

Statement of Senator Kyl  
Subcommittee on Taxation and IRS Oversight  
Hearing on  
“Encouraging Savings and Investment: Stay the Course or Change Directions?”  
June 30, 2005

In the coming years, Congress will be faced with an avalanche of expiring tax provisions; we must begin the process of deciding which provisions to keep and which should be allowed to expire. While most of the widely-used provisions—those that apply to broad classes of taxpayers—expire at the end of 2010, a handful of such provisions expire between 2006 and 2008.

Today’s hearing is designed to review whether four particular policies that expire before the 2010 are accomplishing what Congress intended and if the cost is worth the economic benefit. This type of oversight is essential for Congress to undertake if we are to pursue sound tax policies and I hope we will do more of it in the Finance Committee.

Our first witness, Scott Harding, will talk about the importance of section 179 expensing to small businesses. This provision, which allows up to \$100,000 worth of property to be expensed per year, expires at the end of 2007, at which time the amount will revert back to \$25,000.

Our second witness, Robert Weinberger, will discuss the effectiveness of the Savers Credit in encouraging retirement savings by lower income taxpayers. This credit expires at the end of 2006.

The remainder of our witnesses – David Malpass, Eric Toder, Stephen Entin, and Brian Graff – will all speak to the 15 percent individual rate for most dividends and capital gains. While I expect we’ll hear some disagreement over whether the lower rates should be continued or even made permanent, I think the trends we are seeing for revenues coming into the Treasury and the sustained economic growth we are experiencing argue strongly that these rates must be made permanent. In fact, the Republican leadership of the Senate is committed to extending the lower rates for dividends and capital gains as part of reconciliation later this fall, and to making these rates permanent as soon as possible.

Before we begin, I want to ask unanimous consent to put a survey conducted by the Securities Industry Association in the record.

And now, I look forward to hearing from all of our witnesses.