million American families to come to your assistance, to stand up to the people who are guarding the Treasury gate at the expense of American families, and do something positive for families in this country.

I certainly appreciate your time and your willingness to hold this hearing.

Thank you.

Senator Grams. Mr. Bauer, talking about the $500 per-child and what it's going to mean, or at least the availability of dollars for discretionary spending at a different level, from a different perspective, rather than what Washington sets priorities, what individuals set.

But also the other parts of the tax package that a lot of people complain about, in conjunction with this. This is going to provide opportunities in the form of jobs and other things.

Mr. Bauer. Right.

Senator Grams. But basically, what do you believe will happen with this tax package, its benefits?

Mr. Bauer. Well, Mr. Chairman, I always shudder a little bit when I hear the class warfare rhetoric that we've heard this morning and we've been hearing in spades now for weeks. And I suspect we're going to hear it all the way until November of 1996.

I grew up in a working class neighborhood. There are millions of such neighborhoods all over America.

The people in those neighborhoods have somewhat modest dreams by Washington standards. Putting a little money aside so a child might be able to go to a community college or maybe having enough funds to buy your children a set of what we called Sunday clothes at the time. Or maybe having a little bit of money to fix a car that gets you to your job that you've been trying to hold together for maybe seven or eight years because you can't afford a new one.

For those families, $500 off of their taxes is going to make all the difference in the world. It means that instead of some Washington bureaucrat deciding where that money goes, those families will be able to decide what to do with it in their own communities and their own neighborhoods and for their own children.

I think those Americans are the forgotten Americans. They desperately need our help. They don't need new programs. They don't need bureaucrats in Washington.

They just need to be able to keep more of their hard-earned money.

And I believe this proposal will do more for them than anything that's come down the pike in a long, long time.

Senator Grams. Mr. Bauer, when you say class warfare, does this necessarily mean that a $500 per-child tax credit would have to come at the expense of another child or another family or another program?

Mr. Bauer. No. There's a zero-sum game mentality, I think, that undergirds the class warfare talk, that somehow, to allow one family to keep more of their own money will inevitably hurt another family.

I believe the whole package of things that are progressing on Capitol Hill from this tax proposal to some of the other ideas that we've seen will in fact expand the pie for everyone and will eventually provide results that I think even Mr. Liederman will have to concede will help the poor, the working poor and middle-class families.

And that's what I think the Congress ought to be about.

Senator Grams. All right. I want to thank all the panel members for taking the time to be here.

Thank you for your testimony. I appreciate it. Thank you.

Mr. Ferrara. Thank you.

Senator Grams. We're adjourned.

[Whereupon, at 12:32 p.m., the hearing was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF SENATOR ROD GRAMS

The topic of today's hearing is family tax relief, and we're going to hear this morning from some of my colleagues in Congress, along with policy experts and Washington insiders.... and I appreciate that they could take time to join us.

But the witness I'm most eager to hear is Steve Keen.

Now, Mr. Keen isn't a tax analyst, or a government budget specialist. He's an average American, in fact.... a taxpayer from Woodbridge, Virginia, and the father of three children.

Most importantly, he's one of millions of Americans who foot the bill for this government -- a government that doesn't serve him or other taxpayers very well.

I know that Mr. Keen has a great deal to say about taxes, and how the federal government's tax burden has made it difficult for him and his wife to raise their family. And I'm quite certain that Mr. Keen's message will echo a theme the voters tried to drive home last November -- and the message is that taxes are too high.

Since 1948, the Gallup organization has asked Americans what they think about the taxes they pay. That first year, 57% of the people said yes, taxes are too high. Today, 67% of the American people say they're handing over too much of their own money to the federal government.

They might feel differently if they were getting a fair return on their investment. But while they're paying nearly 50 cents on the dollar in some form of taxes -- paying more in taxes than they spend for food, clothing, insurance, and recreation combined -- Americans see their hard-earned dollars being wasted by the federal government. They look at the services they're getting in return and they feel like they're being taken to the cleaners.

They need tax relief. They need it desperately. And they aren't asking for just a little extra pocket change. The tax relief has got to be meaningful.... like the $500 per-child tax credit which Senator Coats and I introduced in our "Families First" legislation.... and which Representative Tim Hutchinson carried so successfully in the House.

For a Congress that counts its billions like most Americans count their ones and fives, $500 per child may not seem like a lot. But as Mr. Keen can tell you, that extra $500 could mean health insurance for a family that couldn't otherwise afford it.... a special education for a gifted young person.... or the basic necessities family life demands every single day.

In families where both spouses work, the salary of the second wage-earner doesn't go to support the family -- most of it goes to support the government. That $500 per-child tax credit might allow one parent to stay home and raise their children as only a parent can.

And as it channels as much as $25 billion every year back into the American economy, the $500 per-child tax credit benefits everyone.... putting more money in the pockets of consumers, and ultimately creating new jobs and new opportunities.

During the debate over the family tax credit, we've heard the argument that tax relief and deficit reduction just can't go hand in hand. But the two must go hand in hand, and we can't allow the opponents of middle-class tax relief to pit one against the other.

I'm reminded of the animal trainer who walks into the lion cage.

There's a lion to the left of him and a tiger to the right of him. Both are ready to pounce if he makes a wrong move. Do you believe for one instant that the lion-tamer will be foolish enough to focus his attention on either animal, while completely ignoring the other?

Like the lion-tamer, Congress is facing a pair of equally dangerous beasts. In one corner looms the federal deficit -- in the other sits the oppressive tax burden American families are being asked to bear. We can't ignore one at the expense of the other. They both need to be dealt with before they overpower us and eat this nation alive.

The mandate of the November election is clear, and the people are demanding change. They're tired of rhetoric. They're tired of empty promises. They're tired of their elected representatives merely "tinkering around the edges," afraid to make real change. They expect Congress to deliver on the promises we made in November -- like the $500 per-child tax credit -- and they deserve courageous representation.

We need to let the people keep more of their own money, so they can spend it on their family's priorities -- not Washington's priorities. The $500 per-child tax credit is a good first step toward keeping our promises.

And what about the opponents of middle-class tax relief who say we can't have our cake and eat it, too?

I'll remind them that when we're talking about a tax burden that eats nearly half of every dollar earned by hard-working American families, tax relief is not "cake." Tax relief is not dessert. It's not something Congress can "reward" the American people for cleaning their plates.

Tax relief is something we owe overtaxed, middle-class Americans. And together with deficit reduction, tax relief should be the main course of this new diet we've outlined for the federal government.

This country has been, and always will be, deeply concerned about the most needy of our society, but Congress needs to recognize that middle-class American taxpayers need our help, too. If Congress turns its back on the taxpayers -- if we abdicate the responsibility they entrusted to us in November -- then we have failed miserably in our efforts to change the very face of Washington and our ability to meet our future needs.

I ask every member of this Committee today to think about this issue.... not as senators, congressmen, chairmen, or ranking members. I ask that we think as ordinary taxpayers.... as people who have to meet a budget, work hard, and care for our kids every day.

That's the way real people think.... and budget.... and live. And as representatives of the people, that's how we should proceed with this hearing.

PREPARED STATEMENT OF SENATOR CONNIE MACK, CHAIRMAN

I commend Senator Rod Grams for initiating these important hearings on providing genuine tax relief to working families with children. For too long, Congress has found ways to increase the tax burden on America's families. The time has come to give them back some of their money. The $500 family tax cut is a good way to start.

There is a lot of talk in Washington these days about compassion. But let me ask this? Where is the compassion when a heartless, faceless federal bureaucracy takes money away from relies and makes it harder for those families to pay for their child's education, purchase health insurance, buy that first home or start a small business so that they can improve their lives.

Last November, the voters sent a message to Congress. They want us to reduce the size, scope, and cost of government. But there are still some in Congress who claim we cannot cut federal spending, reduce the deficit, and lower taxes at the same time. They couldn't be more wrong.

History teaches us that higher taxes do not lead to lower deficits -- they only lead to more government spending. Congress can, and should, keep its promise to reduce taxes and cut spending so that families can keep more of their own hard-earned money.

In 1960, the federal government spent 18% of GDP, ran a $300 million surplus, and the total federal tax bite on the typical family was 21 % of its budget. Today, government spends 22% of GDP, runs a $200 billion deficit, and confiscates 28% (or nearly one-third more) of family's budget for taxes. Simply stated, 30 years ago we had less spending, less taxes on families, and no deficits. The federal government should operate by these standards today.

Government's hypocrisy regarding family income should surprise no one. Washington talks a great game when it comes to families, but the rhetoric has seldom been matched by positive action. If the government was more interested in feeding children rather than its own spending coffers, the dependent exemption that was $600 in 1948 would need to be more than $4,100 today. Unfortunately, through higher taxes and spending, Uncle Sam is mistakenly trying to be the family provider rather than allowing parents to keep their own money needed to raise their children.

Typical working families now pay more in taxes than they spend on food, clothing, and housing combined. And they now work until May 5th just to satisfy the tax collectors before they can begin to look out for themselves. That's why the $500 child tax credit is an important first step in reducing the tax bite on American families.

It won't take draconian spending cuts to let families keep a little more of their own money. A $500 child tax credit in each of the next five years represents less than 1.2% of the $8.8 trillion President Clinton wants to spend during that same period.

Granting American families genuine tax relief as we slow the growth of government spending is a vital and achievable goal. It's time we shrink the size, scope and cost of the federal government and let American taxpayers keep more of what they earn.

America's families need and deserve this tax relief. This is the people's money -- they deserve it back.

We owe Senator Grams our thanks for his leadership on behalf of America's families.

PREPARED STATEMENT OF SENATOR DAN COATS

First, I would like to thank the distinguished Senator from Minnesota for asking for and chairing this important hearing on family tax relief this afternoon.

I am pleased, Senator Grams, that you and I are cosponsors of a 500-dollar-per-child tax credit bill. There is no important debate before the Congress these days, and I'd like to explain why.

In 1993, the bipartisan commission on America's Urban Families found that "the trend of family fragmentation drives the nation's most pressing social problems: crime, educational failure, declining mental health, drug abuse, and poverty. These, in turn, further fragment families."

The Commission continued, "To date, the nation's basic response has been policies that attempt to address the negative consequences of this trend. This response has been insufficient. Our principal national goal must be to reverse the trend of family fragmentation."

One of the key policy recommendations of the commission was to "increase the self-sufficiency and economic well-being of families by either significantly increasing the personal exemption... or a child tax credit for all children through age 18."

The findings of the National Commission on Urban Families were remarkably similar to those advocated three years earlier by the Democratic Progressive Policy Institute. In an impressive report entitled "Putting Children First: A Progressive Family Policy for the 1990s", this group found:

"America is the only country among eighteen rich democracies in the world that does not have a family allowance or some other sort of government subsidy per child. Western European countries recognize that nurturance has great societal value.... [T]hese societies have acknowledged that there are some things that only families can do and that if families are placed under so much stress that they cannot raise children effectively, the rest of society cannot make up the difference in later years.

"The United States used to have a form of family allowance; we just did not call it that. In 1948 there was a pro-family government policy based on a simple notion: the government should not tax away that portion of a family's income that is needed to raise children.

The Progressive Policy Institute concluded, "We believe that a primary goal of our tax policy should be to bolster families who are raising children."

When families fail, the cost to society is enormous. As we have learned in the past decades, programs aimed at fixing the failures are not only expensive, they are often ineffective.

I believe that it is time to reassess our priorities. We need to direct our focus, and our funds, to strengthen the family.

Obviously, government's role in preserving the family is limited but it is not insignificant. Perhaps the single most important thing government can accomplish is to alleviate the economic stress on the family.

Economist Eugene Steurle noted that in 1948 the personal exemption was $600 and the median family income was $3187. This meant that a family of four paid only 3 percent of its income in federal income taxes. He noted that the net result of the ensuing erosion of the personal exemption has been that "tax-exempt levels for households without dependent have been moving closer and closer to tax-exempt levels for households with dependents."

In 1948, the personal exemption shielded 42 percent of its income. By 1992, that tax bill had sky rocketed to 24.5 percent of family earnings, and the value of the exemption eroded to 12 percent of income.

Since the end of World War Two, while the income tax burden on singles increased only slightly, that burden increased more than 200 percent for families with two children. In fact, families with children now are the lowest income group in America. Their average after-tax income is below that of elderly households, single persons and couples without children.

With rising costs and the seemingly never-ending tax burden, it is nearly impossible for American families to get ahead today. Long before I was in the position I am in today, my wife and I both worked very hard to make ends meet. Families are working harder today than ever before.

I have seen my daughter and her husband struggle to feed, clothe and provide for their two children. Millions of families in my State of Indiana, and nationwide, are in the same position and know from first-hand experience the economic struggles associated with having a family.

In my home state of Indiana the median family's annual income for a family of four is $34,082. Of that, nearly $11,000 is devoted to federal, state and local taxes. The average family in Indiana pays more in taxes than it does in housing, food, clothing expenses combined. The Tax Foundation has stated that Indiana families will work 117 days this year to pay their tax burden. That is from January 1 to April 27 -- we still have almost a month to go before we can start working for ourselves rather than the government.

Some have said that $500 will not go far. However, economists have noted, that invested over the life of the child, it is enough to pay for a college education. It means $80 of grocery money each month. And it may buy time for parents to spend with children, time to instill the values, love and discipline that are critical in the formation of citizens of character.

The 500-dollar per child tax credit will provide tax relief to 52 million American children. The tax credit would eliminate the total tax burden for 6.4 million kids whose families make less than 23 thousand dollars a year. 85.7 percent of tax relief would go to families making less than 70 thousand dollars.

Serious questions have been raised about our ability to pay for the child tax credit while reducing the deficit. They are legitimate questions and if we are honest we must admit this is a formidable challenge.

But I do not believe that the two goals are mutually exclusive, nor should they be. Senator Grams and I have proposed slowing the rate of government growth to realize savings. [The House today has demonstrated that deep cuts can be made to accomplish both deficit reduction and family tax relief.]

The American social fabric is seriously strained. When families fail, the cost to society is enormous. That failure is measured in lost dollars and in lost lives. The lessons learned from decades of social spending are clear. Government cannot effectively stay the hand of despair and destruction. Strong families can. We simply cannot afford to ignore the evidence before us. Family preservation must be paramount in our federal policy. I urge this committee to join Senator Grams and me in our advocacy of family tax relief.

