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MEMORANDUM

To: Reporters and Editors
Re: Chairman Rangel's tax reform proposal
Da: Thursday, Oct. 25, 2007

Sen. Chuck Grassley, ranking member of the Committee on Finance, today made the following comment on the tax reform proposal from Rep. Charles Rangel, chairman of the House Committee on Ways and Means.

“I appreciate that Chairman Rangel is revving up the debate on two critical issues, AMT repeal and corporate tax reform. These are issues we covered when I was Finance Committee chairman, and we need to keep the debate going. I haven't seen all the details of the new package, so I'm relying on press reports and other bits and pieces. But I'm concerned about the substance of the Ways and Means chairman's approach. Getting rid of the AMT is the right thing to do. It's become a monster money machine with tentacles all over America. Unfortunately, the chairman's proposal looks like warmed-over AMT, especially if it's not indexed for inflation. The replacement tax will still hit millions of families. The new tax is a cross between AMT and regular tax. It pulls in itemized deductions like mortgage interest, as well as capital gains and dividend income. It would mean a large tax increase now of about \$1 trillion, and then another \$1 trillion tax increase in 2011. We wouldn't accomplish anything by scrapping the AMT and replacing it with something almost as bad.

“On corporate tax reform, I agree we need to lower the rate and broaden the tax base. Chairman Rangel's corporate reform proposals do that. But most of America's small businesses aren't corporations. They're sole proprietorships, Subchapter S corporations, or partnerships. Their rates won't go down. They'll go up under the individual reform proposals. Small businesses create most new jobs. Putting a millstone on them would drag down the economy. I'm concerned that the base broadeners will hurt domestic manufacturers, especially those that are not C corporations and those that compete in foreign markets. It doesn't make sense to undermine domestic manufacturing while we're trying to make U.S. businesses more competitive worldwide. Small businesses and domestic manufacturers shouldn't lose in reform. If that's the case, the 'mother of all tax bills' could become a political orphan. It could cause a mother lode of trouble, especially economic trouble.”