



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Senator Chuck Grassley
Hearing, "Expiring Tax Provisions: Live or Let Die"
Wednesday, March 16, 2005

We are here to have a thoughtful review of tax provisions that expire at the end of 2005. As an aside, we plan to hold a separate hearing, perhaps at the subcommittee level, on widely-applicable expiring tax provisions. That hearing will look at the differing expiration dates that resulted from the 2001 and 2003 bipartisan tax relief bills. We hope to consider a rationalization of those dates. Today's focus is on the largely business-related provisions that expire annually. Frequently, the tax-writing committees and Congress are forced to make an all-or-nothing decision as to whether to extend all such provisions without any changes. Last year was no exception. During the 108th Congress, the Senate was able to consider and pass much-needed modifications to "extender" proposals like the research and development tax credit and the work opportunity tax credit. Unfortunately, those improved provisions did not make it out of conference because the House believed they lacked a basis for change.

One of the purposes of this hearing is to create a record for these long-considered and broadly-supported changes, so that we may demonstrate their priority in the Senate and to indicate that we intend to pursue those amendments in the course of this year's legislative business. Additionally, the hearing will provide members an opportunity to examine the merits of other expiring provisions — to consider whether particular provisions should be made permanent or permitted to lapse; to consider whether proposed expansions are appropriate and desirable; and to consider whether reforms are needed to make provisions more administerable or more efficient.

Efficiency should be a key consideration of any tax incentive. For each expiring provision extended or made permanent, we need to be sure taxpayer dollars are not being wasted. Sometimes, we enact short-term provisions to provide temporary economic stimulus — for example, the temporary tax incentives enacted to aid in the revitalization of the New York Liberty Zone after 9/11. Representatives from New York are here today to discuss a proposal for reworking targeted post-9/11 tax relief. Nevertheless, those incentives — even if we adopt changes — were intended as temporary economic stimulus for that area and will be permitted to lapse upon expiration.

Other temporary proposals were enacted as demonstration programs to allow Congress an amount of time to evaluate their efficacy. Periodically, this committee and Congress need to revisit those provisions and determine whether they achieve their stated objectives, whether additional time is required for evaluation and/or whether interim reforms are needed. This hearing will provide us an opportunity to make such evaluations. In addition to the testimony we will hear today regarding some of the larger expiring provisions, Senator Baucus and I asked the Joint Committee on Taxation to provide background and policy recommendations for all of the extender provisions. In response to the publication of that document, we have requested comments from interested parties on all remaining expiring provisions. Commentary provided by Joint Tax and outside parties will be of great assistance to us as we move forward in future consideration of these provisions.