PREPARED STATEMENT OF REPRESENTATIVE TIM HUTCHINSON

Thank you Mr. Chairman. I welcome the opportunity to appear before the Committee today to discuss the importance of family tax relief. Let me say at the outset, Mr. Chairman, how much I appreciate your personal commitment to the American family and your leadership in promoting legislation which strengthens and empowers American families.

The intact family is our country's most effective government -- the most effective department of housing, the most effective department of education, the most effective department of human services and the most effective department of labor.

The family is the fundamental unit of society, the guardian of our social fabric and primary conveyor of values. Yet it has been under attack by an unsympathetic government. We could not have devised more anti-family public policy -- to the end of undermining the traditional American family -- than if we had sat down and consciously designed such a plan.

We have taxed them until both parents have to work in the job market, regardless if one wishes to stay at home and rear the children. The average family of four now spends 38 percent of its income on taxes -- more than it spends on food, clothing, housing and recreation combined.

We have allowed the value of the dependent exemption to erode over time until it is worth only a fraction of what it was 40 years ago. In effect we have said that children and families are of less value than they were in the last generation.

We have allowed a marriage penalty to exist in our tax law that sends the undeniable signal to our citizens that marriage isn't really all that important.

We have codified inequitable IRA tax provisions that say a spouse in the marketplace is more valuable to society than one in the home.

We have created a costly and bureaucratic adoption system that leaves thousands of adoptable children in less stable and secure environments than they could be enjoying.

And we have defended a welfare system that offers cash subsidies to unmarried teen-age mothers.

Why are we then surprised when family break-up becomes commonplace, dysfunctional families are routine and one out of three children born in America are born out of wedlock?

If it were a foreign government that had imposed these policies, it would be regarded as an act of war.

It is not too much to expect that government be the friend, not the foe, of the family. One critical step toward that goal is the passage of the $500 per child tax credit. Seventy four percent of this tax relief would go to families with incomes under $75,000. It is progressive and would be worth a lot more to the guy with a lunch bucket than to the corporate executive in the country club dining room.

This $500 per child tax credit would shift power and money from Washington bureaucrats and return it to the moms and dads of middle America.

For a middle class family of four that $1,000 could mean the difference in whether both parents have to work, it could mean the difference in whether health care premiums can be paid, it could mean clothing costs for an entire year, it could mean the down payment for the cost of a collage education or it could mean a trip to the pizza parlor once a week, but it should be the families' choice not ours.

Please remember family tax relief is not a new spending program, not a new entitlement, not a give away from the government. It is simply allowing the American family to keep something that already belongs to them -- more of their earned income. The time for family tax relief is now. Forty five million American families making less than $75,000 a year would receive meaningful relief from the heavy burden of taxation. The American family is tired of high sounding rhetoric and empty speeches about family values while policy makers kick them in the teeth again by saying "we can't afford it now." We can't afford not to do it now. Our national security is intertwined with family security. Strong and secure families mean a strong a secure society.

Thank you Mr. Chairman.

PREPARED STATEMENT OF STEVE KEEN

Mr. Chairman and distinguished members of the Committee, I know that you are accustomed to hearing testimony from expert witnesses, but I am not an expert. At least not on tax codes. I am a husband, a father, a neighbor and a taxpayer. Last year, between my wife and I, our adjusted gross income was $44,500. On that income we are buying a modest house, supporting the charity of our choice and raising 3 daughters. I couldn't tell you the potential fiscal impact of a tax credit vs. a tax deduction or the consequences of an increase in the earned income credit as opposed to an increase in the income threshold.

But in the fifteen years that I've been a parent, I've learned a thing or two about what it costs to raise children. I've learned what it costs to feed a family of five and how much gasoline it takes to drive children to and from school and social events. Last year for instance, I had my three daughters in three different schools. Between dances and field trips my wife and I must have logged the equivalent of a cross country trip. I've become an expert at first year algebra and second hand clothes. I know the cost of everything from asthma medicine to orthodontic braces. I know that sometimes prices go up due to inflation. Sometimes they rise because of increased overhead due to government regulation, and sometimes they go up because, well, prices just go up!

When that happens, for any reason, something has to give in a family's budget. Savings begin to deplete, credit card balances go up and pretty soon you're forced to make choices between discretionary spending like charitable donations and savings for college. Last year for example we were forced to give up our support of "Young Life", a non-profit Christian youth organization. When the head gasket blew on our mini-van, we were forced to decide whether to cash savings bonds, that we had planned for our children's education, or to increase our credit card debt. Most of you are parents and it is no surprise to any of you that these are the kinds of choices parents make nearly every month.

I want to say that I'm perfectly willing to pay my share of taxes to support my government whether it be local, state or federal. But when my share of those taxes becomes so high that I cannot afford to set aside for my children's college, and then government borrows money to pay for the higher education of others, it makes me question the value of the contract between myself and my government. Statistics show that there is no stronger indicator of future earnings than education. I realize that when I am forced to decide between college in the future and emergencies today, that my decision will have long range implications for my children, and theirs.

I know that there are those who say that the best way for government to help children is to invent new programs like A.F.D.C. or food stamps. Or to create new agencies, or to otherwise increase the size of government. But a private program already exists that deals with the needs of children and has proven it's ability to deliver cost-effective care. It is not an advocacy group like the Children's Defense Fund or an orphanage like Boy's Town. It is called "the family." The millions of us who manage the branch offices of this agency have proven ourselves under fire. We have stretched food budgets by the "macaroni and cheese" method. We have stretched clothing budgets by the "thrift store" approach. We have otherwise met our obligations because we want to set standards for our children. Whether we head our families alone or with another, we are united by our purpose to provide for, and teach, our children. And when the time comes, to deliver them into society, ready to contribute.

We are not asking you to subsidize this venture. We entered into our roles as parents fully expecting to underwrite the cost ourselves. But while our children are young, we would ask that you leave us a little more of our own hard earned money so that we can fund the child care program that we designed for our children without any assistance. With the extra money that this bill represents to me, I could provide in-state college tuition for my daughters. It might not be Harvard, but it would be a start.

Last Sunday morning, I heard Senator Packwood on C.N.N.'s Evans and Novak show. Mr. Evans took the opportunity to ask Sen. Packwood his opinion of this bill. The Chairman said that while he was not opposed to the principle of a tax cut, that he felt this bill was the worst way to cut taxes because it would not lead to job-producing investment. I would respond to that by saying that the most efficient producer of new jobs is new technology, and that new technology is the product of innovation and education. Capital is the oil that lubes the engine of industry but new technologies are the fuel that makes the whole thing run. When those who oppose this bill say that it will not encourage investment, I would say that it is more a matter of investing in our youth, instead of simply in plants and machinery.

In summation, I urge you in the strongest possible terms to adopt this family-oriented tax relief proposal. Let us show you what we can do when we are empowered to set the priorities for our own children. It is an investment in our nation's future.

PREPARED STATEMENT OF GARY L. BAUER

Mr. CHAIRMAN, thank you for the opportunity to address your committee today. I appreciate your willingness to consider my input.

Mr. CHAIRMAN, nine years ago, President Reagan asked me to chair a White House Working Group on the Family to explore ways that federal policymakers could help strengthen America's families. That task force issued a report in 1986 entitled, The Family: Preserving America's Future, which had as its central recommendation a dramatic expansion in per-child tax benefits. Five years later, after much talk but no action on this issue, the bipartisan National Commission on Children (on which then-Governor Bill Clinton served) issued a 1991 report which also had as its central recommendation a dramatic increase in per-child tax benefits.

Given that leading officials from both parties have been talking about pro-family tax relief for nearly a decade, the debate we now should be engaged in is one of whether the House GOP's proposed $500 children's tax credit offers adequate relief to America's families or whether instead Congress should move in the direction of the National Commission on Children's call for a $1,000 per-child tax credit.

Sadly, that is not the debate taking place in Washington today. During the last two months, a noisy chorus of critics and naysayers have been raising all sorts of objections to pro-family tax relief. Their criticisms -- which are sometimes contradictory -- advance six myths. Let's examine them one at a time.

Myth #1. Pro-Family Tax Relief Is An Extravagant Political Giveaway At Odds With The Larger Public Interest.

This idea is advanced frequently by members of the media, who realize just how popular pro-family tax relief is. Rather than thoughtfully considering the merits of various tax-cutting proposals, these reporters and pundits smugly sneer at public officials, accusing them of "pandering" to middle Americans.

Mr. CHAIRMAN, I do not often find myself in the position of defending politicians, but this sort of activity must be recognized for what it is -- an attempt by members of the liberal media elite to make you feel guilty about doing what the people elected you to do. It is the flipside to the liberal media's reaction to politicians that advance unpopular tax increases, who are routinely hailed as "profiles in courage."

Mr. CHAIRMAN, may I remind the members of your committee that voters see nothing courageous about broken campaign promises. Indeed, few things have contributed to voter cynicism more than President Bush's failure to keep his "no new taxes" pledge and President Clinton's decision to abandon his promised "middle-income tax cut" soon after the 1992 election.

The American people strongly support pro-family tax relief. They want to keep more of the money they earn. They sense that the well-being of their families -- and the well-being of the nation -- would improve if they had greater control over their lives.

On this point, they are right. To acknowledge as much is not pandering.

Myth #2. Pro-Family Tax Relief Will Increase the Deficit and Cause Interest Rates to Rise.

It is quite true that the deficit would rise if a pro-family tax cut were adopted by itself. It is also quite true that an increase in government borrowing would contract the supply of funds available for private lending, thereby putting upward pressure on interest rates.

But it is important to point out that no one is talking about adopting a pro-family tax cut by itself. All of the sponsors of major legislation have pledged to offset pro-family tax cuts with dollar-for-dollar reductions in government spending.

Pro-family tax cuts "paid for" by spending cuts cancel each other out on the balance sheet. They should have no effect on the deficit or on interest rates.

Myth #3. Pro-Family Tax Relief Won't Spur Economic Growth.

This concern comes from many of my conservative friends who believe that tax policy should only serve economic ends, that it should steer clear of social considerations and focus exclusively on promoting economic growth.

There are two problems with this viewpoint. First, much of what is called "economic growth" isn't growth at all. It is a movement of economic activity from the non-market home economy to the quantifiable market economy. For example, when a family that once cared for its own child enrolls the child in a paid day care program, there is no increase in the amount of economic activity. There is simply a shift from the non-market economy to the market economy. Yet this shift is counted as "positive" economic growth even though it often has a "negative" effect on the child's well-being.

True economic growth involves an increase in productivity, not simply in market activity. Until our nation's economic debate is built around this fact, much of what is advanced in the name of "growth" ought not to be adopted.

The second problem with the "pro-family tax cuts don't spur growth" myth is that it pretends that economic policy can be separated from social policy, that the size of a family's tax burden simply affects its economic well-being and decision-making. The truth, of course, is that tax policy not only affects people's economic decision-making (about working, saving, spending, investing, etc.) but also their "non-economic" decision-making (about marrying, childbearing, childrearing, etc.).

While it is true that economic policy should strive to exert as little influence as possible over "non-economic" decisions (so that, for example, people who otherwise would not marry won't get married just for the tax breaks), it is also true that our nation's current economic policy exerts considerable influence over "non-economic" decision-making and that this influence is almost always in an anti-family direction.

For example, Allan Carlson of the Rockford Institute has shown that the Social Security system has a pernicious anti-child bias because it robs parents of the social insurance value of their children, thereby creating a disincentive for young couples to invest in childrearing. Indeed, if Congress were to seek to offset this bias via the tax code (which is the only option given Social Security's sacrosanct status), it would have to raise actual per-child savings to roughly $2,100 per child. When one considers that the net value of the current child tax exemption is less than $400 per child (for the average family) and that the high water mark in the current debate is an additional $500 per-child tax credit, it is easy to see why pro-family conservatives like myself are disappointed that the proposals before you aren't even bolder -- or to use the media's phrase, more courageous.

Of course, the reason some are reluctant to adopt even a $500 credit is because they are intimidated by the economic "cost" in lost revenue to the government. While I understand that anti-family policies that took more than 50 years to develop cannot be wiped out in 100 days, I do want to remind the committee that there is a social "cost" to inaction or compromise. The social "cost" of weak families is measured in things like divorce rates and crime statistics. And lest the "green-eye shade types" forget, these social problems impose enormous economic costs to our society and our government. Indeed, the best way to reduce the demand for government services is to free families to care for themselves. Conversely, the best way to hinder the dismantling of the welfare state is to leave the tax burden on families with children at or near their current levels.

Myth #4. Pro-Family Tax Relief Should Only Go To Middle-Class Taxpayers.

This concern makes the mistake of viewing tax issues through the prism of class rather than through the prism of family. It is true that middle class Americans often get the shaft in current tax policy. For example, when combined employer-employee payroll taxes are added to income taxes, some middle-income couples actually have a marginal tax rate comparable to affluent individuals in the 28 and 31 percent brackets.

But it is even more true that families with children are shortchanged in current tax policy. For example, during the first four decades after the end of WWII, the income tax burden on singles and childless couples increased only slightly, while it increased more than 200 percent for families with two children. Reagan-era reforms helped to reverse this trend moderately, but the dramatic shift in tax burden from non-parents to parents still dwarfs any shift in tax burden along income lines.

Thus, it is important that policymakers view this as a debate over "pro-family tax cuts," not simply "middle-income tax relief." This is the way my 1986 Working Group viewed the issue and the way then-Governor Bill Clinton's 1991 National Commission on Children saw the issue. Indeed, neither of these reports advocated some type of means-testing on per-child benefits. Both recognized that the principle being advanced was tax relief for families of all incomes to use in raising children, not tax relief to people who happen to fall into an income category that no one considers upper-class (a category that invariably shrinks as public debate progresses).

The fact that tax relief should be first and foremost pro-family does not mean that policymakers should be unconcerned about the distributional impact of these cuts. To its credit, the House GOP plan extends relief in the form of a per-child credit rather than an increased per-child exemption. In actual dollar terms, a credit provides equal relief to all taxpayers; but in percentage-of-tax-burden terms, it offers greater relief to working-class and middle-income taxpayers than to wealthier taxpayers. (Tax exemptions, conversely, skew savings up the income scale offering greater per-child savings to those in higher brackets.)

