

greater tax fairness, protections from the abuse of the IRS. Our bill includes provisions proposed by the gentleman from Tennessee [Mr. TANNER] and myself for an increased confidentiality protection for taxpayers and for the tax advice that they receive from their advisers. Currently, the IRS can subpoena even the thought process of a taxpayer unless that taxpayer is represented by an attorney.

Our bill also reins in the lifestyle audits that can currently be initiated by something as simple as a new car in the driveway unless there is reasonable indication of unreported income. So no more fishing expeditions.

Mr. Speaker, while the language in the bill is not as broad as we proposed, and in our particular proposals the gentleman from Tennessee [Mr. TANNER] and I will continue through this bill into the next year to ensure that every taxpayer is afforded confidentiality protections currently enjoyed by only those who can afford attorneys and those who through this new legislation can afford an accountant.

We intend to make it clear to the IRS and the courts that Congress does intend for them to be limited to the scope of their information gathering ability. I encourage support of this bill.

□ 1230

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. STRICKLAND].

Mr. STRICKLAND. Mr. Speaker, I was walking down the sidewalk in a small town in my district recently, and an older woman in a wheelchair called to me. I went over and sat down and talked with her for a while. During the course of that conversation, she said to me, "Congressman, I wish you would just chew up the IRS and spit it out." I asked that sweet, gentle, older woman why she felt as strongly as she did, and she said, "I believe the IRS contributed to my husband's death because they hounded him," and she said, "It didn't bother me as much as him because I'm a tough old bird."

I walked away thinking that it is sad that any American would ever feel that way about an agency of our Government. And so I came to the floor today mostly to say thank you to my Ohio colleague [Mr. PORTMAN] for all the work he has done on this. I know many have worked on this legislation. This may be the most significant piece of legislation directly affecting the lives of American citizens that this Congress deals with.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. HERGER], a member of the Committee on Ways and Means.

Mr. HERGER. Mr. Speaker, today I rise in strong support of H.R. 2676, the IRS Restructuring and Reform Act. In town hall meetings throughout my northern California congressional district and wherever I go, I hear from taxpayers who are fed up with IRS abuses and who are demanding Con-

gress to take steps to reform this agency. Today we move forward with strong bipartisan legislation that will not only reform the way the IRS does business, but will also restructure the agency to help assure that taxpayers are better protected from IRS abuses in the future.

This legislation makes a number of important changes. First, it shifts the burden of proof from the taxpayer to the IRS in disputed tax cases that reach U.S. Tax Court. No longer will taxpayers be considered guilty until they are able to prove themselves innocent.

Second, this bill expands taxpayer rights by providing citizens 28 new legal protections against the IRS. When taken together, these 28 new taxpayer rights will shift the IRS's primary focus from heavy enforcement to customer service.

Finally, this bill will establish a more accountable IRS oversight structure. This new board, which will bring to the IRS outside expertise, will assist in fundamentally changing the culture and management of the IRS.

The gentleman from Texas [Mr. ARCHER], the gentleman from Ohio [Mr. PORTMAN] and the gentleman from Maryland [Mr. CARDIN] are to be commended for their efforts on IRS reform. I would urge my colleagues to support this common-sense yet long overdue legislation.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin [Mr. KLECZKA], a member of the Committee on Ways and Means.

Mr. KLECZKA. Mr. Speaker, I thank the gentleman from New York for yielding me this time to speak on the IRS Restructuring and Reform Act of 1997. As a member of the Committee on Ways and Means, I was pleased that we were able to formulate a bipartisan bill that will benefit all American taxpayers.

I must say that I have had several conversations with the gentleman from Maryland [Mr. CARDIN] and also the gentleman from Ohio [Mr. PORTMAN] on the bill, and I was quite surprised that we were able to work together to come to this day.

One of the most difficult hurdles in formulating the legislation was determining the structure and responsibilities of the oversight board. I had strong reservations and concerns about the IRS Restructuring Committee's recommendation that the board made up of private individuals have the power to hire and to fire the IRS commissioner. Fortunately, a workable compromise was made that gives the oversight board significant input into the workings of the IRS, but keeps the appointment of the Commissioner in the hands of the President.

This bill also contains some important provisions protecting the rights of taxpayers. For example, innocent spouses will now have an easier time of attaining this protective status. In addition, attorney/client confidentiality

privileges are being extended to protect taxpayers who choose to confide with their certified tax preparer, their certified public accountant. Finally the burden of proof for taxpayers who cooperate in IRS proceedings will now fall to the IRS should the case go to court.

