

**Crapo Statement at Hearing on How the Tax Code Affects High-Income  
Individuals  
November 8, 2023**

**Washington, D.C.**--U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at hearing entitled "Examining How the Tax Code Affects High-Income Individuals and Tax Planning Strategies."

*As prepared for delivery:*

"Thank you, Mr. Chairman.

"I look forward to our discussion today on the effect of the Tax Code on individuals and families as they work, save and invest.

"The scope of today's hearing provides members the opportunity to cover a broad range of topics, and we will no doubt hear a number of concerns raised about how the Code treats high-income taxpayers.

"We should dispel the notion that there is any support for taxpayers who evade their tax obligations; we all agree taxpayers should pay the tax they legally owe.

"For the gray area of taxpayers who aggressively structure their affairs to reduce their tax liability, we should constantly assess how the Code can better target certain activity.

"But framing this issue through the subjective lens of 'fairness' often ignores the facts and turns a blind eye to favored incentives.

"Rather than focusing on rhetoric, we should examine the data and how the Code affects behaviors.

"That includes examining provisions that primarily benefit a select group of the financially well-off – including tax credits for those who can afford expensive electric vehicles, costly energy efficient home upgrades, and proposals to repeal the cap or expand the highly-regressive deduction for State and Local Taxes.

"As for the data, these are the indisputable facts:

- Most of the federal tax burden is paid by high earners;
- Federal tax collections have been near all-time highs;
- The voluntary tax compliance rate is high and stable; and
- Higher income taxes serve as disincentives to work, save and invest.

"My Republican colleagues and I remain focused on safeguarding taxpayers and their rights; reducing barriers to work, savings and investment; and promoting opportunity and wealth to improve the quality of life for all Americans.

“In 2017, Republicans lowered individual rates across the board, with middle-income taxpayers getting the largest proportional benefits.

“Republicans also simplified filing for many, expanded the child tax credit and limited regressive tax spending like the SALT deduction.

“Critics charged that letting Americans keep more of their earnings would stifle the economy, dry up federal revenue and favor the wealthy.

“Instead, it created one of the strongest economies in our nation’s history, including an unemployment rate that reached a generational low, increased federal tax collections to near all-time highs, grew wages across the income spectrum and expanded job participation.

“*All* Americans benefitted.

“Notwithstanding claims that high earners pay the least taxes, the reverse is actually true.

“According to the Biden Treasury Department, in 2023, the top 1 percent of earners paid 42.2 percent of all federal income taxes – the highest – despite only earning 19 percent of all income.

“In 2001, the top 1 percent of earners contributed 33.2 percent of income tax revenue, nine points lower.

“In other words, the country’s income tax burden is more progressive today than it was decades ago.

“Expanding the aperture to examine the top 5 percent of taxpayers – those with incomes above \$200,000 a year – mirrors this dynamic.

“These Americans pay 65.3 percent of all federal income taxes while making only 34 percent of all income.

“Meanwhile, federal tax collections reached an all-time high of \$4.9 trillion in FY 2022 – with individual income tax collections contributing the most, growing 29 percent year-over-year.

“In fact, individual income tax collections reached 10.5 percent of GDP in FY 2022, the highest level on record.

“All of this is after the impact of Republican-led tax reform.

“In arguing for tax code fairness, some have pointed to a recent tax gap projection from the IRS, which shows an increase over the previous estimate.

“This growth actually shows one of the many effects of inflation.

“Despite headlines to the contrary, the tax gap is proportionately flat and historically average relative to the economy’s size.

“According to the Cato Institute’s examination of the tax gap as a percentage of GDP, for 2021, that ratio was 2.9 percent, squarely in line with the twenty-year average.

“And the voluntary tax compliance rate – around 85 percent – remains substantially unchanged.

“While we should work to find bipartisan measures to narrow the tax gap, any such effort must not reduce economic growth.

“I look forward to hearing the perspectives of today’s witnesses on how the individual tax system affects taxpayers from all income groups and how increased taxes – in the midst of high and sustained inflation – would impact our economy.”