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Floor Statement of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
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Tax Gap and the Minimum Wage Bill

Mr. President: I want to speak about two issues that have been much in the news recently: the tax gap and the minimum wage bill. We just had on the front page of the *New York Times* a discussion about the tax gap.

In addition, with the release of the President's budget today, the administration has provided Congress substantive proposals to deal with the tax gap. It is now Congress' responsibility to consider these proposals, review them, hear from the public and also see what more is possible in terms of addressing the tax gap.

But the good news is, Mr. President, we've already taken steps in this Congress to deal with the tax gap. We have very important tax reforms and tax gap measures included in the minimum wage bill.

So Congress is effectively killing two birds with one stone. First we are providing needed tax relief for small businesses that will be harmed by the increase in the minimum wage. And second, in the minimum wage tax bill we are going after the tax gap and those who engage in tax scams.

I would say as a side note to my colleagues, particularly the new leaders on the Budget Committee, that these tax provisions are only the latest of examples of where the Finance Committee has produced additional revenues by changes in the tax code.

Unfortunately, I feel like I need to put on a Sherlock Holmes hat and hire a bloodhound to go out and try and find any savings that the new leadership on the Budget Committee has ever produced and gotten enacted into law when it comes to the spending side of the ledger. We've more than done our job on the tax side; it's time for the Budget Committee to deliver on savings on the spending side.

But let me turn back to the tax gap and the minimum wage bill.

I'm very pleased that working with Senator Baucus, we have as part of the tax provisions contained in the minimum wage package, a number of provisions that will go after those engaged in tax shelters and tax scams and take steps to address the tax gap.

Let me highlight just a few of these provisions:

We shut down the SILO scheme. This is where U.S. corporations cut their tax bills by purchasing and leasing back overseas government facilities, such as sewer plants and subways in Germany.

We take additional steps to go after corporations that move to the Bermuda and have just a mail box and use that gimmick to cut their taxes. I can't tell you how many times I've heard speeches about that issue from Senators on the other side. Well, we can end the talking and start doing something about it with the provision contained in the minimum wage bill

We also tighten the rules on individuals who expatriate to avoid U.S. tax.

We end the fast and loose way corporations account for fines and penalties. So now when a corporation gets a penalty for, say, polluting, they don't get to deduct it.

We increase penalties for those who underpay tax due to fraud.

We double the fines and penalties for those who use offshore financial arrangements to avoid tax, something that the Finance Committee views as a growing problem in the tax gap.

We expand and improve the whistleblower program which will provide the IRS a road map for corporate tax fraud.

We modify the collection due process rules to prevent tax protesters from abusing the system. This is something that the administration proposed in its budget today to help deal with the tax gap.

This collection due process provision contained in the minimum wage bill only emphasizes my point that we can start dealing with the tax gap today, right now.

Finally, I would note one other provision that closes a loophole in 162(m) – the \$1 million dollar limitation for corporate executives.

The provision provides that a CEO can't avoid the effects of 162(m) by not being on the job at the end of the year.

Mr. President, forests have been sacrificed to print the speeches of politicians decrying CEO pay. And yes, we have a provision in the minimum wage bill that tightens the deductions that can be taken for high CEO pay.

Is the Democratic leadership going to put that provision into the trash? If they are, can we at least also put into the trash all the speeches made by the other side about CEO pay?

Mr. President, I say this because the time for speeches is over -- we can take steps now with the tax provisions in the minimum wage bill to deal with the tax gap and CEO pay.

I've listed these provisions above, and as my colleagues know, while many of them are good common sense, they are also not at all popular with K Street and Wall Street.

While the debate has focused on the tax breaks for small business in the minimum wage bill – and those are important – it is critical that we pass the much-needed tax gap and anti-abuse provisions contained in the minimum wage bill and pass them now.

Delaying these reforms for another bill only rewards the tax cheats. These reforms are often date- and time-sensitive. Delay only benefits those playing fast and loose.

I can't believe that the House Democratic leadership want the first action they take in tax to be dropping these reforms and tax gap measures and signaling to the tax cheats that the door is open.

Senator Baucus and I, working together over the years, have passed into law a good many reforms and shut down a number of tax scams. However, we've been at times stymied by the House.

We heard a lot of commentary during the elections and after how it was no longer going to be business as usual. My hope is that given the rhetoric of the new House leadership we could finally quickly pass these anti-abuse tax reforms with the minimum wage bill.

I worry, though, with folks talking about stripping the tax provisions from the minimum wage bill that the House leadership may be singing a new song but the results are just the same.

The House Democratic leadership needs to understand that kow-towing to K Street is not a new direction. They can show that by passing all the tax provisions contained in the Senate minimum wage bill.