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Opening Statement of Mark J. Mazur
Nominee for Assistant Secretary of the Treasury for Tax Policy
United States Senate Committee on Finance
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Thank you [Chairman Baucus, Ranking Member Hatch, and members of the Senate Finance Committee]. I am honored to have been nominated by President Obama to serve as the Treasury Department's Assistant Secretary for Tax Policy and I am grateful for the confidence that Secretary Geithner has shown in my abilities by recommending me to the President. I also want to thank the Senators and the various staff members for the opportunity to meet with them over the past few weeks to discuss a wide range of tax policy issues.

The possibility that I could serve the nation in the capacity of Assistant Secretary for Tax Policy is the result of a long journey which has provided me with numerous learning opportunities across a wide variety of disciplines. My parents instilled in me the notion that giving back to society is important. In addition to working full time as a printing supplies salesman, my father served as Commissioner of our local Babe Ruth Baseball League and my mother was active in the PTA and very supportive of education in general. I would not be here today without a strong public education system, of which I was the beneficiary from elementary through graduate school. The opportunity to repay this support through public service has been a major motivation for my choice of career.

I have been interested in the workings of the tax system for many years. I can recall sitting with my father at the kitchen table helping organize his tax records and double and triple-checking the arithmetic on the tax return because he took so seriously one of the fundamental obligations of a citizen – paying taxes to ensure adequate resources for the funding of public goods and services.

I believe my background has prepared me well for this opportunity. I received a degree in Financial Administration from Michigan State University and then worked as a tax accountant for General Motors. At Stanford University, I pursued a PhD in Business and was introduced to the serious study of economics. I spent four years as an Assistant Professor at Carnegie Mellon University, where I specialized in public finance issues and obtained an appreciation for rigorous inter-disciplinary approaches. I next worked for the Joint Committee on Taxation, where I got an education in the legislative process and in being part of a team that produced high-quality work under tight deadlines. I then spent two years as a Senior Economist specializing in public finance at the President's Council of Economic Advisers, followed by a similar period at the President's National Economic Council, and four years at the Department of Energy, with two years as the Department's Chief Economist. My next position was Director of Research, Analysis and Statistics at the Internal Revenue Service, which gave me an appreciation for the issues faced by the IRS in administering our tax system. In all these positions, I learned important lessons on how to approach complex problems and how and when to rely on staff experts. These are lessons I will apply to my work as the Assistant Secretary for Tax Policy should I have the privilege of being approved by this Committee and confirmed by the Senate.

This is an auspicious time to be working in the area of tax policy. We are facing some momentous decisions in the design of tax policy and in our medium- and long-term fiscal policy. Our nation needs a tax system that is simple, fair, and that raises adequate revenue for funding the important activities of government. Right now, our tax system falls short on all three dimensions.

The tax system is extraordinarily complex, with exceptions to exceptions to general rules characterizing much of the Tax Code. Complexity makes it hard for taxpayers who are trying to meet their obligations and provides opportunities for those who seek to avoid or evade their responsibilities. And complexity breeds the perception that the tax system has two sets of rules – one for ordinary Americans and one for those who have access to lobbyists and tax engineers. This perception of basic unfairness can erode the foundation of voluntary compliance upon which our tax system depends.

The tax system needs to raise adequate revenue to support the important goods and services provided by the Federal government. At this moment, chronic Federal budget deficits characterize our fiscal policy. This was necessary when the economy was in recession, but now that the economic recovery has begun to take hold, the Administration and Congress will need to work together to find ways to reduce on deficits. Part of this will occur naturally as economic growth leads to increased revenues, but part of this must be the result of legislative actions that put our nation's finances on a more sustainable course.

In addition to reforming the current tax system, we need to make sure that taxes owed are actually collected, to the maximum extent possible. That is, we need to shrink the size of the “tax gap,” – defined as the amount of taxes legally owed that are not paid in a timely manner. This effort is not the responsibility of just the Internal Revenue Service, since both the laws passed by Congress and the guidance issued by Treasury are important determinants of the ability of the Internal Revenue Service to administer the tax law. A large and growing problem with non-compliance undermines confidence in the tax system overall and can lead to even less compliance. It is incumbent on all of us to undertake efforts to address the causes of tax non-compliance and reduce the overall size of the tax gap.

Finally, the tax system needs to have a higher degree of permanence, so that taxpayers can make informed judgments about long-term investments in human, physical and financial capital. The effect of tax incentives is blunted when taxpayers are unsure whether they will be able to claim a particular item when they file their tax return. A reformed tax system that is premised on permanent tax rules would go a long way toward improving incentives and toward reducing unnecessary complexity.

These are a few of the items that, if confirmed, I look forward to working with you to address. Having served in Administrations led by both political parties, I have demonstrated a non-partisan approach to public policy making throughout my public service career. Our tax policy decisions affect every American household, and they should reflect the goodwill that we share as Americans.

In closing, I would like to take the opportunity to acknowledge the true professionals who staff the Office of Tax Policy at Treasury. These lawyers, economists, accountants, and other professionals are an incredibly talented team of dedicated public servants. As a taxpayer, I know I am well-served by this group and I am honored to be able to call them colleagues.

Finally, let me close by noting that I am humbled by the possibility of serving the Nation in this new capacity. If you and your colleagues in the Senate give me the opportunity to serve as Assistant Secretary for Tax Policy, I promise to do all I can to justify your confidence in my abilities.

Thank you for the opportunity to appear before you today. I would be pleased to answer any questions you may have.