

United States Senate

WASHINGTON, DC 20510

May 15, 2002

Mr. and Mrs. Ronald Vargo
5272 Galloway Dr.
Schaumburg, Illinois 60192

Dear Mr. and Mrs. Vargo:

Thank you for contacting me regarding taxes. I appreciate hearing from you and would like to take this opportunity to respond.

Your fax gives me an understanding of your concerns regarding taxes. As you may know, I receive an average of over 8,000 letters, telephone calls, faxes, and e-mails each week. While I would like to respond individually to each piece of correspondence that my office receives, please allow me to share with you, generally, my thoughts on taxes and tax policy.

I believe that the tax burden on working Americans is excessive. Working families currently pay nearly 40 percent of their income in combined federal, state, and local taxes -- more than they spend on food, clothing, and shelter combined. Federal taxes alone are at the highest percentage of our Gross Domestic Product (GDP) since 1944 and 1945, when we were fighting World War II. In 1999, Americans sent 20 percent of our GDP to the federal government in the form of taxes.

Americans are not only paying high taxes, they are taxed for the wrong reasons. Young couples are taxed thousands of dollars simply for getting married. Working parents are penalized for saving their hard-earned money for their children's future. Small businesses pay extra for developing new ideas and creating jobs, and senior citizens are taxed for remaining active participants in the workforce. And, finally, Americans are taxed even in death.

America's federal tax code discourages work, savings, and investment; encourages tax avoidance; and reduces the rewards of entrepreneurship -- the true engine of economic growth. The complexity of our tax system wastes billions of hours in compliance and effort and -- worst of all -- convinces many Americans that the tax system has been hijacked by lawyers, accountants, and special interests. Some statistics show that 50 percent of taxpayers feel compelled to obtain assistance filling out their tax forms, which costs the U.S. private sector over \$150 billion each year.

You may be interested to learn that the 106th Congress considered several bills intended to allow Americans to keep more of their hard-

earned money. In August 1999, Congress, with my support, passed legislation -- the Taxpayer Refund and Relief Act of 1999 (H.R. 2488) -- that would have reduced the marginal tax rate of every taxpayer by one percentage point, repealed the estate tax, and abolished the marriage penalty. This bill also included increases in the limits for IRA contributions, capital gains tax relief, and full deductibility of health insurance costs for the self-employed. President Clinton vetoed this legislation on September 23, 1999.

In March 2000, Congress passed the Senior's Freedom to Work Act of 1999 (H.R. 5) without opposition. I supported this legislation to repeal the Social Security earnings test, which reduced Social Security benefits for recipients who, through work, earned income above a certain level. H.R. 5 eliminated the earnings test, retroactive to January 2000, for recipients aged 65 to 69, leaving intact the \$10,080 earnings limit for seniors under the age of 65. President Clinton signed H.R. 5 into law on April 7, 2000.

During the summer of 2000, Congress passed legislation to eliminate the estate tax and the marriage tax penalty. In July 2000, the Senate, with my support, passed the Death Tax Elimination Act (H.R. 8) by a vote of 59-39. This followed House passage of the bill by a vote of 279-136 on June 9, 2000. H.R. 8 would have eliminated the federal estate and gift taxes over a 10-year period. Also in July 2000, Congress passed, with my support, the Marriage Tax Penalty Relief Reconciliation Act of 2000 (H.R. 4810). H.R. 4810 would have eliminated the marriage tax penalty by increasing the standard deduction for joint returns to twice that of single returns and by increasing the size of the 15 percent tax bracket for married couples to twice that for single taxpayers. In addition, H.R. 4810 would have raised the phase-out income limit on the earned income tax credit for married couples to \$2,000. Both H.R. 8 and H.R. 4810 were vetoed by President Clinton in August 2000.

Throughout the time I have served in the Senate, I have supported numerous legislative efforts to decrease the tax burden on American families. Unfortunately, legislation passed by the 106th Congress that would have provided across-the-board marginal tax relief, full deductibility of health insurance costs for the self-employed, increases in the limits for IRA contributions, repeal of the estate tax, and relief from the marriage penalty was vetoed by President Clinton.

On June 7, 2001, President Bush signed into law the Restoring Earnings to Lift Individuals and Empower Families Act of 2001 (H.R. 1836). I supported this legislation, which provides almost \$1.35 trillion in tax relief -- phased in over 10 years -- for American families. H.R. 1836 splits the 15 percent marginal tax bracket into two brackets with the creation of a new 10 percent bracket for the first \$6,000 of each taxpayer's income and gradually lowers all subsequent marginal rates. This legislation also doubles the child tax credit and makes it partially refundable, eliminates the marriage penalty, repeals the estate tax, increases the contribution limits for IRAs and certain

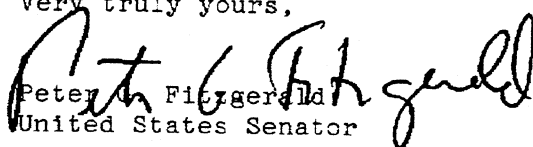
retirement plans, and includes provisions to make higher education more affordable. The first installment of this tax relief will be received in the form of rebate checks in the amount of \$600 per couple. Experts project that over 4 million Illinois taxpayers may receive checks totaling over \$1.8 billion.

You may also be interested to know that in the 107th Congress, I have cosponsored several bills to reduce the federal tax burden, including legislation to eliminate the marriage tax penalty (S. 11); to allow immediate, full deductibility of health insurance costs of the self-employed (S. 29); to encourage charitable contributions (S. 205, S. 393, and S. 37); to provide tax relief to farmers (S. 312 and S. 313); to repeal the federal excise tax on telephone communications (S. 234); to repeal the 1993 income tax increase on Social Security benefits (S. 237); and to make it more difficult for Congress to increase taxes (S.J. Res. 11).

I appreciate your fax and understand your concerns regarding federal taxes. I will keep them in mind during consideration of tax legislation in the U.S. Senate.

Again, thank you for contacting me. If you have any additional comments or questions, please do not hesitate to let me know or to visit my website at <http://fitzgerald.senate.gov>.

Very truly yours,


Peter C. Fitzgerald
United States Senator

PGF/sla

P.S. - I am pleased to invite you to be my guest at a weekly constituent breakfast if you are ever in Washington. Senator Durbin and I welcome our constituents at 8:30 a.m. every Thursday that the Senate is in session for a continental breakfast and a discussion of the issues that affect Illinois and the nation. Please call my office at (202) 224-2854 for more details.