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Remarks of Sen. Chuck Grassley, Ranking Member of the Committee on Finance,
Before The Tax Coalition
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I'm sure you know that a major tax bill was enacted earlier this year. They said it couldn't be accomplished, but it was. While progress has been made, much remains to be done. As we speak, the Treasury Department is preparing rebate checks to mail to all taxpayers. This rebate is one way of saying "thank you, America" to taxpayers who have been overpaying their taxes for over eight and a half years.

Federal taxes, as a percentage of GDP, are at 20.6 percent, a record post-war level. After the tax increase of 1993, individual income tax collections skyrocketed to 10.2 percent of GDP. This is the largest share of GDP in history -- even exceeding the rates collected during World War II. The growth of federal income tax collections since 1993 has outstripped the rate of personal income growth by 64 percent. This is outrageous. Clearly the American people are overtaxed -- and a bipartisan consensus believed that they were entitled to a refund of that overpayment. At the same time, our economic growth has slowed and it has become important to provide a short-term refund of overpayments (rebates) as well as a long-term economic stimulus.

As a result, the largest tax relief bill since 1981 was signed into law June 7, 2001. This long-term economic stimulus involved some tax restructuring and change in expectations for individuals, investors and business. Tax relief is not over. Ladies and gentlemen, the Finance Committee under the bipartisan leadership of Senator Baucus and myself will be looking at tax relief in the areas of (1) small business and agriculture, in the context of the minimum wage increase; (2) extenders; and 3) energy tax policy.

Under the category of small business and agriculture, the Committee could pick up a number of pension provisions that were dropped from the tax bill due to the Byrd rule. At my urging, Chairman Baucus has agreed to consider a package of health care-related tax issues. Several such amendments failed to win passage on the Senate floor during the debate on the Patients' Bill of Rights. I expect some of these to be raised again so that we can examine ways to improve access to health insurance that both Democrats and Republicans can support.

Action could take place on the small business/minimum wage bill relatively quickly – possibly within the next two weeks. In addition, my TERFF *(Tax Empowerment and Relief for Farmers and Fishermen Act*) package should be included in the minimum wage bill. It includes the

FFARMM accounts, previously passed by the Senate on several occasions, and 11 other agriculture provisions needed to benefit our rural communities with their minimum wage responsibilities.

Expiring tax provisions or "extenders" will be another area where we could see some action. I think you all know some of these. There has been interest in extending R & D now, rather than in 2004. Another two areas of interest are extending the work opportunity tax credit and the welfare-to-work tax credit. These two were included in a $31.5 billion tax cut signed into law during a lame duck session of Congress by then-President Clinton just last December.

Electronic commerce issues will be addressed at some level this year. The present federal moratorium on the states' ability to tax Internet transactions expires this fall. Last year's bill also provided a tax credit for first-time home buyers in the District of Columbia and credits for environmental remediation of areas known as brownfields.

Also in the mix is a provision considered very important to business, and that is an exemption on the tax treatment of income from foreign corporations. Its cost in last year's bill was estimated roughly at $750 million a year. Energy policy to include tax incentives for both energy production and conservation has the interest of many members, including those from energy-consuming and energy-producing states. These would include a credit for generating power from wind energy and biomass sources, which would cost about $35 million a year, and also a tax break to help domestic marginal oil and gas wells (better known as "stripper wells") by providing a countercyclical safety net for production which could cost $20 million a year.

In everything we do, on any of these bills, there will be a certain amount of tension with the budget and estimated budget surplus. The issue of offsets will be discussed, and that will increase everyone's anxiety levels. The whole issue of tax shelters has been somewhat radioactive recently. Some corporate tax shelters could be examined in the course of any upcoming mark-ups. I think it is important to more effectively address tax shelter abuses – so long as we are certain that we do so *without* interfering with legitimate business transactions. With that, I'd like to close by assuring you that I am committed to making our tax code fair for both individuals and companies alike. I look forward to working with you to achieve that goal.