



The Daily Whip

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WEDNESDAY, JUNE 18, 2003

House Meets At...	Last Vote Predicted At...
10:00 a.m.: Legislative Business Ten "One Minutes" Per Side	5:00 – 6:00 p.m.

***** MEMBERS ARE URGED TO SIGN THE CONCURRENT RECEIPT DISCHARGE PETITION AVAILABLE ON THE HOUSE FLOOR AT THE CLERK'S DESK.** Rep. Jim Marshall (GA-03) has begun a discharge petition effort to force the House to consider H.R. 303 on concurrent receipt. This bipartisan bill, introduced by Rep. Bilirakis (R-FL), would provide full retirement pay and disability pay to disabled military retirees. 178 Members have signed on.

FLOOR SCHEDULE AND PROCEDURE

The House will convene at 10:00 a.m. for legislative business.

H.R. 8 - Death Tax Repeal Permanency Act of 2003 (*Rep. Dunn - Ways & Means*)
(*Subject to a Rule*)

H.R. 1528 - Taxpayer Protection and IRS Accountability Act of 2003 (*Rep. Portman - Ways & Means*) (*Subject to a Rule*)

***** Possible Motions to go to Conference should they become available:**

Motion to go to Conference on Defense Authorization - Motion to Instruct Conferees
Motion to go to Conference on FAA Authorization - Motion to Instruct Conferees

BILL SUMMARY AND KEY ISSUES

H.R. 8 - Death Tax Repeal Permanency Act of 2003 (*Rep. Dunn - Ways & Means*) (*Subject to a Rule*). This bill is essentially the same as H.R. 2143 in the 107th Congress, which was considered in June 2002. As the House considers permanent repeal alternatives, the cost of this repeal should be taken into account due to the continuing deterioration of the government's budget.

Current law (EGTRRA passed in 2001) provides for an increase of the exclusion per decedent from now through January 1, 2010. In 2010 the estate tax is repealed, but then reinstated in 2011 at the level it was prior to EGTRRA. Currently, the exemption per decedent for 2003 is \$1 million (\$2 million per couple), increasing to \$1.5 million for the 2004 and 2005 tax years, \$2 million in 2006-2008, and \$3.5 million in 2009.

- **Costs of Permanent Repeal Mounts. The 10-year cost of total repeal is \$162 billion.** In June 2002, when the House last considered estate tax legislation, the cost estimate for permanent repeal was \$99 billion. The primary reason for the estimate increase is that the 10-year scoring window extends to 2013, rather than 2012. In addition, the cost of permanent repeal over the subsequent ten years could exceed \$750 billion with debt service. Counting the 2003 tax law, the Child Tax Credit action of last week, and the Energy bill from earlier in the spring, the House has already passed over \$425 billion in tax cuts this year, and this bill will take the total to nearly \$590 billion.
- **National Fiscal Situation Worsens.** The projected deficit has more than doubled for FY 03 as compared to FY 02, with CBO projecting a deficit of over \$400 billion (the deficit for FY 02 was \$157 billion and there was a \$127 billion surplus when the 2001 tax bill was enacted). The deficit for FY 04 is estimated to approach, and possibly exceed \$500 billion (over 4% of GDP), with a \$9 trillion swing from \$5.6 trillion in 10-year surplus for FY 2002 to 2011 to a \$3.6 trillion cumulative deficit for the same period.

The Rules Committee has recommended a modified closed rule that provides for one hour of general debate; waives all points of order against consideration of the bill; and provides one motion to recommit with or without instructions. The Rule also makes in order one amendment in the nature of a substitute to be offered by Rep. Pomeroy or his designee that is debatable for one hour.

Democrats are urged to VOTE NO on the PREVIOUS QUESTION on the Rule to allow consideration of a Pomeroy Substitute that would be fully paid for.