This is not to say that tax exemptions are always inferior to tax credits (indeed, one of the virtues of the current exemption is that its value rises if tax rates rise, thereby guaranteeing continued horizontal tax equity between parents and non-parents at any income level).

Still, given the tax code's current problems, a non-means-tested tax credit is the best mechanism for helping families with children. Indeed, if Congress wanted to maximize its distributional bang for buck, it might want to consider a non-refundable version of the 1991 National Commission on Children's $1,000 credit (which replaced the existing exemption, thereby offering $600+ in net per-child relief to those in the 15 percent tax bracket, but less than $300 in net per-child tax relief to those in higher tax brackets). Moving in this direction would make it easier for Congress to lift the existing (and newly-proposed) income caps on per-child benefits -- a problem that definitely needs addressing since income caps at any level produce marriage penalties.

Speaking of marriage penalties, the income caps on the Earned Income Tax Credit have created such a serious anti-marriage effect that Congress should use all of the monies set aside in the marriage penalty section of the American Dream Restoration Act to address the marriage bias facing families earning below the median income. The Talent-Faircloth welfare reform initiative from 1994 called for a $1,000 pro-marriage tax credit. This would be a constructive, problem-solving first step. It ought to be adopted.

Myth #5. Pro-Family Tax Relief Should Tie Benefits to Family Expenses (Like Education) That The Government Should Promote.

This concern springs from the notion that the government knows more about what families should spend their money for than parents do.

Not only is this a false premise, but it leads to all sorts of unproductive economic distortions. Indeed, one of the chief reasons college tuition costs have risen at a pace exceeding the general inflation rate for some time is that many students have been given grants and loans that could only be used for educational purposes. Knowing this to be the case, college administrators have raised the cost of higher education beyond what it would be if students' economic resources were completely fungible and available for multiple uses.

While no one wants to discourage bright young people from pursuing a higher education, the sad truth is that tax cuts earmarked for this or any other family expense will have the effect of increasing the cost of that good or service, thereby exacerbating current problems and putting a college education out of the reach of some interested students.

While it would be counter-productive for Congress to provide tax cuts for specific expenses, it would be helpful for Congress to modify existing Individual Retirement Account (IRA) rules to permit taxpayers to enjoy tax-favored savings for a wider variety of purposes (college tuition, first-time home-buying, etc.). In the first case, Congress would be limiting families' economic freedom, in the second, it would be expanding it.

This is not to say, however, that the Super IRA included in the House GOP Contract should be adopted in its current form. The "back-loaded" nature of its design obligates future generations to an economic promise made today. Given the size of the federal debt, and the pernicious anti-family influence of intergenerational entitlement programs, Congress should steer clear of repeating past mistakes. If tax-favored savings are to be expanded, they should be expanded within the context of a "front-loaded" savings mechanism.

Myth #6. Pro-Family Tax Relief Will Solve America's Family Problem.

While it is important for Members of Congress to recognize the virtues of pro-family tax relief, it is also important for you to recognize the limitations of pro-family tax relief.

Pro-family tax relief will not make husbands love their wives or children respect their parents. It will not clear up filthy TV or remove child predators from our streets. In short, pro-family tax relief, by itself, will not magically solve the myriad social problems facing America's families, neighborhoods, and communities.

But pro-family tax relief will make it easier for families to thrive by reducing economic stress. It will make it easier for parents to monitor their children's TV viewing habits or to shield them from other harms by freeing them to spend more of their time with their children and less of their time frantically chasing the almighty, overtaxed dollar.

In short, pro-family tax relief will empower parents to address many family needs that only they can meet.

Mr. CHAIRMAN, America needs parents who want to raise their children well. But we also need policies that empower them to act upon these sentiments. I implore you and the members of your committee to adopt nothing less than $500 in per-child tax relief for all taxpaying families.

Thank you very much.

TESTIMONY BEFORE THE JOINT ECONOMIC COMMITTEE

by
Scott A. Hodge
Grover M. Hermann Fellow
in Federal Budgetary Affairs
The Heritage Foundation
214 Massachusetts Ave. NE
Washington, DC 20002
(202) 546-4400

THE MICRO-ECONOMICS OF A $500 PER-CHILD TAX CUT[1]

This week, Members of the House will attempt to fulfill the Contract with America when it considers a $500 per-child tax credit. This tax cut package means a great deal to the 35 million working American families raising 52 million children. This is Congress' first serious attempt to reduce the crushing tax burden on America's families since Ronald Reagan's tax cuts of 1981. If the House passes this element of the Contract, the Senate should move quickly to consider its own family tax credit. A good starting point for the Senate is the $500 per-child tax cut contained in the Families First Bill (S. 568) sponsored by Dan Coats (R-IN) and Rod Grams (R-MN).

But just as cash-strapped families may see the light at the end of the tunnel, Washington's establishment and many Members of Congress seem to be getting cold feet. The criticisms of family tax relief are coming from all sides of the political spectrum.

Some Members of the House want to reduce the income threshold for receiving the tax cut from $200,000 in family income down to $95,000. They say that the $500 credit is not fair because it provides the same level of tax relief for a family earning $30,000 per year as is does for a family earning $200,000 per year.

Others, such as the House Ways and Means Committee want to reduce the tax relief available for families earning below $24,000 per year. Yet others, such as many in the White House, argue that the family tax credit is not fair because it provides no tax relief to families earning below $17,000 per year.

Others simply don't want tax cuts at all until Congress balances the federal budget. (The government last balanced the budget twenty-five years ago, should families

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have to wait another twenty-five years to get a tax cut). The Wall Street Journal that the $500 per-child tax credit is nice, but overall its a waste of money because it will not stimulate economic growth

Quite simply, most of these arguments are red-herrings and merely veiled attempts to protect Washington's government class at the expense of American families. However, some members of the Joint Economic Committee may be swayed by the argument that Congress should not pass a $500 per-child tax cut because it will not stimulate economic growth. In a traditional economic sense, this position is correct. If the tax cuts are financed by cuts in federal spending, then classical economics tells us that no economic growth will result because government demand has simply been replaced with private demand.

Some economists might quibble with this position by saying that there will be marginal increases in economic growth because this money is being taken out of the hands of the very inefficient public sector and place into the hands of the vastly more efficient private sector. However true this argument is, the economic effects of this transfer of resources are very difficult to measure.

I believe that we must avoid being trapped into thinking that the only reason to cut taxes is to stimulate economic growth by encouraging people to work harder, earn more money, or send another member of the family into the workforce. There are times when micro-economic policy is more important than macro-economic policy. We need to understand that cutting taxes for its own sake is the right thing to do so that people can simply be allowed to keep more of what they do earn.

Robert Shapiro, President of the liberal-leaning Progressive Policy Institute, has said that family tax cuts are social policy, not economic policy. In many respects, Shapiro is correct. If we as society value children, if we value intact families, and if we value the social and economic stability of healthy families, then we should take every measure we can to strengthen working families raising children. To this extent, the $500 per-child tax credit is the purest form of "kitchen table" economics Washington can practice.

Family tax relief, especially a partially-refundable $500 per-child credit, is particularly important as Congress is considering substantial reforms in welfare. Many low-income working families are eligible for numerous government assistance programs such as WIC (Women, Infants and Children program) and the subsidized School Lunch program. A working family of four earning $20,000 per year, for example, would not need such generous public assistance if they could keep $1,000 in income that they would otherwise send to Washington in taxes to support the huge government bureaucracy. These families might actually be willing to support substantive welfare reform if they knew that Washington would let them keep more of what they earn so that they could do for their children as they see fit.

There are many sound reasons why the House and Senate should agree on a $500 per-child tax cut plan such as those outlined in the Contract with America and the Coats/Grams bill:

Families with children are overtaxed

In 1948, the average American family with children paid only 3 percent of its income to Uncle Sam. Today the same family pays 24.5 percent.[2] That is an eightfold increase in the share of family income lost to federal taxes over the last 45 years. When state and local taxes are added to this burden, the typical American family loses nearly 38 percent of their income to tax collectors at all levels of government. With this much family income lost to government, its little wonder people express concern over cutting some government programs. Of course they feel trapped, Washington has literally taxed families into dependence on government programs.

Families have been taxed out of house and home

The average family now loses $10,060 per year of its income due to the 45-year increase in federal taxes as a share of family income. This tax loss exceeds the annual cost of the average family home.[3] Giving a typical family of four earning $40,000 per year, a $500 per-child tax credit would cut their $9,500 total tax bill by some 11 percent, enough to pay one month's mortgage payment on the average home.

Millions of families stand to benefit

The families of 52 million American children, or 35 million families, are eligible for a $500-per-child tax credit. These 35 million families can be turned into a powerful constituency for smaller government if Congress directly links cuts in federal spending to family tax cuts. Taking money away from wasteful government programs and placing it in the pockets of working families gives these taxpayers a financial stake in the budget process and, thus, an incentive to counter the advocates of government programs.

For Members, family tax relief sugar-coats the political "pain" of spending cuts, lessening the opposition of special interests who benefit from federal largess. Politicians who are accustomed to viewing spending cuts only in terms of the pain they inflict on certain interest groups can now see them in terms of the large number of families helped by those cuts. For example, the savings achieved by eliminating a $1 billion federal program are sufficient to finance a $500-per-child tax cut for 2 million American families. It is hard

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[2] This figure includes federal income and Social Security payroll taxes.

[3] For more information, see Robert Rector, "Reducing the Crushing Tax Burden on America's Families," Heritage Foundation Backgrounder No. 981, March 7, 1994.

to imagine that any single federal spending project of similar magnitude could benefit as many families at one time.

Tax cuts are crucial for low-income families struggling to make ends meet

A $500-per-child tax credit would eliminate the entire federal tax burden (combined income and Social Security payroll taxes) for 4.7 million working families. Working families with annual incomes up to $24,000 will see their entire income tax burden erased by a $500 per-child credit. Millions of other low- or modest-income families might not have their entire tax burden eliminated by such a credit, but they certainly would see a dramatic decline in their tax bill, and thus a dramatic increase in their take-home pay.

> **Example**: A family of four earning $29,000 per year -- and not eligible for the EITC -- would have 55 percent of their income tax bill and 16 percent of their total federal tax bill (income and payroll taxes totaling over $6,240) erased by a $500-per-child tax credit.

Most families are middle-class

Nearly 86 percent of all eligible children live in families with incomes below $75,000 per year -- middle-income by anyone's standard -- and some 94 percent live in families with incomes below $100,000. But compared to their overall federal tax burden, these families will receive only modest tax relief. A family earning $75,000 per year loses nearly $20,000 (approximately 27 percent of their income) to the IRS each year. A $500 tax credit for each child would mean only a 5 percent tax cut for this family.

Because of the nature of most working careers, very few children live in upper-income families. In fact, according to the Census' 1992 Current Population Survey, fewer than 83,000 live in families with annual incomes above $200,000 per year, just 0.17 percent of all American families eligible for the tax credit.[4] Most upper-income parents hit their full earning potential well after their children become adults themselves.

Cutting taxes for all families -- regardless of income -- is fair

Means-testing the $500 per-child credit would be a mistake. All families are overtaxed and the tax code should not penalize children simply because of the income of their parents.[5]. However, because the $500 per-child tax credit is a flat, uniform tax cut, it is a progressive tax cut by definition. The value of the $500 credit is greater for low-income families than for upper-income families. Such a credit for a low-income working family

[4] U. S. Bureau of the Census 1992 Current Population Survey.

[5] The Dependent Care Tax Credit (DCTC) is not means-tested. The credit is used by working families -- many of whom are dual-income and prosperous -- who place their children in day care.

earning $18,000 per year amounts to a 33 percent cut in their entire federal tax bill. The typical family of four earning roughly $40,000 per year would receive an 11 percent cut in taxes. But the same credit for a family earning $200,000 per year amounts to a cut of only 1.5 percent.

Family tax relief helps families in every state

Even the most pro-family Member of Congress may be reluctant to cut spending in order to finance tax cuts. This is because Members like to take political credit for "bringing home the bacon," demonstrating to voters back home how effective they are in looking out for the interests of their congressional districts. With every federal road project, research grant, and construction contract, Members issue press releases announcing how many jobs will be created or how many constituents will benefit from this infusion of federal funds. For many Members of Congress, cutting taxes for families may not appear to lend itself to such credit-taking.

This impression is mistaken. Based on Census Bureau data, Heritage Foundation analysts have calculated the total dollar value of a $500-per-child tax credit for every state and congressional district. These figures are contained in the Appendix to this paper (county data are available upon request). While the number in each congressional district varies greatly, the average district has 117,000 children. At $500 per child, this means the average district will receive nearly $59 million in family tax relief each year.

For large states the benefits to families will be substantial. With over 6.6 million eligible children, California families stand to keep $3.3 billion each year of their own money in tax relief. Even medium-sized states will benefit greatly: Illinois, with 2.5 million children, will receive $1.2 billion per year in tax relief; Minnesota, nearly 950,000 children, $473 million in tax relief annually; New Jersey, 1.5 million children, $761 million in tax relief annually; and, Florida, 2.2 million children, $1.1 billion in tax relief annually.

Weaknesses in the House Bill

The $500 per-child tax cut package now being debated is far from perfect. When it was introduced in the American Dream Restoration Act (H.R. 6), the Contract's $500 per-child tax credit would have allowed a family of four with an annual income as low as $19,000 to take full advantage of the credit. Although this family has, after deductions, an income tax burden of $308, the Contract's credit was designed to allow this family to take a full $1,000 credit in order to reduce its entire federal tax burden (the total of income and Social Security payroll taxes --both the employee and the employers' share). This means that such a family would receive a full tax credit of $500 for each child, or $1,000; $308 of the credit would reduce their income tax burden, and the remaining $692 of the credit is "refunded" to them to reduce their payroll tax burden. However, the Contract still did not allow families to receive more in tax relief than the sum of their income and payroll taxes.[6] Such a flat, or uniform, tax credit gives an equal amount of tax relief to every family above roughly $19,000 per year in income.[7]

A few weeks ago, however, the House backed away from this equitable tax cut plan when the House Ways and Means Committee passed a watered-down version which cuts the amount of tax relief the Contract promised to low-income families by $13 billion over five years. The Ways and Means tax cut plan restricts the credit to being deducted from income taxes only. This means that millions of families who have a small income tax burden, but a large Social Security payroll tax burden, will be denied the opportunity to take full advantage of the $500 per-child credit. As a result, families with annual incomes between about $18,000 and $23,000 will receive 430 percent to 10 percent less tax relief respectively than they would have under the original Contract (H.R. 6). The new House plan also produces the inequitable result that a family of four earning $20,000 per year will receive $445 less in tax relief than a similar family earning $25,000 per year.

