

United States Senate
WASHINGTON, DC 20510

May 2, 2006

Senator Charles Grassley
Chair, Senate Finance Committee
135 Hart Senate Office Building
Washington, D.C. 20510

Senator Max Baucus
Ranking Member, Senate Finance Committee
511 Hart Senate Office Building
Washington, D.C. 20510

The Honorable William Thomas
Chair, House Ways and Means
Committee
2208 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Charles Rangel
Ranking Member House Ways and Means
Committee
2354 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairmen Grassley and Thomas and Ranking Members Baucus and Rangel,

The undersigned Senators all voted “NO” on final passage of the Senate version of the tax reconciliation bill. We voted against the bill for two key reasons: first, because the bill, when taken together with the reconciliation spending bill, actually increases the deficit by over \$30 billion in the next five years; second, because we believe that using the reconciliation process to enact unpaid-for tax cuts is an improper use of the process. Reconciliation is intended to be used to decrease—not increase—the deficit. Our vote against the bill was a difficult vote, because the legislation contains provisions we all support, such as the extension of the Research and Development Tax Credit, and a temporary fix to assure that middle income taxpayers are not forced to pay the Alternative Minimum Tax. Nevertheless, we felt so strongly about the need to begin to address our long term deficit problem, and about the misuse of the reconciliation process, that we had no choice but to vote against the bill.

We are writing to express our concern that any conference version of the bill will in fact exacerbate this problem. It continues to be reported that conferees are very close to agreement, and that this agreement would likely include an extension of the capital gains and dividend tax cut, which is unnecessary at this time, as well as a one year AMT fix. It may leave out the extension of important tax provisions and extenders contained in the Senate-passed bill which we believe ought to be included. And the legislation will still increase the deficit.

We urge a different course. We call on the conferees to change directions drastically, and agree to enact key tax provisions such as AMT relief, extension of key programs and other worthwhile tax provisions, while at the same time finding offsets that will fully pay for the cuts being made. This approach would have the dual benefit of, first, restoring the concept of reconciliation as a tool for deficit reduction, and second, assuring that important tax provisions are extended on a timely basis.

In the alternative, we urge the conference simply to abandon efforts to reach agreement and cease further legislative action on the tax reconciliation bill. Congress can then immediately begin to consider fiscally responsible legislation to fix the AMT and extend the key provisions outside of the reconciliation process.

It is vitally important that budget discipline be restored both for tax cuts and new spending. We believe AMT relief and the extenders should have priority among the tax cuts being considered and that they should be enacted as soon as possible. We also believe, however, that this can and must be done in a manner consistent with the intent of the reconciliation process and with budgetary responsibility.

Sincerely,

Jim Leach

Frank R. Lautenberg

Herb Kohl

Dick Durbin

Paul Baer

Chris Dodd

Patrick Leahy