

Congressional Closeup by Carl Osgood

Estate Tax Repeal To Be Permanent?

The tax-cut juggernaut continued to roll on Capitol Hill on June 18, when the House voted 264-163 to make the repeal of the estate tax permanent. The repeal was originally incorporated into the 2001 tax package, but expires in 2011—a compromise that was necessitated by a rule in the Senate that made permanent tax cut legislation subject to a filibuster. Making the repeal permanent has been a high priority of the GOP ever since.

The debate on the bill quickly broke down on partisan lines, although about 40 Democrats crossed over to vote for the bill. The Republicans repeated, like a mantra, that the estate tax destroys small businesses and family farms, in spite of the fact that data compiled by private sector think-tanks and the U.S. Treasury Department show that only about 2% of deaths, annually, result in an estate tax liability, and only a small percentage of those, worth \$10 million or more, pay the bulk of annual estate taxes.

The Democrats were allowed to offer one substitute amendment, sponsored by Rep. Early Pomeroy (N.D.), that would have modified the estate tax by increasing the present exemption to \$3 million for individuals and \$6 million for couples, while excluding non-business assets. Pomeroy argued that while the GOP bill does not help anyone until 2011, his bill would have provided immediate help to farmers and small business owners, without the revenue cost of the GOP bill. House Minority Whip Steny Hoyer (D-Md.) told the House that the GOP bill primarily helps those who generate most of their income from capital gains, dividends, and interest. "But if, however," he said, "you are like the overwhelming majority of Americans who get up every day, play by the rules, work hard, and get a salary check, this undermines you, your chil-

dren, and your families," by damaging necessary government activities that aid the health and welfare of the population.

Iraq, Tax Cuts Hang Over Appropriations

The House Appropriations Committee has begun the process of moving the 13 annual spending bills, without taking into account the ballooning budget deficit, collapsing tax revenues, and the still unknown costs of the Bush Administration's various wars, including in Iraq. Rep. David Obey (D-Wisc.), the ranking Democrat on the committee, was rebuffed at every turn, by the GOP, in his attempts to allow some portion of this reality into the process. During debate on the homeland security appropriations bill, on June 17, Obey told the committee that "The budget resolution under which we are operating is simply not real." He pointed to Iraq as the worst example, since there still is no money for military operations there in the 2004 budget.

The full committee passed three bills in rapid succession: the homeland security and military construction bills on June 17, and the Labor, Health and Human Services, and Education bill on June 19. The Democrats complained, in all three cases, that the bills did not provide enough money for the needs they were supposed to meet. On the homeland security bill, Obey offered an amendment to increase the funding of the bill by \$1 billion, and pay for it by taking it out of the tax cut for millionaires. It was defeated by a party-line vote of 33-25, and a similar measure on the military construction bill was defeated 34-24. That bill also includes criticism of the Homeland Security Department, which, Rep. Martin Sabo (D-Minn.) complained, provided very little support to the Con-

gress in developing the bill. The full House passed the homeland security bill, by a vote of 425-2 on June 24.

The Labor-HHS bill is indicative of the problem faced by the committee. Obey complained that the bill funds many programs below President Bush's request, because, he told the committee Republicans, "Your top priority is your tax cuts." Rep. Ralph Regula (R-Ohio) replied that "We've done the best we could with the hand that was dealt us." The Republicans are already re-allocating money from defense in order to appease restive moderates in their own ranks.

Senators Meet Rumsfeld On Defense Authorization

A delegation led by Senate Armed Services Committee chairman John Warner (R-Va.) came out of a longer-than-expected meeting with Secretary of Defense Donald Rumsfeld, expressing concern about the lack of information being provided by the Bush Administration regarding the U.S. commitment in Iraq. In response to a reporter's question, Warner said that arrangements were being made to bring Rumsfeld up to Capitol Hill to testify on that very matter. Sen. Carl Levin (D-Mich.), the ranking Democrat on the Armed Services Committee, said that "I don't think the Administration has been forthcoming in terms of an estimate to how many forces for how long" will be needed in Iraq.