> **Example**: Under the original Contract bill (H.R. 6), a married couple with two children earning $20,000 per year would get a full $1,000 tax cut -- $500 for each child. This couple pays about $458 in income taxes and $3,060 in total Social Security Payroll Taxes (half is paid by the employee and half is paid by the employer). They would deduct the $1,000 from their total tax bill of $3,615.[8]
>
> **Example**: Under the Ways and Means plan, this same $20,000 per year couple would receive a tax cut of only $458 -- equal to their income tax liability alone. This restriction denies this couple $542 in tax relief. Ironically, this couple's neighbors, who earn $25,000 per year and thus pay more than $1,000 in income taxes, would receive a full $1,000 tax cut ($500 for each of their two children) under the Ways and Means plan. This is more than twice the tax relief available to the couple earning just $5,000 less per year in income.

There is still hope for low-income families if the House fail to fix the deficiencies in the Ways and Means plan. The recently introduced Families First Bill (S. 568), contains none of the restrictions on low-income families in the Ways and Means plan, and none of the restrictions on upper-income families in the Contract. Because the same amount of tax relief is available to every family, regardless of income, low- and moderate-income families will find the $500 tax credit actually erases a greater share of their total federal tax burden than it will for higher-income families.

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[6] The $500 credit is "partially-refundable." The Earned Income Tax Credit (EITC), which gives some families a wage subsidy greater than their entire tax burden, is known as a fully-refundable tax credit.
[7] The Contract phased-out the $500 credit for families with incomes above $200,000 per year.
[8] This couple would still be fully eligible for an additional $1,324 tax cut under the Earned Income Tax Credit (EITC). How the $500 credit dovetails with the EITC will be discussed below.

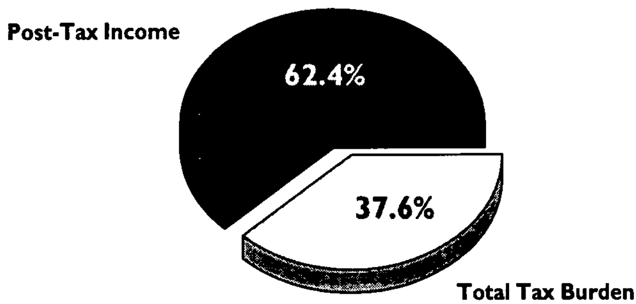
Example: Under the Ways and Means plan, a family of four earning $30,000 per year will see their total tax bill reduced by 15 percent, compared to only a 10 percent overall tax cut for a family of four earning $19,000 per year. But because the original Contract and the Coats/Grams bill provide an equitable, flat tax credit for all working families, such a credit will provide an overall tax cut of 31 percent for a family of four earning $19,000 annually, a 15 percent overall cut for a family earning $30,000, a 11 percent cut for a family earning $40,000, and only a 1.5 percent overall tax cut for a family earning $200,000 annually.

Members of the House should move quickly to repair the family tax cut plan, and send to the Senate an equitable $500 per-child tax credit. The tax code should not continue to punish hard-working families who have seen the share of their family income sent to Washington grow from 3 percent in 1948 to nearly 25 percent today.

CONCLUSION

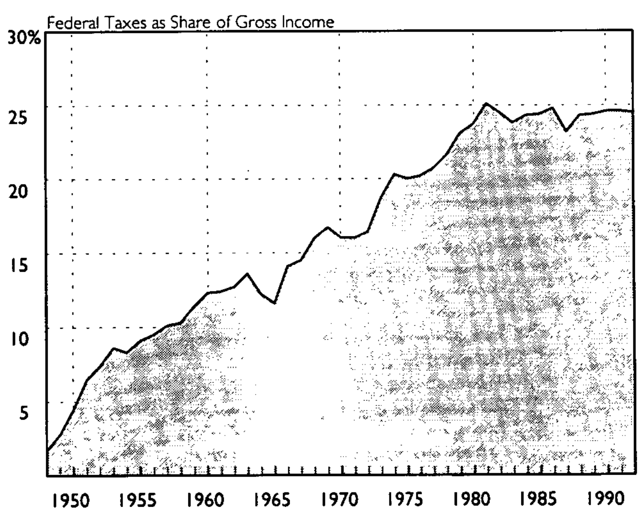
The family is the core of American society. It is the principal mechanism through which values, knowledge, discipline, and motivation are passed from one generation to the next. If the family is weakened, government programs cannot repair the damage. But government policies, especially tax policies, are undermining the American family. Social Security payroll taxes are the greatest burden for low-income families, while income taxes tend to have a greater impact on middle- and upper-income families. That is why a flat, partially-refundable $500 per-child tax credit is the most effective, and most equitable, way of reducing the tax burden on all working families with children. The ever-increasing tax burden on families with children must be reversed if American society is to regain its health and vitality.

Total Federal, State and Local Tax Burden on a Median Income Family of Four in 1992



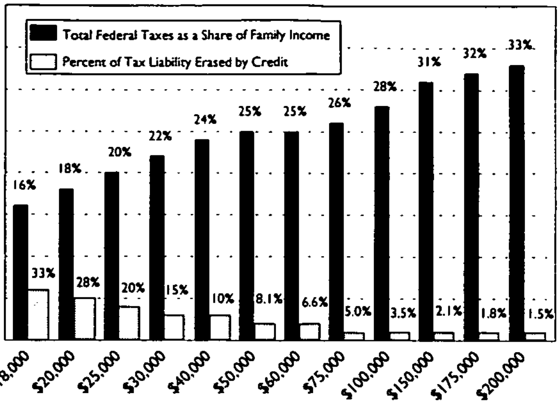
Source: Data provided by the Tax Foundation.

Federal Taxes as a Share of Median Family Income: 1948-1992



Note: Figures are for a median income family of four.
Source: Heritage Tax Model, income data from U.S. Bureau of the Census.

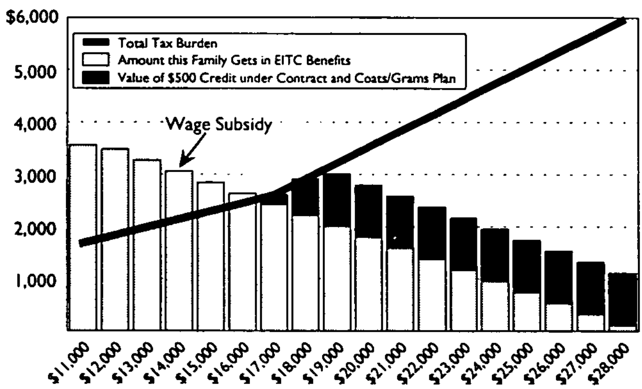
A Flat $500-per-Child Tax Credit Reduces A Low-Income Family's Tax Burden More than for a High Income Family



Earned Income for a Married Couple with Two Children in 1996

Note: Total tax burden includes federal income tax and both the employer and employee share of Social Security.
Source: Heritage Tax Model, based on U.S. government data.

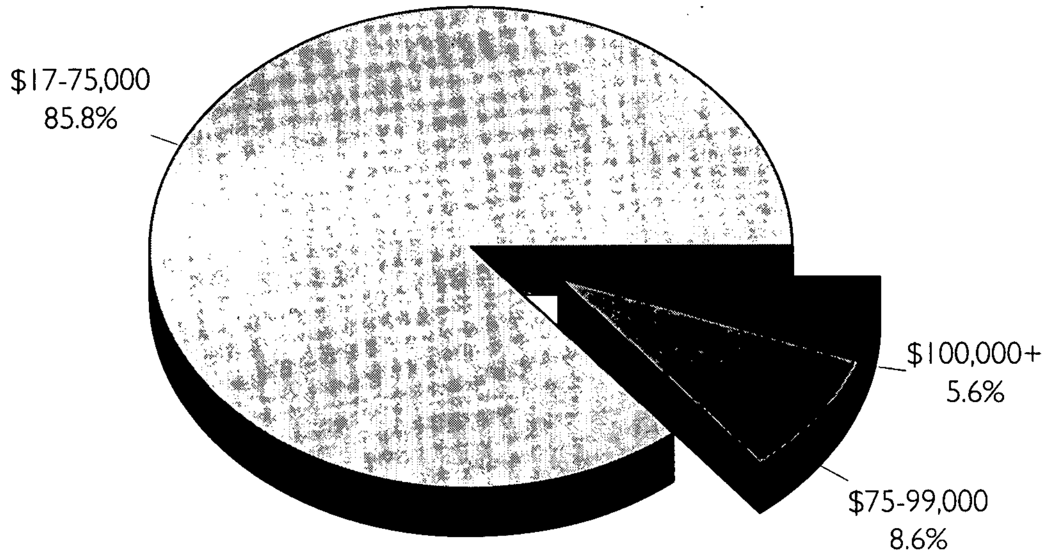
Tax Burden Relieved by the Earned Income Tax Credit and the $500-per-Child



Earned Income for a Married Couple with Two Children in 1996

Note: Total tax burden includes federal income tax and both the employer and employee share of Social Security.
Source: Heritage Tax Model, based on U.S. government data.

Children Eligible for Family Tax Relief by Adjusted Gross Family Income



DOLLARS RETURNED TO EACH STATE BY A $500 PER-CHILD TAX CREDIT

State	Number of Families with Children in Each State	Number of Children Eligible for a $500 Tax Credit	Amount Each State Could Receive Annually from $500 Per Child Tax Credit
Alabama	607,775	836,486	$418,243,000
Alaska	83,770	134,962	$67,481,000
Arizona	472,805	744,524	$372,262,000
Arkansas	366,520	524,241	$262,120,500
California	4,444,459	6,625,012	$3,312,506,000
Colorado	493,148	737,544	$368,772,000
Connecticut	466,951	723,674	$361,837,000
Delaware	105,034	172,017	$86,008,500
District of Columbia	63,940	81,195	$40,597,500
Florida	1,698,710	2,233,271	$1,116,635,500
Georgia	909,966	1,226,073	$613,036,500
Hawaii	167,417	295,346	$147,673,000
Idaho	151,431	263,945	$131,972,500
Illinois	1,622,908	2,501,462	$1,250,731,000
Indiana	851,840	1,110,887	$555,443,500
Iowa	383,031	641,094	$320,547,000
Kansas	393,479	651,174	$325,587,000
Kentucky	536,468	648,121	$324,060,500
Louisiana	646,684	868,702	$434,351,000
Maine	156,799	223,255	$111,627,500
Maryland	675,067	1,038,365	$519,182,500
Massachusetts	750,685	1,110,453	$555,226,500
Michigan	1,273,610	1,866,891	$933,445,500
Minnesota	570,424	946,639	$473,319,500
Mississippi	425,312	540,359	$270,179,500
Missouri	697,847	981,008	$490,504,000
Montana	124,551	197,938	$98,969,000
Nebraska	237,460	427,724	$213,862,000
Nevada	168,220	247,958	$123,979,000
New Hampshire	158,319	246,361	$123,180,500
New Jersey	1,006,496	1,522,756	$761,378,000
New Mexico	239,867	321,854	$160,927,000
New York	2,494,133	3,575,251	$1,787,625,500
North Carolina	940,231	1,359,138	$679,569,000
North Dakota	87,390	146,786	$73,393,000
Ohio	1,577,405	2,392,172	$1,196,086,000
Oklahoma	456,751	644,733	$322,366,500
Oregon	422,519	607,615	$303,807,500
Pennsylvania	1,568,632	2,507,260	$1,253,630,000
Rhode Island	111,470	159,461	$79,730,500
South Carolina	569,749	777,909	$388,954,500
South Dakota	96,221	158,309	$79,154,500
Tennessee	637,780	829,778	$414,889,000
Texas	2,582,258	3,628,180	$1,814,090,000
Utah	249,945	473,448	$236,724,000
Vermont	81,163	116,058	$58,029,000
Virginia	859,620	1,286,275	$643,137,500
Washington	737,136	1,141,341	$570,670,500
West Virginia	266,844	346,642	$173,321,000
Wisconsin	722,639	1,175,695	$587,847,500
Wyoming	69,514	122,668	$61,334,000