These are some of the changes that should make dealing with the IRS much easier. Today we are moving forward with the legislation that sends a strong message to all our constituents. We have heard your frustrations with the IRS, and we are taking actions to right these wrongs.

Mr. PORTMAN. Mr. Speaker, I enjoyed working with the gentleman. We did have a lot of good, constructive conversations, and the gentleman helped to make it a better bill.

Mr. Speaker, I yield such time as he may consume to the gentleman from Texas [Mr. PAUL].

(Mr. PAUL asked and was given permission to revise and extend his remarks.)

Mr. PAUL. Mr. Speaker, I rise in support of this legislation. It is a step in the right direction. Get rid of the Code, get rid of the IRS, and get rid of the income tax.

Mr. Speaker, I rise in tepid support of H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1997. As most recently evidenced by Senate hearings, taxpayers across the country are clamoring for real reform. Yet, instead of delivering genuine reform, the Congress delivers an Oversight Board made up, in part, of experts from the fields of management, customer service, Federal tax laws, and information technology—in other words, more guards to oversee the watchdogs.

I can support this bill because it partially shifts the burden of proving guilt from the taxpayer to the Government. Innocent until proven guilty is a tenet that permeates any free society but has somehow been ignored with respect to the Internal Revenue Service's imposition of criminal penalties. Additionally, this bill makes political audits by executive branch officials felonies punishable by fine and/or imprisonment.

While these small steps are laudable, in light of the massive nature of the problem, the complexity of the Tax Code, and the oppressive nature of the excessive taxation under which we are currently so heavenly burdened, this bill is but token reform. The current taxation problem is rooted in the excessive spending by Government resulting from a bad case of congressional activism under which the legislative body has repeatedly overstepped its article I, section 8, constitutional powers.

No one likes to pay taxes—almost. The large majority of people in any society enjoy the benefits that come to them through Government programs, yet, essentially no one likes to have their taxes increased, believing they are always on the short end of receiving benefits in return. And this of course is true. The most people never get back what is taken from them in the form of taxes.

Oliver Wendell Holmes, however, was different. He claimed he likes to pay taxes saying: "I like to pay taxes. With them I buy civilization." In a more famous quote, Holmes said:

"Taxes are what we pay for civilized society." A more accurate statement might be that taxes, especially if collected with the tactics of the IRS, are what permits Governments to act in a most uncivilized manner.

Teddy Roosevelt, during the Progressive era, 1902, appointed Oliver Wendell Holmes, Chief Justice of the Supreme Court, a time during which the ground work was laid for the modern welfare state later promoted by Teddy's cousin FDR. And it was not too many years after the appointment of Oliver Wendell Holmes to the Supreme Court that these progressive ideas led to the establishment of the income tax, the IRS, and an equally threatening organization, the Federal Reserve.

Frank Chadorow had a much better understanding of what the income tax meant. "Income taxation is in principle the worst of all forms of taxation because it begins by asserting the prior right of the state to all wealth." This principle can be applied to almost all taxes. A tax on inheritance could be considered even worse since we accumulate property and capital often with after taxed money. Since all taxes are essentially a tax on productive effort, whether it be corporate tax or even a sales tax, this principle is certainly accurate when the revenues are used for redistributive purposes.

I see nothing wrong with the slogan "taxation is theft," when the revenues are used to transfer wealth or privilege from one group or person to another. In spite of all the talk in recent months regarding the method of taxation and the abuse by the IRS these basic principles are not being discussed. There has been too much emphasis placed on the taxing process rather than the philosophical principles that not only endorse but encourage an abusive tax system.

The recent Senate hearings on IRS procedures however were very beneficial in that they were reported by the major media and confirmed what most Americans suspected. Probably the most outrageous confirmation was that IRS agents did confess to a deliberate policy directed toward the weak and the poor to intimidate and make examples of them. Agents testified that the wealthy and the sophisticated were generally left alone because they were more capable of defending their rights. This is an outrage that should not be forgotten and should be used as a strong motivation to eventually do something about our tax system.

The fact the some citizens have even committed suicide over the pressure of facing the tax collectors is something that should not ever happen in the civilized society that Holmes claimed we were paying for. Thousands of Americans are quite willing to pay the penalties and excess tax without challenging the Government even when they know they are right because the emotional and financial penalty of fighting the IRS is too great.

