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BAUCUS EVALUATES U.S. TAX REGIME AND BUSINESS STRUCTURES IN THIRD HEARING ON TAX CODE REFORM

*Finance Chairman presses witnesses on most favorable structure,
links to health care reform*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today questioned a panel of business tax experts on what they perceive to be the most constructive forms of business organization for tax purposes and whether certain modifications of the tax code might better serve the economy and the American small business community. Panelists noted that most domestic businesses organize as sole proprietorships and partnerships, S- corporations or limited liability corporations (LLCs) in order to take advantage of the flow-through taxation regime. These entities avoid double taxation that is associated with the classical system of corporate taxation.

“America’s small businesses represent the seam of our economic fabric, and often don’t have the resources of large corporations to contend with the burden and complexity of our tax requirements,” said Baucus **“There are changes that the Finance Committee could pursue to help integrate the tax system, find parity of treatment among companies with regard to employee health care, and generally reduce complexity for America’s small business owners and their employees.”**

Baucus also discussed employer-sponsored health insurance and potential health care reform efforts in 2009. Panelists suggested a uniform system of health coverage options regardless of business size and structure, as an effort to reduce the disadvantage currently suffered by small businesses seeking to offer coverage to employees. Baucus also asked what role small businesses play in unpaid payroll taxes, which constitute a significant percentage of the \$345 billion tax gap of legally owed but unpaid taxes. One recommendation was to clarify the payroll tax requirements for business owners enrolled in a pass-through regime, as well as to modify the IRS form Schedule C in an effort to limit opportunities for non-compliance.

The Finance Committee has jurisdiction over U.S. tax policy, and Baucus intends this year’s look at our tax system and reform options to produce a set of principles to guide the work of the Committee – and a new presidential administration – on tax reform next year. Issues uncovered at the tax reform hearings will be further explored in expert roundtables. Baucus is working with Committee members to plan the roundtables and additional hearings this year.

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