Source: US Census, 1992 Current Population Survey

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
		ALABAMA			
AL	District 1	S. Callahan	R	113,674	$56,837,000.0
AL	District 2	T. Everett	R	119,103	$59,551,500.0
AL	District 3	G. Browder	D	112,090	$56,045,000.0
AL	District 4	T. Bevill	D	113,252	$56,626,000.0
AL	District 5	R. Cramer	D	119,396	$59,698,000.0
AL	District 6	S. Bachus	R	120,050	$60,025,000.0
AL	District 7	E. Hilliard	D	97,409	$48,704,500.0
		ALASKA			
AK	Single District	D. Young	R	149,189	$74,594,500.0
		ARKANSAS			
AR	District 1	B. Lambert	D	108,922	$54,461,000.0
AR	District 2	R. Thornton	D	122,203	$61,101,500.0
AR	District 3	T. Hutchinson	R	119,447	$59,723,500.0
AR	District 4	J. Dickey	R	107,975	$53,987,500.0
		ARIZONA			
AZ	District 1	M. Salmon	R	128,800	$64,400,000.0
AZ	District 2	E. Pastor	D	121,408	$60,704,000.0
AZ	District 3	B. Stump	R	124,693	$62,346,500.0
AZ	District 4	J. Shadegg	R	127,070	$63,535,000.0
AZ	District 5	J. Kolbe	R	116,957	$58,478,500.0
AZ	District 6	J.D. Hayworth	R	131,217	$65,608,500.0
		CALIFORNIA			
CA	District 1	F. Riggs	R	122,746	$61,373,000.0
CA	District 2	W. Herger	R	113,046	$56,523,000.0
CA	District 3	V. Fazio	D	123,031	$61,515,500.0
CA	District 4	J. Doolittle	R	126,640	$63,320,000.0
CA	District 5	R. Matsui	D	110,893	$55,446,500.0
CA	District 6	L. Woolsey	D	113,638	$56,819,000.0
CA	District 7	G. Miller	D	126,473	$63,236,500.0
CA	District 8	N. Pelosi	D	70,109	$35,054,500.0
CA	District 9	R. Dellums	D	93,284	$46,642,000.0
CA	District 10	W. Baker	R	129,594	$64,797,000.0
CA	District 11	R. Pombo	R	125,812	$62,906,000.0
CA	District 12	T. Lantos	D	105,678	$52,839,000.0
CA	District 13	P. Stark	D	130,767	$65,383,500.0
CA	District 14	A. Eshoo	D	103,289	$51,644,500.0
CA	District 15	N. Mineta	D	116,862	$58,431,000.0
CA	District 16	Z. Lofgren	R	132,585	$66,292,500.0
CA	District 17	S. Farr	D	123,475	$61,737,500.0
CA	District 18	G. Condit	D	133,536	$66,768,000.0
CA	District 19	G. Radanvich	R	123,650	$61,825,000.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
CA	District 20	C. Dooley	D	119,888	$59,944,000.0
CA	District 21	W. Thomas	R	130,982	$65,491,000.0
CA	District 22	A. Seastrand	R	107,792	$53,896,000.0
CA	District 23	E. Gallegly	R	137,226	$68,613,000.0
CA	District 24	A. Beilenson	D	110,108	$55,054,000.0
CA	District 25	B. McKeon	R	139,018	$69,509,000.0
CA	District 26	H. Berman	D	120,955	$60,477,500.0
CA	District 27	C. Moorhead	R	102,936	$51,468,000.0
CA	District 28	D. Dreier	R	132,227	$66,113,500.0
CA	District 29	H. Waxman	D	62,282	$31,141,000.0
CA	District 30	X. Becerra	D	103,014	$51,507,000.0
CA	District 31	M. Martinez	D	123,865	$61,932,500.0
CA	District 32	J. Dixon	D	95,176	$47,588,000.0
CA	District 33	L. Roybal-Allard	D	119,873	$59,936,500.0
CA	District 34	E. Torres	D	140,397	$70,198,500.0
CA	District 35	M. Waters	D	115,862	$57,931,000.0
CA	District 36	J. Harman	D	98,532	$49,266,000.0
CA	District 37	W. Tucker	D	130,704	$65,352,000.0
CA	District 38	S. Horn	R	107,150	$53,575,000.0
CA	District 39	E. Royce	R	127,239	$63,619,500.0
CA	District 40	J. Lewis	R	133,231	$66,615,500.0
CA	District 41	J. Kim	R	146,259	$73,129,500.0
CA	District 42	G. Brown	D	149,579	$74,789,500.0
CA	District 43	K. Calvert	R	145,308	$72,654,000.0
CA	District 44	S. Bono	R	121,488	$60,744,000.0
CA	District 45	D. Rohrabacher	R	104,976	$52,488,000.0
CA	District 46	R. Dornan	R	126,718	$63,359,000.0
CA	District 47	C. Cox	R	118,986	$59,493,000.0
CA	District 48	R. Packard	R	128,593	$64,296,500.0
CA	District 49	B. Bilbray	R	77,629	$38,814,500.0
CA	District 50	B. Filner	D	124,918	$62,459,000.0
CA	District 51	R. Cunningham	R	125,803	$62,901,500.0
CA	District 52	D. Hunter	R	129,232	$64,616,000.0
		COLORADO			
CO	District 1	P. Schroeder	D	88,797	$44,398,500.0
CO	District 2	D. Skaggs	D	125,591	$62,795,500.0
CO	District 3	S. McInnis	R	112,773	$56,386,500.0
CO	District 4	W. Allard	R	125,982	$62,991,000.0
CO	District 5	J. Hefley	R	134,533	$67,266,500.0
CO	District 6	D. Schaefer	R	130,057	$65,028,500.0
		CONNECTICUT			
CT	District 1	B. Kennelly	D	102,938	$51,469,000.0
CT	District 2	S. Gejdenson	D	113,513	$56,756,500.0
CT	District 3	R. DeLauro	D	105,205	$52,602,500.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
CT	District 4	C. Shays	R	105,084	$52,542,000.0
CT	District 5	G. Franks	R	118,891	$59,445,500.0
CT	District 6	N. Johnson	R	114,695	$57,347,500.0
		DELAWARE			
DE	Single District	M. Castle	R	141,345	$70,672,500.0
		DISTICT OF COLUMBIA			
DC	Delegate	E. Holmes-Norton	D	83,637	$41,818,500.0
		FLORIDA			
FL	District 1	J. Scarborough	R	109,548	$54,774,000.0
FL	District 2	P. Peterson	D	107,020	$53,510,000.0
FL	District 3	C. Brown	D	101,452	$50,726,000.0
FL	District 4	T. Fowler	R	111,760	$55,880,000.0
FL	District 5	K. Thurman	D	80,865	$40,432,500.0
FL	District 6	C. Stearns	R	112,575	$56,287,500.0
FL	District 7	J. Mica	R	112,760	$56,380,000.0
FL	District 8	B. McCollum	R	109,316	$54,658,000.0
FL	District 9	M. Bilirakis	R	100,739	$50,369,500.0
FL	District 10	B. Young	R	81,114	$40,557,000.0
FL	District 11	S. Gibbons	D	99,247	$49,623,500.0
FL	District 12	C. Canady	R	111,093	$55,546,500.0
FL	District 13	D. Miller	R	81,249	$40,624,500.0
FL	District 14	P. Goss	R	87,548	$43,774,000.0
FL	District 15	D. Weldon	R	103,841	$51,920,500.0
FL	District 16	M. Foley	R	98,647	$49,323,500.0
FL	District 17	C. Meek	D	106,864	$53,432,000.0
FL	District 18	I. Ros-Lehtinen	R	86,211	$43,105,500.0
FL	District 19	H. Johnston	D	92,597	$46,298,500.0
FL	District 20	P. Deutsch	D	110,086	$55,043,000.0
FL	District 21	L. Diaz-Balart	R	116,117	$58,058,500.0
FL	District 22	C. Shaw	R	60,815	$30,407,500.0
FL	District 23	A. Hastings	D	104,049	$52,024,500.0
		GEORGIA			
GA	District 1	J. Kingston	R	122,283	$61,141,500.0
GA	District 2	S. Bishop	D	104,426	$52,213,000.0
GA	District 3	M. Collins	R	139,487	$69,743,500.0
GA	District 4	J. Linder	R	129,266	$64,633,000.0
GA	District 5	J. Lewis	D	94,211	$47,105,500.0
GA	District 6	N. Gingrich	R	140,581	$70,290,500.0
GA	District 7	B. Barr	R	130,921	$65,460,500.0
GA	District 8	S. Chambliss	R	125,801	$62,900,500.0
GA	District 9	N. Deal	D	126,747	$63,373,500.0
GA	District 10	C. Norwood	R	125,151	$62,575,500.0

 Source: U.S. Census

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
GA	District 11	C. McKinney	D	123,866	$61,933,000.0
		HAWAII			
HI	District 1	N. Abercrombie	D	109,422	$54,711,000.0
HI	District 2	P. Mink	D	134,152	$67,076,000.0
		IDAHO			
ID	District 1	H. Chenoweth	R	118,777	$59,388,500.0
ID	District 2	M. Crapo	R	136,033	$68,016,500.0
		ILLINOIS			
IL	District 1	B. Rush	D	95,356	$47,678,000.0
IL	District 2	M. Reynolds	D	121,042	$60,521,000.0
IL	District 3	W. Lipinski	D	118,598	$59,299,000.0
IL	District 4	L. Gutierrez	D	126,128	$63,064,000.0
IL	District 5	M. Flanagan	R	91,122	$45,561,000.0
IL	District 6	H. Hyde	R	128,942	$64,471,000.0
IL	District 7	C. Collins	D	89,497	$44,748,500.0
IL	District 8	P. Crane	R	143,836	$71,918,000.0
IL	District 9	S. Yates	D	85,522	$42,761,000.0
IL	District 10	J. Porter	R	136,265	$68,132,500.0
IL	District 11	J. Weller	R	134,625	$67,312,500.0
IL	District 12	J. Costello	D	111,498	$55,749,000.0
IL	District 13	H. Fawell	R	153,095	$76,547,500.0
IL	District 14	D. Hastert	R	148,156	$74,078,000.0
IL	District 15	T. Ewing	R	114,626	$57,313,000.0
IL	District 16	D. Manzullo	R	138,310	$69,155,000.0
IL	District 17	L. Evans	D	116,759	$58,379,500.0
IL	District 18	R. LaHood	R	125,803	$62,901,500.0
IL	District 19	G. Poshard	D	111,607	$55,803,500.0
IL	District 20	R. Durbin	D	121,469	$60,734,500.0
		INDIANA			
IN	District 1	P. Visclosky	D	122,042	$61,021,000.0
IN	District 2	D. McIntosh	R	113,343	$56,671,500.0
IN	District 3	T. Roemer	D	126,646	$63,323,000.0
IN	District 4	M. Souder	R	139,472	$69,736,000.0
IN	District 5	S. Buyer	R	129,730	$64,865,000.0
IN	District 6	D. Burton	R	136,850	$68,425,000.0
IN	District 7	J. Myers	R	118,142	$59,071,000.0
IN	District 8	J. Hostettler	R	110,531	$55,265,500.0
IN	District 9	L. Hamilton	D	127,494	$63,747,000.0
IN	District 10	A. Jacobs	D	107,244	$53,622,000.0
		IOWA			
IA	District 1	J. Leach	R	120,912	$60,456,000.0
IA	District 2	J. Nussle	R	123,116	$61,558,000.0

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VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
IA	District 3	J. Lightfoot	R	114,686	$57,343,000.0
IA	District 4	G. Ganske	R	122,366	$61,183,000.0
IA	District 5	T. Latham	R	126,276	$63,138,000.0
		KANSAS			
KS	District 1	P. Roberts	R	139,906	$69,953,000.0
KS	District 2	S. Brownback	R	133,063	$66,531,500.0
KS	District 3	J. Meyers	R	143,155	$71,577,500.0
KS	District 4	T. Tiahrt	R	143,446	$71,723,000.0
		KENTUCKY			
KY	District 1	E. Whitfield	R	115,600	$57,800,000.0
KY	District 2	R. Lewis	R	130,520	$65,260,000.0
KY	District 3	M. Ward	D	114,065	$57,032,500.0
KY	District 4	J. Bunning	R	130,811	$65,405,500.0
KY	District 5	H. Rogers	R	102,384	$51,192,000.0
KY	District 6	S. Baesler	D	116,466	$58,233,000.0
		LOUISIANA			
LA	District 1	B. Livingston	R	126,576	$63,288,000.0
LA	District 2	W. Jefferson	D	97,472	$48,736,000.0
LA	District 3	B. Tauzin	D	133,014	$66,507,000.0
LA	District 4	C. Fields	D	94,613	$47,306,500.0
LA	District 5	J. McCrery	R	120,161	$60,080,500.0
LA	District 6	R. Baker	R	130,151	$65,075,500.0
LA	District 7	J. Hayes	D	129,975	$64,987,500.0
		MAINE			
ME	District 1	J. Longley	R	138,694	$69,347,000.0
ME	District 2	J. Baldacci	D	123,267	$61,633,500.0
		MARYLAND			
MD	District 1	W. Gilchrest	R	124,596	$62,298,000.0
MD	District 2	R. Ehrilich	R	128,629	$64,314,500.0
MD	District 3	B. Cardin	D	118,927	$59,463,500.0
MD	District 4	A. Wynn	D	135,163	$67,581,500.0
MD	District 5	S. Hoyer	D	137,313	$68,656,500.0
MD	District 6	R. Bartlett	R	134,421	$67,210,500.0
MD	District 7	K. Mfume	D	100,258	$50,129,000.0
MD	District 8	C. Morella	R	134,272	$67,136,000.0
		MASSACHUSETTS			
MA	District 1	J. Olver	D	120,493	$60,246,500.0
MA	District 2	R. Neal	D	122,431	$61,215,500.0
MA	District 3	P. Blute	R	124,635	$62,317,500.0