For the last four decades it has become known to most Americans that both Republican and Democratic administrations have been willing to use the IRS, and for that matter other regulatory agencies, to punish their political enemies. It seems that the current administration has refined this technique to near perfection. It has been quite willing to attack, through the Tax Code, those foundations and groups that oppose Clinton's policies while ignoring the friendly ones.

If we indeed lived in a truly civilized society individuals would be willing to come forth and

reveal the Government's atrocities against its own people instead of choosing to hide their identity. The fact that IRS agents are hidden behind screens makes one think that they believe they belong to an organization such as the Mafia and if discovered they themselves would become a victim. It reminds me of the horrible pictures that we see of our FBI, BATF, and DEA agents making questionable raids on private citizens with stocking caps over their heads. In a civilized and free society, Government agents would act as our servants and not convey an appearance of a criminal element. But, nearly two decades ago Milton Friedman asked "When you sit across the table from a representative of the IRS who is auditing your tax return, which one of you is the master and which the servant?"

In light of recent revelations the administration was quick to defend the IRS and explain the need for a strong collection agency. What else could we expect? However, even the administration senses that the public is on the verge of revolt and quickly added that certain reforms would be necessary. Reforms suggested by the administration included an advisory board, of course without clout, as well as making sure the IRS offices were kept open for longer periods of time including Saturdays. The advisory board would be used to advocate suspensions of seizure of property when appropriate. Sure. When an agency of Government is acting outside the law, i.e., the Constitution, while continuously making numerous errors, then expanding their hours seems to me to only compound our problem, not reduce them. Though I'm sure some Americans will see this as a positive for the administration, hardly will this do anything to help the problem.

Even the Republican proposal to have a private board with more clout doesn't address the real problem. And another Taxpayer's Bill of Rights won't help either. If a private board is being appointed, what would keep the establishment from appointing friendly people to the board? I can't see where this would be any different from the IRS being supervised by political hacks from the Treasury Department. This whole notion that better service can be given to the taxpayer is a bit preposterous. The fact that we call this the Internal Revenue Service is an obvious misnomer. How can an agency of Government that sets out to confiscate our wealth provide a service to us? It is just as preposterous to refer to victims as customers. Taxpayers are no more customers of an organization providing a service than the man in the moon. This type of wording is nothing more than the newspeak of which Orwell wrote. So far the reforms advocated by the administration and the Congress will do nothing to solve our long-term problems.

Other more serious reforms have been suggested, such as eliminating the current Tax Code and replacing it with a flat tax or a national sales tax. Both of these proposals come up far short of dealing with the real problem. Supporters of both proposals never touch the problem of the Social Security, Medicare, flat tax of 17 percent which not only is here to stay but will surely rise. Since these programs are sacred no one can suggest that something should be done about them. But in reality, as I have mentioned before, the Social Security and Medicare tax is an income tax that is used for general revenues as the trust funds are nonexistent.

When one adds the tax that the employer and the employees pays, which is the real labor cost, each individual is paying 17 percent of their income up to \$65,000, which is a truly regressive income tax. If a flat tax of 17 percent is added we are immediately at 34 percent and rising. With a flat tax this high and with removal of tax exemptions for everything, and especially our donations as well as our interest on our houses, we are actually setting the stage for a much higher tax rate which will make no one happy. Sure, there might be a little less difficulty figuring out the code, a cost in and of itself, but if one can save some money by having a complex code this could actually be better than a simple code where we are forced to divvy up more to the welfare state. Besides, the flat tax that is proposed has exemptions for low income so immediately it is a flat tax after a certain amount thus it is in reality a graduated tax. Businesses would still have to deduct the expense of doing business prior to reporting their profits.

A national sales tax has also been bantered around as an alternative to the income tax. Where it too has some advantages, reducing the effects of the complicated Tax Code and making filling out our tax returns easier, it also has many short-comings. First, nobody knows precisely what rate would be required to pay all the bills. Some have suggested 15 percent, others believe it will be over 30 percent, which I am inclined to believe. The reason it's impossible to calculate is that at a certain level of taxation there will be a motivation to avoid the sales tax by expanding the underground economy.