- The Pomeroy Substitute is a responsible alternative and is similar to the alternative offered in the 107th Congress. **The Pomeroy Substitute would make a permanent \$3 million (\$6 million per couple) exclusion available in 2003 and would exempt 99.65 % of estates from estate tax liability.**



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According to the Congressional Research Service, a little over 2 percent of the 2.3 million deaths in 2001 involved any estate or gift tax liability (this percent is lower now due to an increase in the threshold to \$1 million per decedent). Approximately 1/10th of a percent of the deaths that incurred a liability involved family farm assets, and only about one-half a percent of those deaths involved family business assets.

Democrats are urged to VOTE YES on the Democratic Pomeroy Substitute. If the Democratic Substitute is not adopted, **Democrats are urged to VOTE NO on FINAL PASSAGE of H.R. 8.**

H.R. 1528 - Taxpayer Protection and IRS Accountability Act of 2003 (Rep. Portman - Ways & Means) (Subject to a Rule). This bill contains nearly fifty technical changes and provisions aimed at easing tax administration regulations. These changes include: giving electronic filers two more weeks to file their taxes (April 30); expanded flexibility on penalties for minor errors and better terms regarding interest paid as result of estimated tax underpayment or penalties; greater flexibility on installment payments for tax liability; flexibility in disciplinary action and removal of some 1998 IRS Reform law provisions that required termination of IRS employees for certain acts; and additional authorization of funds for low-income taxpayer clinics. Concerns have been raised about the electronic-filers extension provision (which would not give equal relief to low-income taxpayers who do not have access to a computer) and a provision regarding tax-free interest paid on tax overpayments (which may give incentives for wealthy taxpayers to overpay to obtain tax-free interest).

- **Regrettably, this bill also includes a controversial provision that strikes important health insurance standards protecting laid-off workers** related to guarantees of coverage protection against discrimination on the basis of pre-existing conditions, and comparability of premiums in benefits. These standards were negotiated as a part of Section 201 of the Trade bill (PL107-210) providing a 65% tax credit for expenses related to qualified health insurance for workers who lost their jobs as a result of trade-related competition. These standards are especially important to older workers in industries such as steel or automotive whose plants have been shut down and can only access their health care needs through state-sponsored programs. Since this provision was enacted last summer, not all states have made the conforming changes needed to satisfy the requirements to qualify their programs.

Under pressure, Chairman Thomas made limited changes to the controversial provision including: applying these standards only to states that have not acted by August; limiting their application through the end of calendar year 2004; and preempting 2 of the 4 consumer protections (guaranteed offer of coverage issue and no exclusions for pre-existing conditions) but leaving in place the non-discrimination protections for premiums and benefits. **These changes do not address the concerns raised by Democrats and still undermine the agreement included in last year's trade bill to protect laid-off workers.**

The Rules Committee has recommended a modified closed rule that provides for one hour of general debate; waives all points of order against consideration of the bill; and provides one motion to recommit with or without instructions. In addition, the Rule makes in order one amendment (Democratic Substitute) to be offered by Rep. Rangel or his designee that is debatable for one hour.

- **The Rangel Substitute contains the non-controversial underlying taxpayer improvements of H.R. 1528 without any anti-consumer changes to the Trade Adjustment Assistance health credit law.** Furthermore, the substitute will add provisions to address abusive tax shelters, EITC simplification and assure audit fairness for low-income taxpayers, enhanced low-income taxpayer clinics, an EITC pre-certification program only if authorized, and other provisions designed to assist low and middle-income taxpayers in complying with the tax laws; **the provisions of the Senate-passed child tax credit expansion bill and the provisions of the Senate-passed military tax relief bill;** The substitute will also be revenue neutral.

Democrats are strongly urged to VOTE YES on the Rangel Substitute. If the Democratic Substitute is not adopted, **Democrats are asked to VOTE NO on FINAL PASSAGE of H.R. 1528.**

Daily Quote...

"The principal issue is the growing budget deficit. You can't run a \$400 billion deficit year after year and go around repealing taxes at the same time."

- Bill Gates, Sr., father of the Microsoft Corp. founder, explaining his opposition to repeal of the estate tax in *The Washington Post* today