Source: U.S. Census

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
MA	District 4	B. Frank	D	124,181	$62,090,500.0
MA	District 5	M. Meehan	D	131,771	$65,885,500.0
MA	District 6	P. Torkildsen	R	120,030	$60,015,000.0
MA	District 7	E. Markey	D	104,850	$52,425,000.0
MA	District 8	J. Kennedy	D	76,909	$38,454,500.0
MA	District 9	J. Moakley	D	110,202	$55,101,000.0
MA	District 10	G. Studds	D	121,673	$60,836,500.0
		MICHIGAN			
MI	District 1	B. Stupak	D	123,674	$61,837,000.0
MI	District 2	P. Hoekstra	R	139,178	$69,589,000.0
MI	District 3	V. Ehlers	R	141,691	$70,845,500.0
MI	District 4	D. Camp	R	123,960	$61,980,000.0
MI	District 5	J. Barcia	D	125,287	$62,643,500.0
MI	District 6	F. Upton	R	122,483	$61,241,500.0
MI	District 7	N. Smith	R	129,213	$64,606,500.0
MI	District 8	D. Chrysler	R	128,640	$64,320,000.0
MI	District 9	D. Kildee	D	123,633	$61,816,500.0
MI	District 10	D. Bonior	D	132,291	$66,145,500.0
MI	District 11	J. Knollenberg	R	129,916	$64,958,000.0
MI	District 12	S. Levin	D	125,130	$62,565,000.0
MI	District 13	L. Rivers	D	120,923	$60,461,500.0
MI	District 14	J. Conyers	D	105,042	$52,521,000.0
MI	District 15	B. Collins	D	76,987	$38,493,500.0
MI	District 16	J. Dingell	D	126,467	$63,233,500.0
		MINNESOTA			
MN	District 1	G. Gutknecht	R	131,140	$65,570,000.0
MN	District 2	D. Minge	D	137,413	$68,706,500.0
MN	District 3	J. Ramstad	R	139,540	$69,770,000.0
MN	District 4	B. Vento	D	112,704	$56,352,000.0
MN	District 5	M. Sabo	D	84,516	$42,258,000.0
MN	District 6	B. Luther	D	152,285	$76,142,500.0
MN	District 7	C. Peterson	D	125,776	$62,888,000.0
MN	District 8	J. Oberstar	D	122,815	$61,407,500.0
		MISSISSIPPI			
MS	District 1	R. Wicker	R	104,698	$52,349,000.0
MS	District 2	B. Thompson	D	84,968	$42,484,000.0
MS	District 3	G.V. Montgomery	D	102,165	$51,082,500.0
MS	District 4	M. Parker	D	95,119	$47,559,500.0
MS	District 5	G. Taylor	D	103,613	$51,806,500.0
		MISSOURI			
MO	District 1	B. Clay	D	103,360	$51,680,000.0
MO	District 2	J. Talent	R	139,320	$69,660,000.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
MO	District 3	R. Gephardt	D	122,582	$61,291,000.0
MO	District 4	I. Skelton	D	121,289	$60,644,500.0
MO	District 5	K. McCarthy	D	109,403	$54,701,500.0
MO	District 6	P. Danner	D	125,479	$62,739,500.0
MO	District 7	M. Hancock	R	112,250	$56,125,000.0
MO	District 8	B. Emerson	R	105,376	$52,688,000.0
MO	District 9	H. Volkmer	D	127,251	$63,625,500.0
		MONTANA			
MT	Single District	P. Williams	D	173,817	$86,908,500.0
		NEBRASKA			
NE	District 1	D. Bereuter	R	118,784	$59,392,000.0
NE	District 2	J. Christensen	R	126,081	$63,040,500.0
NE	District 3	B. Barrett	R	120,948	$60,474,000.0
		NEVADA			
NV	District 1	J. Ensign	R	117,892	$58,946,000.0
NV	District 2	B. Vucanovich	R	131,332	$65,666,000.0
		NEW HAMPSHIRE			
NH	District 1	W. Zeliff	R	126,250	$63,125,000.0
NH	District 2	C. Bass	R	128,012	$64,006,000.0
		NEW JERSEY			
NJ	District 1	R. Andrews	D	131,473	$65,736,500.0
NJ	District 2	F. LoBiondo	R	120,682	$60,341,000.0
NJ	District 3	J. Saxton	R	132,885	$66,442,500.0
NJ	District 4	C. Smith	R	126,517	$63,258,500.0
NJ	District 5	M. Roukema	R	135,438	$67,719,000.0
NJ	District 6	F. Pallone	D	116,615	$58,307,500.0
NJ	District 7	B. Franks	R	120,660	$60,330,000.0
NJ	District 8	B. Martini	R	113,815	$56,907,500.0
NJ	District 9	R. Torricelli	D	103,197	$51,598,500.0
NJ	District 10	D. Payne	D	107,949	$53,974,500.0
NJ	District 11	R. Frelinghuysen	R	131,205	$65,602,500.0
NJ	District 12	R. Zimmer	R	132,994	$66,497,000.0
NJ	District 13	R. Menendez	D	101,130	$50,565,000.0
		NEW MEXICO			
NM	District 1	S. Schiff	R	105,265	$52,632,500.0
NM	District 2	J. Skeen	R	104,330	$52,165,000.0
NM	District 3	B. Richardson	D	108,183	$54,091,500.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
		NEW YORK			
NY	District 1	M. Forbes	R	135,183	$67,591,500.0
NY	District 2	R. Lazio	R	129,745	$64,872,500.0
NY	District 3	P. King	R	119,573	$59,786,500.0
NY	District 4	D. Frisa	R	120,051	$60,025,500.0
NY	District 5	G. Ackerman	D	110,619	$55,309,500.0
NY	District 6	F. Flake	D	121,036	$60,518,000.0
NY	District 7	T. Manton	D	87,200	$43,600,000.0
NY	District 8	J. Nadler	D	67,101	$33,550,500.0
NY	District 9	C. Schumer	D	96,236	$48,118,000.0
NY	District 10	E. Towns	D	94,448	$47,224,000.0
NY	District 11	M. Owens	D	114,764	$57,382,000.0
NY	District 12	N. Velazquez	D	90,416	$45,208,000.0
NY	District 13	S. Molinari	R	111,675	$55,837,500.0
NY	District 14	C. Maloney	D	55,139	$27,569,500.0
NY	District 15	C. Rangel	D	72,898	$36,449,000.0
NY	District 16	J. Serrano	D	86,064	$43,032,000.0
NY	District 17	E. Engel	D	98,573	$49,286,500.0
NY	District 18	N. Lowey	D	102,831	$51,415,500.0
NY	District 19	S. Kelly	R	125,966	$62,983,000.0
NY	District 20	B. Gilman	R	132,789	$66,394,500.0
NY	District 21	M. McNulty	D	109,583	$54,791,500.0
NY	District 22	G. Solomon	R	130,121	$65,060,500.0
NY	District 23	S. Boehlert	R	118,598	$59,299,000.0
NY	District 24	J. McHugh	R	125,618	$62,809,000.0
NY	District 25	J. Walsh	R	122,940	$61,470,000.0
NY	District 26	M. Hinchey	D	111,672	$55,836,000.0
NY	District 27	B. Paxon	R	131,959	$65,979,500.0
NY	District 28	L. Slaughter	D	113,064	$56,532,000.0
NY	District 29	J. LaFalce	D	114,793	$57,396,500.0
NY	District 30	J. Quinn	R	109,410	$54,705,000.0
NY	District 31	A. Houghton	R	121,460	$60,730,000.0
		NORTH CAROLINA			
NC	District 1	E. Clayton	D	96,554	$48,277,000.0
NC	District 2	D Funderburk	R	109,460	$54,730,000.0
NC	District 3	W. Jones	R	112,308	$56,154,000.0
NC	District 4	F. Heineman	R	109,887	$54,943,500.0
NC	District 5	R. Burr	R	104,722	$52,361,000.0
NC	District 6	H. Coble	R	112,001	$56,000,500.0
NC	District 7	C. Rose	D	109,228	$54,614,000.0
NC	District 8	B. Hefner	D	122,080	$61,040,000.0
NC	District 9	S. Myrick	R	119,541	$59,770,500.0
NC	District 10	C. Ballenger	R	116,159	$58,079,500.0
NC	District 11	C. Taylor	R	98,439	$49,219,500.0
NC	District 12	M. Watt	D	103,299	$51,649,500.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
		NORTH DAKOTA			
ND	Single District	E. Pomeroy	D	143,817	$71,908,500.0
		OHIO			
OH	District 1	S. Chabot	R	109,905	$54,952,500.0
OH	District 2	R. Portman	R	135,699	$67,849,500.0
OH	District 3	T. Hall	D	112,778	$56,389,000.0
OH	District 4	M. Oxley	R	128,690	$64,345,000.0
OH	District 5	P. Gillmor	R	140,327	$70,163,500.0
OH	District 6	F. Cremeans	R	108,952	$54,476,000.0
OH	District 7	D. Hobson	R	125,077	$62,538,500.0
OH	District 8	J. Boehner	R	134,512	$67,256,000.0
OH	District 9	M. Kaptur	D	119,605	$59,802,500.0
OH	District 10	M. Hoke	R	112,416	$56,208,000.0
OH	District 11	L. Stokes	D	96,039	$48,019,500.0
OH	District 12	J. Kasich	R	121,438	$60,719,000.0
OH	District 13	S. Brown	D	136,823	$68,411,500.0
OH	District 14	T. Sawyer	D	110,941	$55,470,500.0
OH	District 15	D. Pryce	R	110,933	$55,466,500.0
OH	District 16	R. Regula	R	122,852	$61,426,000.0
OH	District 17	J. Traficant	D	110,379	$55,189,500.0
OH	District 18	B. Ney	R	115,297	$57,648,500.0
OH	District 19	S. LaTourette	R	120,794	$60,397,000.0
		OKLAHOMA			
OK	District 1	S. Largent	R	111,381	$55,690,500.0
OK	District 2	T. Coburn	R	105,530	$52,765,000.0
OK	District 3	B. Brewster	D	96,490	$48,245,000.0
OK	District 4	J.C. Watts	R	115,166	$57,583,000.0
OK	District 5	E. Istook	R	112,486	$56,243,000.0
OK	District 6	F. Lucas	R	105,560	$52,780,000.0
		OREGON			
OR	District 1	E. Furse	D	127,047	$63,523,500.0
OR	District 2	W. Cooley	R	118,125	$59,062,500.0
OR	District 3	R. Wyden	D	113,746	$56,873,000.0
OR	District 4	P. DeFazio	D	114,544	$57,272,000.0
OR	District 5	J. Bunn	R	123,540	$61,770,000.0
		PENNSYLVANIA			
PA	District 1	T. Foglietta	D	88,848	$44,424,000.0
PA	District 2	C. Fattah	D	85,821	$42,910,500.0
PA	District 3	R. Borski	D	106,807	$53,403,500.0
PA	District 4	R. Klink	D	111,621	$55,810,500.0
PA	District 5	W. Clinger	R	108,707	$54,353,500.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
PA	District 6	T. Holden	D	112,535	$56,267,500.0
PA	District 7	C. Weldon	R	115,823	$57,911,500.0
PA	District 8	J. Greenwood	R	135,796	$67,898,000.0
PA	District 9	B. Shuster	R	115,463	$57,731,500.0
PA	District 10	J. McDade	R	114,727	$57,363,500.0
PA	District 11	P. Kanjorski	D	105,331	$52,665,500.0
PA	District 12	J. Murtha	D	106,002	$53,001,000.0
PA	District 13	J. Fox	R	120,212	$60,106,000.0
PA	District 14	W. Coyne	D	87,209	$43,604,500.0
PA	District 15	P. McHale	D	116,209	$58,104,500.0
PA	District 16	R. Walker	R	131,402	$65,701,000.0
PA	District 17	G. Gekas	R	121,411	$60,705,500.0
PA	District 18	M. Doyle	D	100,642	$50,321,000.0
PA	District 19	W. Goodling	R	120,968	$60,484,000.0
PA	District 20	F. Mascara	D	104,146	$52,073,000.0
PA	District 21	P. English	R	113,128	$56,564,000.0
		RHODE ISLAND			
RI	District 1	P. Kennedy	D	94,175	$47,087,500.0
RI	District 2	J. Reed	D	98,348	$49,174,000.0
		SOUTH CAROLINA			
SC	District 1	M. Sanford	R	125,873	$62,936,500.0
SC	District 2	F. Spence	R	123,075	$61,537,500.0
SC	District 3	L. Graham	R	119,370	$59,685,000.0
SC	District 4	B. Inglis	R	120,170	$60,085,000.0
SC	District 5	J. Spratt	D	123,159	$61,579,500.0
SC	District 6	J. Clyburn	D	107,212	$53,606,000.0
		SOUTH DAKOTA			
SD	Single District	T. Johnson	D	156,070	$78,035,000.0
		TENNESSEE			
TN	District 1	J. Quillen	R	95,264	$47,632,000.0
TN	District 2	J. Duncan	R	100,301	$50,150,500.0
TN	District 3	Z. Wamp	R	102,979	$51,489,500.0
TN	District 4	V. Hilleary	R	103,305	$51,652,500.0
TN	District 5	B. Clement	D	98,887	$49,443,500.0
TN	District 6	B. Gordon	D	123,572	$61,786,000.0
TN	District 7	E. Bryant	R	122,627	$61,313,500.0
TN	District 8	J. Tanner	D	107,556	$53,778,000.0
TN	District 9	H. Ford	D	92,859	$46,429,500.0
		TEXAS			
TX	District 1	J. Chapman	D	109,825	$54,912,500.0
TX	District 2	C. Wilson	D	111,673	$55,836,500.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
TX	District 3	S. Johnson	R	137,856	$68,928,000.0
TX	District 4	R. Hall	D	125,497	$62,748,500.0
TX	District 5	J. Bryant	D	109,521	$54,760,500.0
TX	District 6	J. Barton	R	144,181	$72,090,500.0
TX	District 7	B. Archer	R	141,271	$70,635,500.0
TX	District 8	J. Fields	R	140,953	$70,476,500.0
TX	District 9	S. Stockman	R	120,229	$60,114,500.0
TX	District 10	L. Dogget	D	108,022	$54,011,000.0
TX	District 11	C. Edwards	D	115,215	$57,607,500.0
TX	District 12	P. Geren	D	121,810	$60,905,000.0
TX	District 13	W. Thornberry	R	111,293	$55,646,500.0
TX	District 14	G. Laughlin	D	118,107	$59,053,500.0
TX	District 15	E. de la Garza	D	101,446	$50,723,000.0
TX	District 16	R. Coleman	D	114,942	$57,471,000.0
TX	District 17	C. Stenholm	D	114,473	$57,236,500.0
TX	District 18	S. Lee	D	96,391	$48,195,500.0
TX	District 19	L. Combest	R	130,662	$65,331,000.0
TX	District 20	H. Gonzalez	D	107,900	$53,950,000.0
TX	District 21	L. Smith	R	126,067	$63,033,500.0
TX	District 22	T. DeLay	R	143,153	$71,576,500.0
TX	District 23	H. Bonilla	R	118,630	$59,315,000.0
TX	District 24	M. Frost	D	133,340	$66,670,000.0
TX	District 25	K. Bentsen	D	129,278	$64,639,000.0
TX	District 26	R. Armey	R	132,712	$66,356,000.0
TX	District 27	S. Ortiz	D	110,352	$55,176,000.0
TX	District 28	F. Tejeda	D	114,359	$57,179,500.0
TX	District 29	G. Green	D	118,470	$59,235,000.0
TX	District 30	E. Johnson	D	106,689	$53,344,500.0
		UTAH			
UT	District 1	J. Hansen	R	188,257	$94,128,500.0
UT	District 2	E. Waldholtz	R	173,704	$86,852,000.0
UT	District 3	B. Orton	D	182,102	$91,051,000.0
		VERMONT			
VT	Single District	B. Sanders	I	124,330	$62,165,000.0
		VIRGINIA			
VA	District 1	H. Bateman	R	127,062	$63,531,000.0
VA	District 2	O. Pickett	D	125,300	$62,650,000.0
VA	District 3	R. Scott	D	96,735	$48,367,500.0
VA	District 4	N. Sisisky	D	122,407	$61,203,500.0
VA	District 5	L. Payne	D	105,742	$52,871,000.0
VA	District 6	B. Goodlatte	R	104,819	$52,409,500.0

