Senate Committee on Finance
U.S. Senator Orrin Hatch (R-UT), Chairman
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February 10, 2015 — (202) 224-4515

Hatch Statement at Finance Hearing on Lessons from the Tax Reform Act of 1986

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a committee hearing examining the lessons from the Tax Reform Act of 1986:

The committee will come to order.

Today's hearing is about the need for tax reform and what lessons we can learn from the Tax Reform Act of 1986, the last successful overhaul of our nation's tax code.

We have before us today two former Senators who were key to that effort. I look forward to hearing their thoughts and advice during today's hearing.

Before we engage meaningfully in tax reform, we need a clear vision of what we want success to look like. A vision is not a specific system of rates, deductions, or credits. Instead, a vision is how we want to change the opportunities for American families and the rewards that Americans receive from their labor, entrepreneurship, and investment.

A successfully reformed tax system will help make America the best place in the world to work, conduct business, invest, and prosper. A successfully reformed tax system will be one that promotes economic growth and is simple and fair. This, more than anything else, should be our vision for tax reform.

The landmark Tax Reform Act of 1986 was developed by then-Chairman Bob Packwood through a careful and methodical bipartisan process that relied heavily on member input. Senator Bradley was a key part of that process.

Over the last few weeks, we've begun a similar process that we hope will yield a similar result: tax reform legislation that both parties can support.

The 1986 act, signed into law by President Reagan, reformed a costly and complicated tax system into a simpler one with lower tax rates for American households and businesses, affording them greater personal prosperity. Over time, our tax system has once again become *costly and complex, impeding growth, standing in the way of shared prosperity, and placing American workers and businesses at a disadvantage.*

Put simply, it is past time for Congress to stand up once again to fix our broken tax system.

If you've been around Washington over the last few years, chances are, you've already heard me talk about tax reform. I've been making the case for reform on the Senate floor, here in the Finance Committee, in public appearances, in written materials, and in private conversations.

In December, the Republican staff of this committee produced a comprehensive report outlining the need for tax reform and providing some direction to our overall efforts.
I'm sure everyone here has read that report – cover to cover.

I've already publicly laid out seven principles that I believe should guide our tax reform efforts.

I won't go into much detail on each principle today. Instead, I'll just talk about them briefly.

The first principle is economic growth. Tax reform, if it's done correctly, should promote growth and significantly reduce economic distortions that are present under the current income tax system.

The second principle is fairness. The income tax base, which has become riddled with exclusions, exemptions, deductions, and credits, should be as broad as possible. Tax reform should broaden the tax base by eliminating or reducing a number of tax expenditures, along with lowering tax rates, and removing distortions.

The third principle is simplicity. Taxpayers and businesses spend over six billion hours a year complying with tax-filing requirements, with annual compliance costs in excess of $170 billion, which is more than the gross domestic product of New Zealand. Simplifying the tax code will result in greater clarity and compliance and will free up resources for families, job creation, and other productive uses.

The fourth principle is revenue neutrality. Tax reform should be revenue neutral and not an occasion to raise taxes on American households or businesses. Federal revenues already exceed their historic average as a share of our economy, and greater revenue should not be an objective of reform

The fifth principle is permanence. The Joint Committee on Taxation lists almost 100 provisions in the tax code that will expire over the next decade. This is unacceptable. Families *and businesses should be able to plan for the future without wondering if the tax code is going to change from year to year.*

The sixth principle is competitiveness. The combination of a high corporate tax rate, worldwide taxation, and the temporary nature of some tax incentives makes American companies less competitive when compared to their foreign counterparts. Tax reform should reduce burdens on businesses, large and small, to allow them to more effectively compete on the world stage.

The seventh principle is the promotion of savings and investment. Many aspects of our current tax system discourage savings and investment, thereby hindering long-term growth. Savings and investment help build the capital stock, providing fuel for economic growth that generates prosperity for American workers and businesses.

These seven principles are the guideposts I will use when looking at tax reform proposals.

I think we're going to have an interesting hearing today.

I look forward to hearing from Chairman Packwood and Senator Bradley to see what advice they can give us as we undertake our tax reform efforts in this Congress.

I will now turn it over to Senator Wyden.

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