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Hatch Opening Statement at Finance Hearing on Administration's Treasury Budget Request

Treasury Secretary Steven Mnuchin Testifies

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a Finance Committee hearing to consider the administration's Fiscal Year (FY) 2019 budget request for the Treasury Department and to discuss the implementation of the largest tax overhaul in more than three decades.

This morning's hearing will be the first in a series of hearings on the President's Fiscal Year 2019 budget proposal. The committee welcomes Treasury Secretary Mnuchin, who is here to testify on the budget along with other matters that may arise from member questions.

The President's budget includes numerous proposals to deal with a vast array of policy issues, including the opioid epidemic, infrastructure, modernizing government, national security, and lowering drug pricing and payments. I think I speak for all members of the committee when I say that we are all very interested in Secretary Mnuchin's thoughts and insights on a number of items proposed in the budget.

The budget envisions that government's receipts will average 17.1 percent of GDP over the 10-year budget window, slightly below the long-run average of 17.4 percent over roughly the last four decades. It also has outlays averaging 20 percent of GDP over ten years, which is also slightly below the long-run average.

The budget also includes some tax proposals, but they are not as sweeping as those we've seen in prior budgets, as you would expect following enactment of the new tax law at the end of last year.

Thus far, I am pleased by the success of the new tax law, which has already resulted in substantial benefits for American workers and job creators. Since the beginning of the year – and keep in mind that we're still in February – we've seen a stream of businesses come forward

to announce plans to award bonuses, raise wages, or boost 401(k) contributions for their employees. Other companies have announced plans to expand business and hire more workers here in the United States.

According to some estimates, more than 340 companies have issued these types of statements, impacting an estimated total of about 3.5 million workers.

I won't go through the whole list. But, I'd like to highlight a few.

For example, Apple announced that it is going to hire 20,000 new employees and will issue \$2,500 employee bonuses in the form of restricted stock units. Apple is also increasing its financial support for coding education, science, technology, engineering, arts, and math.

Wells Fargo raised its base wage offered to employees from \$13.50 to \$15.00 per hour, plus they have promised \$400 million in charitable donations.

And Best Buy distributed \$1,000 bonuses to its full-time employees, and \$500 bonuses for part-time employees, reaching more than 100,000 workers in total.

I remember during the floor debate on the tax reform bill, one of our fellow committee members and friends, Senator Stabenow, used a pretty great line. In evaluating the tax bill, she said: "the proof is in the paycheck." Thus far, I think it's fair to say that Senator Stabenow was correct. The tax law has been in effect for less than two months and about 3.5 million workers in a variety of industries have already received bonuses, pay increases, enhanced retirement accounts, and other benefits as a direct result of the tax bill.

And, let's keep in mind that these announcements have been about direct decisions made by employers. They don't take into account the changes in the individual tax system, which have cut taxes considerably for tens of millions of American families.

As the economy expands further, it's safe to say that American workers will continue to benefit, as will the businesses that employ them, which is precisely what we intended to accomplish with the tax reform bill.

Of course, no bill or law is perfect, and, as implementation of the new tax law continues, it has become clear that one provision of the bill, section 199A, which provides a tax deduction for qualified business income, is having unintended effects in agricultural markets due to the treatment of qualified cooperative dividends.

Though the aim of that provision, in part, was to preserve benefits previously available to agricultural cooperatives and their patrons for income attributable to domestic production activities, the current statutory language does not maintain the previous competitive balance between cooperatives, other agricultural businesses, and the farmers who sell their crops to them, which existed prior to enactment of the tax reform bill.

Our colleagues here on the committee – in particular, Senators Grassley, Roberts, and Thune – have taken a leading role in identifying a solution for this issue. I'm committed to working with them and partnering with Ways and Means Chairman Brady as well as our other congressional colleagues and stakeholders in affected communities to develop a solution to this issue that does not choose winners and losers and is fair to everyone involved. Once a suitable solution is identified, my goal is to work with my colleagues to advance legislation that can be sent to the president for his signature as soon as possible.

Of course, with any major tax reform bill, none of the important provisions we have written will have their intended effects if they are not properly implemented.

That's why we will keep pressure on the administration to implement the law as Congress intended. I'm going to keep working to ensure that everyone recognizes and respects Congress' role in this process and the fact that the best place to get an explanation of Congress's intent is Congress itself.

Where things are potentially unclear in the law, Congress should be the one to determine and explain what was intended, and, if need be, such as with section 199A, provide a timely fix.

I will continue to facilitate this type of constructive interaction between Congress and the administration as things move forward, and I expect that Secretary Mnuchin will continue to ensure this important dialogue continues.

With that, I look forward to hearing from Secretary Mnuchin about his views on the President's budget and the ongoing fiscal challenges facing the nation.

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