VALUE OF $500 PER-CHILD TAX CREDIT BY CONGRESSIONAL DISTRICT

State	Congressional District	Name of Member	Party	Number of Children in District Eligible for $500 Tax Credit	Annual Dollar Value of $500 Credit Per District
VA	District 7	T. Bliley	R	127,941	$63,970,500.0
VA	District 8	J. Moran	D	100,060	$50,030,000.0
VA	District 9	R. Boucher	D	98,406	$49,203,000.0
VA	District 10	F. Wolf	R	140,525	$70,262,500.0
VA	District 11	T. Davis	R	133,708	$66,854,000.0
		WASHINGTON			
WA	District 1	R. White	R	128,938	$64,469,000.0
WA	District 2	J. Metcalf	R	124,859	$62,429,500.0
WA	District 3	L. Smith	R	122,258	$61,129,000.0
WA	District 4	R. Hastings	R	119,034	$59,517,000.0
WA	District 5	G. Nethercutt	R	112,770	$56,385,000.0
WA	District 6	N. Dicks	D	110,063	$55,031,500.0
WA	District 7	J. McDermott	D	75,747	$37,873,500.0
WA	District 8	J. Dunn	R	138,841	$69,420,500.0
WA	District 9	R. Tate	R	120,777	$60,388,500.0
		WEST VIRGINIA			
WV	District 1	A. Mollohan	D	108,787	$54,393,500.0
WV	District 2	R. Wise	D	113,085	$56,542,500.0
WV	District 3	N. Rahall	D	102,162	$51,081,000.0
		WISCONSIN			
WI	District 1	M. Neumann	R	122,991	$61,495,500.0
WI	District 2	S. Klug	R	116,526	$58,263,000.0
WI	District 3	S. Gunderson	R	121,436	$60,718,000.0
WI	District 4	G. Kleczka	D	114,365	$57,182,500.0
WI	District 5	T. Barrett	D	93,267	$46,633,500.0
WI	District 6	T. Petri	R	125,885	$62,942,500.0
WI	District 7	D. Obey	D	123,881	$61,940,500.0
WI	District 8	T. Roth	R	125,731	$62,865,500.0
WI	District 9	J. Sensenbrenner	R	138,220	$69,110,000.0
		WYOMING			
WY	Single District	B. Cubin	R	114,046	$57,023,000.0

PREPARED STATEMENT OF MARSHALL WITTMANN

On behalf of the 1.5 million members and supporters of the Christian Coalition and their families, we wish to express our appreciation to the Committee for the opportunity to testify today on behalf of famiiy tax relief. Family tax relief has been a critical priority for our organization, and we applaud you, Mr. Chairman, for holding this important hearing.

We strongly believe that this hearing is unique. Unlike many who have testified before Congress in the past, we are not asking for something -- our request is not for a new spending program, a new entitlement or a new subsidy. Rather, we are here today urging that American families simply be allowed to retain something that belongs to them -- income they have earned through their own sweat and toil working in our factories, running their own businesses, teaching in our schools, working in our hospitals, and patrolling our neighborhoods. We are here in support of allowing parents, not bureaucrats, to determine how best to spend their income on behalf of their children.

As President Clinton acknowledged in his 1994 State of the Union address, "[w]e can't renew our country until we realize that governments don't raise children, parents do." Indeed, the family is the most vital institution in our society. It is where the next generation of Americans will be raised and nurtured. The family is the first and most effective Department of Health and Human Services. If the family is strong, many legislative initiatives -- confronting the rising juvenile crime rate, instituting educational reform to address the nation's declining test scores and rising behavioral problems in the schools, reforming our welfare system to discourage out-of-wedlock births -- will have a greater chance of success.

In the past few years, much has been made of the issue of family values. We do not expect, nor do we want, the federal government to legislate family values. However, we do urge that Washington *value* the family. Unfortunately, far too often, the government subsidizes family dissolution and taxes family stability. It is time for this dynamic to end.

Christian Coalition views the $500 per child tax credit as the most significant provision in the *Contract With America*. Allowing families with children to retain a larger share of their hard-earned income will be a first step towards freeing America's parents from the national treadmill of working long hours at the expense of time with their children, while failing to meet the standard of living of the prior generation of one-parent wage-earners. There is a genuine crisis of family income. For the past two decades, income for the average American family has remained stagnant. Yet the tax bite out of their earnings has soared.

Working to Support the Government, at the Expense of Our Children

In many families today, both parents work by necessity, not by choice. A 1988 *USA Today* poll found that 73 percent of two-income families would prefer to have one parent stay home if they could afford it. Unfortunately, many parents don't realize just how much of their earnings are going to support the government, and not their families. In 1948, the average American family paid only *3 percent* of its earnings to the federal government; today, this same family pays 24.5 percent of its income to support our expansive federal government with its massive programs. When local, state, and indirect federal taxes are considered, well over a third of the average family's income -- *37.6 percent* -- goes to the government. Moreover, the Tax Foundation has shown that the average family's expenditures for federal, state, and local taxes are higher than what they spend for food, clothing, and housing combined.

The fact is that the government is the ultimate beneficiary of the long hours our nation's mothers and fathers are working. The Heritage Foundation compared the earnings of families today with those in 1948, and found that two-thirds of a working mother's income in a typical double-income family goes toward the increased federal taxes that families pay, and not towards putting food on the table or saving for retirement. If the federal tax burden on the average American family returned to 1948 levels, the average primary earner today would earn only \$6,687 less than the double-income family's current post-tax income. Since the average working mother today earns \$19,453, only one-third or \$6,687 of her earnings increase the family's income over the 1948 level. The other two-thirds of her earnings go to pay the increased federal taxes that have been levied since 1948.

Families with children have particularly felt the impact of today's high taxation level, for two reasons. First, the personal exemption, which in 1948 protected 68 percent of the average family of four's earnings from taxation, has not kept up with inflation and higher income. If the exemption had been indexed for inflation, it would today be between \$7,000 and \$8,000. Second, today's high Social Security payroll taxes do not take into account the number of children in a family. Therefore, the impact of these taxes on a wage earner with four children will have a greater impact than on an employee earning comparable wages who has no dependents. Moreover, these payroll taxes have risen dramatically, consuming approximately 15.3 percent of gross income, in order to fund programs providing retiree benefits, disability insurance, and Medicare.

In addition to the higher taxation level and wage-growth stagnation, the cost of family expenses has risen dramatically. As the 1991 final report by the National Commission on Children, chaired by Senator Jay Rockefeller, showed, the cost of buying a home took 44 percent of a family's income by the mid-1980s, compared to 25 percent in 1970; buying a new car increased to 48 percent, rather than 35 percent in 1970; and tuition at a private college consumed 38 percent of the average family's income, compared to 28 percent in 1970.

Mr. Chairman, unfortunately, the impact of today's high taxation level on families is not solely a financial one. Rather, it has an equally disturbing ramification on the time which parents can spend with their children -- what has been aptly referred to as "family time famine." As more and more families are forced to have two sets of incomes, in part to meet their growing tax liability, the time parents can share with their children is dwindling. Children today are given 40 percent less time and attention by their parents than were children in 1965, with parents spending approximately 17 hours per week with their children compared to approximately 30 hours per week in 1965. This precludes parents from playing a greater role in their children's development.

Family time in general is becoming increasingly scarce. Many parents have to work piggyback shifts or multiple jobs just to make ends meet. Coordination of schedules between parents, children, and nannies has become a fine art these days. The family meal at dinnertime is a thing of the past. Scheduling time to help children with homework is often difficult. Relationships with neighbors and a sense of community in neighborhoods are disappearing. We believe that the $500 per child tax credit, although a modest step, is a start towards increasing family budgets so that families will have greater freedom in structuring this balance between employment and family.

The $500 Per Child Tax Credit Will Provide Important Relief to America's Families

Legislation to provide a $500 per child tax credit is long overdue. Four years ago, in 1991, the National Commission on Children, of which Governor Bill Clinton was a member, urged the adoption of a $1000 refundable child tax credit (as well as the abolishment of the personal exemption for children in order to reduce the costs of the tax credit) in an effort to strengthen families.

Although a $500 tax credit does not meet the Children Commission's recommendation of a $1000 per child tax credit, it would still provide significant relief to our nation's families. For example, the $500 credit would reduce *by one third* the federal tax burden, which includes both income and social security taxes, of a family of four with an income of $18,000 per year.

President Clinton has proposed a child tax credit of up to $500 for children, but imposes an arbitrary age limit of 13 years. We believe that the President's proposal is insufficient. When a child reaches age 13, expenses do not decline -- they actually increase for such big ticket items as additional educational expenses, braces, and clothes. It does not take a Washington policy wonk to figure this out -- just ask a parent of a teenager. Moreover, the President's proposal would preclude families earning over $75,000 from being entitled to the credit, despite the fact that these families already pay a progressively higher income tax, which means the credit has a diminishing impact.

It has been reported that some supporters of the Contract With America are expressing reservations about providing tax relief for families on the grounds that a) the $500 per child credit is not "progressive" because it doesn't distinguish between high and low income families, and b) family tax relief is a revenue-loser that needs to be jettisoned in order to meet the difficult deficit-reduction goals of balancing the federal budget. Neither reservation stands up to scrutiny.

The argument that the tax credit must be means tested according to income in order to be equitable is a familiar, but unconvincing appeal to the politics of class conflict. Since the effect of this credit decreases as family income increases, there is no need for means testing criteria. A family of four earning $40,000 per year would only see its total tax liability reduced by 11 percent; a family of four earning $200,000 per year would see its tax burden reduced by 1.5 percent. The Senate's version of the child tax credit, just introduced by Senators Dan Coats and Rod Grams, wisely avoids the whole issue of means testing by eliminating the income cap provisions of the House bill, as well as restoring the ability of lower income' families to deduct the credit from their Social Security payroll taxes, which constitutes a large part of their tax burden.

The problem with the argument that family tax relief is a revenue-loser is that it presents a false dichotomy: Legislators can choose either to balance the budget, or give some tax relief to struggling families. In reality, those goals are simply not mutually exclusive; if anything, they work together hand in glove. The relationship between the deficit and the tax burden on families is just the opposite of what the anti-tax cut argument implies. The fact is, the tax burden on the average family soared during precisely the same period that the deficit spiraled out of control. And families have been the ones who have paid most dearly for the inability of Congress to control its own lavish spending habits.

It is estimated that 35 million families will profit from this tax credit, 86 percent of whom have incomes less than $75,000 per year. Moreover, this credit will provide the average congressional district with approximately $59 million in tax relief each year, to assist an average 117,000 children per district. In Chairman Mack's state, the parents of approximately 2,233,271 children would benefit from $1,116,635,500 in tax relief. In Senator Bingaman's state, 321,854 children would benefit from $160,927,000 in tax relief. Clearly, the number of children and their parents served, as well as the real-life benefits, merit enactment of the credit.

We realize that some Senators may be concerned about the costs involved in providing a $500 per child tax credit, but it is important to remember that this is not another entitlement or subsidy. We are merely asking that parents who are taxpayers be allowed to retain a larger share of their own income to help support their families. Moreover, although the federal government spends approximately $13.7 billion per year for Aid to Families With Dependent Children (AFDC), a welfare program which subsidizes single-parent families, it does very little to further, and even penalizes through the tax code, what it should be encouraging: the two-parent nuclear family.

We are aware of the budgetary impact of this proposal. Christian Coalition submits that this tax credit should be paid for with spending cuts. We cannot burden future generations with the mounting national debt, and we believe that we have good credentials in the deficit reduction fight. Last year, we actively supported the Domenici budget which paid for tax relief. We were in the forefront of the effort to pass the bipartisan Penny-Kasich amendment, which endorsed $90 billion in cuts. Moreover, we do not believe that higher taxes should be levied on other Americans in order to pay for this credit. The funding should be taken from wasteful spending in the federal government budget, and not the budgets of taxpaying Americans.

Mr. Chairman, you and your colleagues can count on the support of our organization in this year's important undertaking to dramatically limit government. We are not summertime soldiers in the deficit reduction battle. Entire departments, agencies and programs should be reevaluated, eliminated, cut, or sent back to the states. We realize that bold cuts in government spending will need to be taken. Cutting government is a necessary step towards returning control over the spending decisions on children's health care, education, and well-being to parents and communities. This is the *family dividend* of budget reduction.

Thank you again for the opportunity to present our views today. Christian Coalition is pleased that this Committee and this Congress are seriously considering providing much-needed tax relief for America's families. We hope that this proposal will have bipartisan support, uniquely uniting liberals and conservatives. Enactment of a $500 per child tax credit is a necessary and important measure that we hope will gain swift passage.

PREPARED STATEMENT OF DAVID S. LIEDERMAN

Senator Grams and Members of the Committee, I am David Liederman, Executive Director of the Child Welfare League of America (CWLA), a membership organization of nearly 800 public and voluntary child serving agencies that assist 2.5 million troubled and vulnerable children and their families.

I appreciate this opportunity to discuss the proposed $500-per-child tax credit for families and its relationship to other issues affecting children that are now before Congress. I share your desire to improve the lives of children and to strengthen families.

Providing a tax credit to help families make ends meet is a laudable idea. It is very expensive to raise a child in this nation, and families, especially families with young children, need help to provide the basic necessities and more for their children.

We know that raising children costs a lot of money. The U.S. Department of Agriculture estimated the cost of raising a child born in 1993 to age 18 to range from $170,000 to more than $300,000.

Caring for a newborn child is very expensive. Based on cost estimates compiled by Catholic Charities and the U.S. Department of Agriculture, a basic budget to care for an infant totals nearly $200 a month. (See attached itemized listing.)

Every family with a child faces these costs and must find ways to meet them. The cost of bare-bones care does not change if a child is reared in a middle- or low-income family. Many families need financial help to meet these costs, especially those with the most precarious economic circumstances. Many low-income working families struggle to make ends meet, and they often are only a paycheck or medical emergency away from disaster.

Families in the welfare system also work hard against enormous odds to provide the best care possible for their children. Unfortunately, these families are the target of a punitive welfare bill (H.R. 4) passed by the House last month. Savings from the House-passed bill's cuts in assistance to families on welfare would help pay for the family tax credit.

If we are serious about improving the lives of children, we should focus our efforts on helping families on welfare find a job, become self-sufficient, and permanently stay off welfare. That will require investments in job development and training, child care, health care, special programs for teen moms and other supports. These are the families for whom smart investments will pay the greatest dividends.