The argument is made that the sale tax is a good way to collect revenue because those who are ducking taxes like the drug dealers and other criminals will be forced to pay the sales tax when they buy luxury items. There is nothing automatic about that assumption. Besides, IRS agents, who may be called something else, will be required to monitor every small business and every small profession to make sure that the revenues are collected and deposited in the Treasury. I can imagine that many small businesses and entrepreneurs working at home will have every bit as many records to fill out as they do now with their tax return. Obviously, reforming the tax collecting system to make productive Americans happy is much more difficult than meets the eye. Many Americans and Washington politicians are overly optimistic about changing the method of collection as the solution to the problems we face with our over exuberant revenueurs.

Changing the collecting system, if the goal is to pay the bills and avoid a deficit, does nothing to solve the real problem of disenchantment with Government and the disgust with high taxes as well as with the prodding Federal bureaucrats who invade every aspect of our lives.

What is really upsetting most productive Americans is the fact that they have to work until July 3, before they get to keep any of their earnings for themselves. It's ironic that July 4th is our first day of independence from all taxation. This does not even take into consideration the inflation tax, i.e., the loss of value of our purchasing power, as our Government continues to diminish the value of the dollar.

The inflation tax is something that is much more difficult to understand and yet is the tax of last resort of all authoritarian governments.

We are now at the point where the American people are starting to rebel against any increase in taxation. In spite of the fact that we cannot pay our bills we were actually able, for political reasons, to make a token cut in some taxes last summer. This will not prevent our Government, acting through the Federal Reserve, from creating new credit when necessary thus diminishing the value of the money already held. On this tax, however, because it's difficult to see and the victims harder to find, the measurement is elusive. For this reason I am predicting that when push comes to shove with the budget it will be the ultimate tax used on the American people in an effort to continue to finance the welfare/warfare state. The real tragedy of this is that perceptions of the value of the dollar make it almost impossible to predict who the victims are going to be and when the value of the dollar will suddenly change. For instance it was quite clear when the recent devaluation hit the Mexican Peso it occurred suddenly and sharply and the victims were the middle-class and the poor throughout the country. But it was not gradual, steady and logical because the inflation tax frequently comes in sudden bursts.

The attention that token reforms are getting today, whether it be reforming the current system and devising a friendlier IRS or talking about a flat tax or a sales tax, actually is more of a distraction than a constructive debate. I am not saying this is intentionally done or of no value but I think that is the result of the current discussion.

The reason for this is that fundamentally and foremost it's not a tax problem we face. The basic problem confronting us as a country is a spending problem. Concentrating only on taxes, which is okay to a degree, avoids the subject of the size of government and the reason why the Government spends so much of the Nation's output. If we concentrate only on taxes and we avoid the subject of the role of Government and why the Government wants more of our money, we cannot and will not solve the problem. The goal ought to be to shrink the size of government and lower taxes. As bad as the income tax is on principle, an income tax of 3 percent on all money earned would not cause a tax revolt and most Americans would voluntarily pay their taxes. Even a national sales tax of 5 percent would not prompt a hue and cry over the tax system. The problem, of course, is that the Government is spending way too much money and there is no serious effort to cut back.

Recent budgetary efforts in Washington indicates that there's not much chance that the current Congress is going to do anything about cutting back. The welfare state is alive and well. Even the National Endowment for the Arts could not be cut, Clinton's health program is being implemented by the Republican Congress, public housing money is increasing, and just recently, in our Education Committee, a Republican proposal supported by Democrats to increase national educational expenditure for the purpose of promoting charter schools was easily passed, although it authorized a new \$100 million program.

As long as this attitude prevails on the spending side, Saturday morning hours for the IRS and keeping telephone lines open 24 hours or having a review panel or instituting a sales tax or a flax tax will do nothing other than delay the serious discussion about reducing the role of government in our lives, in our economy and in the world at large.

Supply side economics pushed by many during the 1980's argued strenuously for lower tax rates with which I agreed. But the goal of the supply siders was merely to stimulate the economy so that higher revenues would flow to Washington—a bad motivation. It is possible that with lower tax rate the economy would pick up but if the result was higher tax revenues, these revenues should be used to further cut taxes not increase expenditures. At the same time the supply siders were pushing the lower tax rates for the purpose of increasing revenues, they were advocating higher and higher budgets for the IRS to enhance the ability of the tax collectors. The Reagan administration was quite receptive to this principle believing that if a \$1 billion in additional funds was given to the IRS it promised to produce \$17 billion more in revenues through the process of harassment, intimidation and audit. Even this year the Treasury bill appropriation, which contained the pay raise for the Members of Congress, had an increase in the IRS budget of 9 percent giving them an increase of more than a half billion dollars to do exactly what they have been doing for decades. So, in the middle of the hearings on the Hill revealing the outrageous tactics of the IRS, and at the same time the politicians were propagandizing for tax reform, the large majority of Democrats and Republicans were voting for a huge increase in the IRS budget to continue the very process they were publicly condemning.

