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Statement of Senator Chuck Grassley
Finance Committee Hearing on Administration's Budget: Revenue Proposals
Tuesday, February 6, 2007

Welcome, Mr. Secretary. This is your first budget hearing at the Finance Committee. I want to again thank you for taking a slight pay-cut to come back to public service. Your bottom-line approach and key financial market experience are the assets we need in a Treasury Secretary at this time.

Today, we focus on the revenue side of the budget. It is almost entirely in this committee's jurisdiction. The President's budget acknowledges that the bipartisan tax relief has not gutted the tax base. In fact, we've been and are projected to continue for the mid-term on a revenue glide path that is above the historic average of revenue to gross domestic product.

Now, some on the other side may argue that better than historic average taxation is not enough to fund the government. But, that is a different debate. That is a debate about higher taxation as a deficit reduction matter. It's a fair debate to have, but we ought to be intellectually honest about it.

What is clear today is that the bipartisan tax relief, with the alternative minimum tax accounted for, has a track record of maintaining the federal revenue base. That is good news that Democrats and Republicans ought to celebrate. Democrats from the bluest of the so-called blue states ought to be most appreciative because it is families in those high-income, high-cost, and high-tax areas that have benefited greatly from the bipartisan tax relief plans. I'm referring to the marginal rate relief, marriage tax relief, increased child tax credit, retirement savings incentives, education tax relief, death tax relief, and yes, the alternative minimum tax relief. It always amazes me how members from these high tax states complain the loudest about common-sense tax relief that eases the burden of taxation felt most heavily in their states. I can assure you we'll hear hostility to tax relief from those bluest of blue state members once again today.

I raise this point because the main reason for partisan opposition to these bipartisan plans has been based on concerns about the effects of the tax relief on the federal revenue base. So, today I'd ask my liberal friends to relax and accept the good news of the track record.

Now, don't get me wrong. We have a fiscal crisis coming. The baby boom generation will be retiring in big numbers in the next decade. That is an entitlement problem. It is not derived from the current or future state of the federal revenue base. The revenue base is fine unless the predilection of a particular member is to solve the entitlement problem with record levels of federal taxation. As I said before, that's a separate debate. We can have it, but we ought to be transparent about it.

The President's budget continues this good news and keeps the burden of taxation in check. In addition, the President's budget contains a comprehensive set of initiatives on the tax gap. The President's budget also lays bare the defects in the tax treatment of health insurance.

Mr. Secretary, this committee has a long history of bipartisanship, civility, and problem-solving. I want to pledge to continue to work with you, Mr. Secretary, on the big problems the budget may tackle. I'll certainly let you know my views in clear terms. But, I also will give you alternatives or revisions. I hope that everyone here, Republicans and Democrats, can agree with me on that point.

As I take a look at the President's budget, I'd like to challenge every member of this bipartisan committee to take a bipartisan, constructive approach. I'll use a couple of specific examples. One, if members have reservations about the proposals on tax treatment of health insurance, let's hear an alternative. Two, if the tax gap proposals on information reporting are not comprehensive enough, the critics ought to propose a more comprehensive result. That would be a fair way to engage this budget discussion. Be constructive. If you oppose, propose an alternative or a modification. We have a role as the people's elected representatives. With that constructive tone and intent, I look forward to your testimony.