So let's examine the family tax credit proposal and see if it would help families in need.

Proposed credit heavily aids those who need help least

Under the family tax credit proposal passed by the House Ways and Means Committee, families with incomes from about $30,000 to $200,000 would receive a full credit. Those with higher incomes up to $250,000, and some with incomes below $30,000, would receive a partial credit.

According to the Center on Budget and Policy Priorities, the 40 percent of children living in the highest income families would receive nearly two-thirds of the total benefits from the credit. By contrast, the 40 percent of children living in the lowest income families -- most of whom live in working families and many of whom live in families in which two parents are working -- would receive only 3.5 percent of the benefits from the credit.

Proposed credit misses those who need help most

Because the proposed tax credit is not refundable, nearly 24 million children would receive no aid from the credit. The credit provides substantial benefits to children in relatively well-off families but little assistance to children in low- and moderate-income families.

Some House members have proposed to limit the tax credit to those earning less than $95,000. This approach would diminish the amount going to the wealthiest families, but it would still fail to assist lower-income families.

Here's how little the tax credit would help low-income children, based on unpublished Congressional Budget Office data:

- About one-third of all children in the county -- 23.7 million children (33.5 percent) -- would not qualify for a credit because their family income is too low to owe income taxes and the credit is nonrefundable.
- Another 10 percent of children living in families with below-average incomes would qualify for only a partial credit.
- The lowest fifth of children in families with the lowest income would not benefit from the credit. The second-lowest fifth of children would receive only 3.5 percent of the benefits.

Financing for proposed credit further shortchanges families

Recent, House-passed spending cuts in children's programs partially fund the proposed credit and other tax cuts. Tell me, how can we claim fairly to help American families to take care of their children when proposals give benefits with one hand and take them with another?

As you know, the House just completed a contentious debate on welfare, culminating in the passage of a very punitive bill (H.R. 4). One of the amendments passed by the House concerned teen moms and their children, for whom the bill would deny cash benefits. The amendment provided that, in place of cash assistance, vouchers would be given to these families just for diapers and other supplies.

I found this amendment to be insulting. Most poor families rely on cash assistance to buy the basic necessities for their children, they know what those items are, and they buy them in a responsible manner.

Who's to say that wealthy families won't waste the $500 tax credit on frivolous items such as televisions, VCRs and snack food? If the tax credit goes to the wealthiest families, maybe we should require that it be in voucher form, and limit its purchase power to items that the Congress deems relevant to caring for children. Let's show some consistency in federal policies regarding families.

In general, the policies being put forth in the House are equally outrageous toward families. A substantial share of the spending cuts that the House or its committees have approved and that would be used to help pay for the tax package consists of reductions in programs serving poor and moderate-income children. In passing the welfare bill, the House approved another amendment to permit the $66 billion in federal savings to be used for tax cuts, including this child tax credit. In essence, the House has approved shredding the safety net for poor children and families in favor of padding the wallets of upper-income Americans.

Compare what our nation spends on AFDC with this proposal. The federal government kicks in $13 billion in benefits for 14 million low-income family members, including 9.6 million children. But the tax credit would spend $105 billion on primarly middle- and upper-income families. Now the House wants to get rid of the entitlement to AFDC and cut cash assistance to needy children. There is no question that the welfare system is broken, but I believe we have our national priorities backwards in terms of where we invest our energies and resources.

It is interesting that our political leaders continually talk about wanting to do something about the high cost of raising children. But when it comes time to address the issue, many members of Congress focus on six-figure-income families. Are they really the ones suffering from job loss, recessions and inflation?

But the same leaders talk about poor women as though they waste money right and left. Why?

Taxpayers get it; they do not want tax cuts

According to a recent poll (*LA Times*, 3/22/95), "A SOLID MAJORITY SAYS TAX CUT NOT REALISTIC." Clearly, the majority of taxpayers know that now is not the time to cut taxes. In the poll, 59% said no to the cut; 35% said yes.

Taxpayers believe that deficit reduction should be our #1 goal, but that it should not be accomplished at the expense of our children. Taxpayers also believe that families do need help, but not at the expense of other families, many of whom may be in more desperate straits. Assisting those who work and struggle to sustain themselves and their children should be a higher priority. Poverty among children is at its highest point since 1964. Children are the poorest age group -- the poverty rate among children is 10 percentage points higher than the rates among prime-aged adults and the elderly. Nearly one in five children under age 18 (22.7 percent) and more than one in four children under age 6 (25.6 percent) live in poverty.

What we need to do is focus on helping the families that endure the brunt of the downturns in the American economy, the working middle- and lower-income families, including families trying to stay off welfare.

With our limited resources, let's strategically invest -- not divest -- in families in need, who are trying their best to survive and thrive, and for whom the additional support would make a difference.

Experience with tax cuts, budget deficits strongly suggests rejecting proposed tax cuts

We need only to examine recent history to see that poorly-conceived tax cut plans cause havoc for the nation. The Reagan budget plan of 1981 combined huge tax cuts with modest spending cuts to produce record deficits. The deficit increased from $79 billion in 1981 to $208 billion in 1983, instead of going to zero as some congressional leaders had promised. Nearly 4 million people were thrown into unemployment, and the unemployment rate rose to almost 11 percent.

Deficits exploded to four times the previous highs and the national debt quadrupled. The rich rode a gravy train while everyone else paid the bill.

David Stockman, President Reagan's Budget Director, later admitted: "We didn't think it all the way through. We didn't add up all the numbers. We should have designed those pieces to be more compatible. But you see, for about a month and a half we got away with that because of the novelty of it all."

The country learned the hard way that neither a family nor a nation can increase spending, cut income, and produce anything but a financial disaster.

Now, some Members of Congress are proposing a tax cut plan that would drain government coffers of $630 billion over the coming decade. Other Members are rightfully concerned about repeating the deficit-building catastrophe of the 1980s. But the compromise "solution" being offered is to assure that the tax cuts could not take effect until the House and Senate complete work this summer on a long-term budget to eliminate the deficit by 2002.

More than half a billion dollars in tax cuts -- with much of the cost placed on the backs of children -- could proceed as soon as a budget is written.

But the agreement builds no enforcement mechanism. There would be no assurance that the deficit would be controlled or whether any children's or other domestic spending would be protected. This "fig leaf" suggests that the lessons of the past 14 years may be falling on deaf ears in Congress.

Instead of enacting a family tax credit that would not help many working families but would threaten to raise the deficit, let's invest our precious resources in real welfare reform and policies that help working families struggling to pay their bills.

"Neighborhood strategy" provides a solid cornerstone for effective investment

Investing $100 billion in a "neighborhood strategy" would be a far better way to help families in need of the most help. It would lay the groundwork for welfare reform that moves families permanently to work and self-sufficiency.

The environment in which families reside has a tremendous impact on their chances for success. Real welfare reform can succeed only within the context of a multi-faceted effort to improve the high-risk communities where many poor children and their families live. We need a national anti-poverty strategy that systematically targets neighborhoods at the highest risk of poverty, unemployment, ill health, and crime. Various initiatives have been tried over the years with success, but there has not been a sustained, intensive effort to repair communities across the nation.

This "neighborhood strategy" would invest in comprehensive efforts to improve the quality of life for all residents. A wide range of strategies could be employed, including efforts to make housing affordable, reduce crime, use school buildings after hours for "community schools" programs, improve street lighting, build and improve libraries and playgrounds, improve health services, and strengthen local leadership to facilitate these improvements. In addition to the direct benefits of safer streets and better community services, such revitalization efforts would create area jobs by making these communities more attractive to businesses.

Another community-building effort should focus on teen mothers, a group of key concern in welfare reform. A national and community service program specifically for teen moms would enable them to contribute to their communities, obtain work skills and experience, and make critical job contacts. High-quality child day care and Head Start should be provided for the children of all participants in this program.

Investments that strengthen neighborhoods would lay a critical groundwork for assisting families in need to become and remain self-sufficient.

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ATTACHMENT

MONTHLY COST OF ITEMS TO CARE FOR INFANT

Clothing and Shoes	$ 37.50
Disposing Diapers (Generic with coupon)	30.00
Baby Supplies (Powder, Wipes, Pacifier, Etc.)	12.00
Coin Op Laundry, Detergent, Etc. for Baby Clothes, Sheets and Blankets	6.50
Bus/Metro to Clinic for Checkup	2.50
Baby Food	69.00[1]
TOTAL EXPENSES EVERY MONTH	$ 88.50

Other expenses may include:

Extra Trip to the doctor for ear infection	$ 2.50
Co-Payment for RX for ear	2.00
Baby Doll or teddy bear	12.00
Used Snow Suit	12.00
TOTAL OTHER EXPENSES	$ 29.00
GRAND TOTAL FOR MONTHLY EXPENSES	$196.50

Source: Catholic Charities USA, 1994
(except [1] U.S. Department of Agriculture, 1994)

PREPARED STATEMENT OF PETER J. FERRARA

The Case for Family Tax Relief

Tax Relief for America's families is long overdue. The proposed $500 per child tax credit would provide such relief.

Family Tax Relief. Family tax relief is necessary because the tax burden on America's families has grown so sharply. In 1950, the average family with children paid 2% of its annual income to the federal government in taxes. Today, that same family pays about 25% of its income in federal taxes. The average family's expenditures for federal, state and local taxes are now higher than what it spends for food, clothing and housing combined.

The proposed $500 per child tax credit would help to at least slightly offset this heavy tax burden, and allow the family to keep more of the money it has earned.

No Income Cap. There should be no income limit on which families can receive the credit, for several reasons.

First, any such cap constitutes another tax on savings, investment and work. If the credit is removed at any income limit, then it constitutes a penalty against the savings, investment, work or other productive activity that pushes income above the limit. This would only add to the discouraging effects of the tax code on such activities, leading to lower economic growth, fewer jobs and reduced wages.

Second, any such cap is unfair. Fairness requires equal treatment for everyone, which would mean allowing the tax credit for all children. An income limit for the credit provides different, unequal treatment for some simply because of the productive steps they have taken to earn the extra income.

Third, any such cap is inconsistent. An income limit for the credit directly contradicts the principle of a flat tax, which so many in the majority say they support. The flat tax says everyone should be treated the same regardless of income. An income limit for the credit treats people differently because of their income. Moreover, if family tax relief is justified on the grounds that taxes on the family have soared to a high, heavy burden, that would be even more true of higher income families, who are generally subject to much higher taxes. The top 1% of income earners, in fact, pay about 25% of all federal income taxes. About 12% of taxpayers earn over $95,000 per year, but they pay 43% of all federal income taxes.

A Better Alternative. There is a better way to provide family tax relief, however. Increasing the personal exemption for children sufficiently would provide the same tax relief as the credit. Yet, unlike the credit, it would also reduce marginal tax rates on families. Over the range of income equal to the amount of the exemptions, the marginal income tax rate would, in fact, be zero. With exemptions of, say, $5,000 - $6,000 per child on top of the exemptions for the adults and other deductible items, marginal tax rates would be reduced over a significant income range. Also, if the exemptions reduce taxable income sufficiently to put the family in a lower tax bracket, marginal rates would be reduced on that score as well.

Lower marginal tax rates mean more incentives for saving, investment and work, which will lead to more economic growth and jobs, and higher wages. The $500 per child tax credit does not reduce marginal tax rates. It simply reduces everyone's taxes by $500 per child. Consequently, it would not produce the same economic benefits as increasing the exemption. For this reason, the increased exemption alternative has been endorsed by, among others, the *Wall Street Journal* and Senator Phil Gramm (R-TX).

PREPARED STATEMENT OF GROVER NORQUIST

Thank you for the opportunity to submit this testimony to the Joint Economic Committee in support of H. R. 1215.

It is not only an embarrassment to the Congress, but a travesty to the American voters that several members of Congress want to renege on the Contract with America, by excluding from the pro-child tax credit, families whose income exceed $95,000.

The tax cuts and budget reforms initially proposed in the Contract with America reject the class warfare that is a trademark of the Democratic party. The strength of the proposed bill is, that it will ease the burden of raising children for all working Americans by allowing a tax credit of $500 for each child under the age of 18.

A tax credit is deducted from taxes paid, which will drastically reduce the amount of the net taxes. Rather than a mere exemption, which eliminates a certain amount of income being taxed. Example: A $5000 exemption is worth the same as a $500 credit, it the tax rate is at ten percent.

Intended as an equalizing force, cementing together all families - rich and poor - and discriminating against no one, benefitting, to some small extent, everyone who has a child and works to pay taxes.

There are members of the Republican Congress who on March 21 began to circulate a letter to request that the Rules Committee consider an amendment lowering the cap of the child tax credit from $200,000 to $95,000. This change has the capability to take away the glitter of this the "crown jewel" of the Republican contract and leave behind a tarnish that will touch the lives of 74 percent of our families.

Changing the eligibility amount for the family income from $200,000 to $95,000 projects a contrived image that the value of an affluent child is less than that of an underprivileged child. It is not only unfair but is an seemingly unconscionable mutilation of a bill intended to benefit the masses by putting back into the pockets of many Americans a portion of the money that they have worked so hard for.

In the past forty years money has increasingly been taken away from the working class by the federal government to pay for an ever expanding welfare state. Federal income taxes have been increased at a level disproportionate to income and without regard to inflation. The group hit hardest in this rise has been the average family of four, who in 1948 paid only 2% of its yearly income in taxes, and today pays over 40% of their income in taxes.

The creators of this tax code based it on the premise that it will benefit those in the working class by encouraging investment, job growth, and entrepreneurial activities.

By returning actual dollars, via tax credits, to working families, we will help to lighten the "child-penalty," and allow parents to focus on how best to raise their children, rather than how to make enough money to support them.

Those who oppose the bill as written in the Contract are willingly taking money away from the middle class in order to support the Democrat's desire to funnel it into the bloated Federal bureaucracy.

Should this bill be defeated it will effectively force an indigent family of four (two parents/two children) making $20,000 a year to forfeit a potential tax credit of $1000, or 5% of their income, to ensure that .05% is not credited to a family of the same number making $200,000.

There are many reasons to support this bill but perhaps the most important fact is that virtually every American will have a real opportunity, the first in several decades, to get real tax relief. Thank you for your time and attention.

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