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Wyden Statement at Finance Hearing to Discuss Simplicity in the Tax Code *As Prepared for Delivery*

If we opened up the hearing room curtains and looked outside, we'd see that the gloom of winter has finally lifted. But instead of enjoying the beginning of spring, millions of Americans are stuck buried under mountains of tax forms, documents, and receipts. Around this time of year, I start to hear from Oregonians that they're sick and tired of this painful process of filing taxes. I am right there with them.

Our tax system has become so incredibly complicated, even somebody who really knows her way around an accounting textbook has a hard time getting everything right.

The fact is, our overcomplicated tax code divides taxpayers into very different worlds. There are the lucky few who can afford to hire tax pros to game the system with "wash sales," "options collars," and "swap contracts"—activity detailed in a report I released last week. Then there's everybody else just trying to put their tax return in the rear-view mirror.

It's a whole lot harder to use the code to your advantage if you're a middle-class individual, a small business owner, or a family just getting by. For example, when a family needs help paying for higher education, there are more than a dozen separate tax incentives to wade through. As if that wasn't complicated enough, each provision has its own set of rules and definitions. The term "small business" is defined more than 40 different ways in the tax code. There are even at least four definitions of a "dependent," which is what most of us know as a "child." And too often, simple errors on these and other tax breaks aimed at the middle-class or low-income families are labeled as fraud.

So to avoid the hours and hours of paperwork, a lot of taxpayers look elsewhere for help. Many turn to software online, but they often end up spending a big chunk of their refund just to file. And as we learned this year, there's always a security risk filing with software. So a lot of other taxpayers look to return preparers. But again, that can be a big financial hit. Even worse, it exposes people to incompetence and abuse by unscrupulous return preparers who don't have the customer's best interest at heart. That's why Senator Cardin and I introduced the Taxpayer Protection and Preparer Proficiency Act this year—to protect taxpayers by setting minimum requirements of competence for preparers.

In the end, comprehensive tax reform is the best way to simplify our tax system across the board. Some people say that it's impossible for tax reform to make the tax code simpler and fairer to everybody at the same time. But I don't buy it. Simplification and fairness are cornerstones of any serious tax reform plan. That's why they're at the heart of the bipartisan plans I developed with Senators Gregg and Coats. Under those plans—which protected low-income and middle-class families—most people would file their taxes on a single, one-page form. When Money Magazine tried it out, it took a matter of minutes to complete a typical return, not hours.

Comprehensive reform won't iron every wrinkle out of the tax code, nor should it. But the experience taxpayers go through every spring doesn't need to be such a nightmare. So let's look at tax reform as an opportunity to get people out from under all the paperwork and give springtime back to taxpayers. I'm looking forward to discussing how to do that with our witnesses today.

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