The presence of Senate Governmental Affairs Committee chairman Susan Collins (R-Me.) on the delegation may also indicate that one topic of discussion in the meeting was the civil service reform language in the House version of the defense authorization bill—by which Rumsfeld would be able to strip civil service protections from the nearly 700,000 Pentagon ci-

vilian workers. A House Armed Services Committee spokesman told *Congress Daily* on June 23, that progress was needed on “several big issues,” that being one of them, before the House will appoint conferees on the bill. The Senate appointed its conferees on June 4.

Hoyer, DeLay Spar Over House Rules

Every Thursday, when the House is in session, the House Minority Whip enters into a colloquy with the House Majority Leader to discuss the House schedule for the following week. On June 18, however, House Minority Whip Rep. Steny Hoyer (D-Md.) challenged Majority Leader Tom DeLay (R-Tex.) to provide rules on upcoming legislation “which will allow the minority to offer such amendments it deems to be appropriate, to offer a substitute that it deems to be appropriate, and to provide sufficient time to debate those amendments.”

In response, DeLay promised that “we would give the minority every consideration to provide a substitute,” but then added, “Obviously, we need to look at all these things individually and considerations need to be made.” One of those considerations, he claimed, was to ensure that the proposed substitute fits within the bounds of the Congressional Budget Act and House budget rules.

Hoyer retorted that the GOP has never hesitated to waive the rules when it wants to present a bill that deviates from those rules. He said that if an appropriate substitute is fashioned such that it is not consistent with the rules, and the majority will not grant a waiver, “you effectively have precluded us from offering that substitute or those amendments.”

In the Senate, the attempt by the GOP to dominate by changing the rules took the form, on June 24, of a resolution passed by the Rules and Administration Committee, with no Democrats present, to make it more difficult for the Democrats to filibuster nominees. Some Republicans have been growing increasingly angry at Democratic filibusters against certain judicial nominees whom they view as ideologically too far to the right. Senate Minority Leader Tom Daschle (D-S.D.) predicted that when the proposed rule change comes to the floor, it will be defeated. He also warned that if the GOP goes for the so-called “nuclear option”—a rarely used procedure by which a rules change can be forced by a simple majority vote—it would be “a very irresponsible and dangerous path to take.”

Fissures Open in Senate Medicare Debate

The optimism that has been expressed by the Senate GOP leadership over the progress of the Medicare prescription drugs bill on the Senate floor has done little to mask the partisan differences between Republicans and Democrats on the issue of Medicare. Senate Minority Leader Tom Daschle (D-S.D.) has insisted from the outset, despite the presence of a number of prominent Democrats working with the GOP on the bill, that it needed major improvement before the Democratic caucus could support the bill. The bill has already been amended to allow the reimportation of drugs from Canada, and to allow the use of generic drugs in the program. What still needs to be eliminated, Daschle said, on June 24, is the so-called “doughnut hole,” where the benefit disappears at about \$4,500 and then comes back when a

beneficiary’s drug costs reach \$5,800. “There is no benefit program in the country that I’m aware of,” he said, “that does that, and we think it ought to be eliminated.”

Senate Majority Leader Bill Frist (R-Tenn.) responded that there is no doughnut hole, because for the vast majority of beneficiaries, their drug expenses fall below \$1,000 or \$2,000, and the rest still have 40% of their expenses covered. “So, it’s not like they disappear,” he said. As for concerns on the GOP side, Sen. Rick Santorum (R-Penn.) told reporters that a Congressional Budget Office report concludes that the competitive model in the bill will not work, which contradicts the conclusion of the Bush Administration. The differences between the CBO and the Administration, he said, are such that “you’re not going to find common ground,” and so some Senators who are concerned about making it work “aren’t there, yet.”

The nature of the partisan differences over what to do about Medicare was highlighted in a “discussion,” on June 23, hosted by Sen. Larry Craig (R-Id.), the chairman of the Special Committee on Aging. The two debaters were Robert Moffitt, a free market ideologue resident at the Heritage Foundation, and Ron Pollack, the president of Families USA. While much of Moffitt’s argument revolved around the complaint that the bill does not provide for enough competition, Pollack stood behind the traditional fee-for-service Medicare. He took issue with the notion that private plans are more efficient, given that Medicare does not have the costs of advertising and marketing, of profits and salaries of CEOs and boards of directors. He also noted that the Medicare Plus Choice HMO plan failed when private insurers stopped offering it because it was not profitable.