Today the atmosphere in Washington can be described as deceptively optimistic. Many of those who were preaching cutbacks and austerity a few years ago are claiming great victories with the accomplishment of a balanced budget. This budget is not balanced regardless of what the politicians are saying. Last year's national debt went up nearly \$200 billion when the funds taken from the trust funds are considered. Members are actually sitting around figuring out how to spend the excess they expect over the next several years. What they don't understand is that their projections of our future spending habits, the tax revenues, interest rates, and the state of the economy are unknown to them and quite frankly are going to be a lot different than their optimistic projections.

All taxes are extracted from the productive effort of the people. Whether the tax comes through an income tax, a sales tax, an inheritance tax, a school tax, property tax, or whatever, this is the method whereby the state confiscates the productive effort from the people. Governments produce nothing. All governments can do is use force to redistribute wealth and pay off their political cronies. The name of the game is power. Power is achieved by the politicians through the control of people's income through a taxing system as well as manipulating the value of money. As Chief Justice John Marshall said: "The power to tax is the power to destroy." It is not just a coincidence that those who introduced us to the welfare state, the Progressives of the early 20th century, believed both in the power to tax as well as the power to inflate.

In our relatively free society where productive efforts still exist and a profit motive remains, big government programs can be tolerated and funded for long periods of time. But as time goes on the productive ability of corporations and individuals is diminished as are all our freedoms for personal freedom cannot

long exist without economic freedom. Today, we are living under conditions which encourage the export of capital and the exporting of jobs while encouraging the immigration of individuals who will do quite well living off our welfare state. In spite of the euphoria now being expressed in Washington, at the height of our so-called recovery, the conditions are set for soon recognizing that productive efforts are being impeded by our tax and regulatory system and there has been absolutely no serious intent to change our spending habits. The welfare/warfare state is moving briskly along and is being encouraged by the deceptive pronouncements that our budget is balanced and all we need to do is change the method by which we collect revenues.

We do not have a technical problem or an IRS code problem. We have a problem in defining the proper role for government. As long as the majority of the American people still believe it's in their best interests to have a government that redistributes wealth and polices the world, this crisis will continue to build. A proper sized government would require minimal taxes and would be designed for the protection of liberty and equal justice for all. We have come a long way from those intentions of the Founders of this country, but we'll soon face a crisis of confidence and be forced once again to decide for ourselves just what kind of government we want and how much government will tolerate. Let's hope and pray that those of us who believe in limited government and maximum individual freedom will use the events of the coming years to promote the cause of liberty and not just tinker with the Tax Code. When that day comes the big tax debates will probably be; should we have a 5-percent import tax or a 10-percent import tax and we will not be dealing with a Federal income tax nor a Federal sales tax at all. Moreover, we will not be concerning ourselves with trifling reforms of a revenue agency which harasses our people and eats out our substance. Let us hasten that day.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Arizona [Mr. HAYWORTH], a member of the Committee on Ways and Means.

Mr. HAYWORTH. I thank the gentleman from Ohio for yielding me this time.

Mr. Speaker, I have heard from many of my constituents, but this morning I heard from an Arizonan who made an indelible impression and really brought a face to this debate, Mr. Speaker. His name is Bob Brockamp. Bob's grandfather, Stan McGill, at age 93 several years ago made a mistake in writing a check to the Internal Revenue Service. He meant to write a check, Mr. Speaker, for \$700. He added an extra zero. \$7,000. Other merchants and other entities with whom Mr. McGill had dealt understood that he was having problems. Indeed, he was in the stages of Alzheimer's disease, and they would say, "Obviously there's been a mistake in his remittance, we're sending back a significant portion of that money." Just about every business he dealt with caught that mistake, but the IRS, when it received a check for \$7,000, kept the money.

Mr. McGill passed away. Bob's mom received basically a threat from the Internal Revenue Service. Even though