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BAUCUS SEEKS SIMPLIFICATION, FAIRNESS, EFFICIENCY IN LOOK AT REFORMING INDIVIDUAL TAX CODE

Senate Finance Chairman launches 2nd hearing in series on reforming U.S. tax code

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) pressed a panel of tax experts today on the issue of individual tax reform, including social policies in the tax code and ways to improve American economic competitiveness. In the second hearing in a series intended to prepare the Committee for comprehensive tax reform efforts, Chairman Baucus also solicited input on how elements of the tax code, like certain subsidies, might be consolidated to help create a fairer, more effective and less complex system of taxation. Baucus was particularly interested in discussing similarities among witness proposals for reform and identifying associated obstacles and transition costs – the costs resulting from a shift from the current system to a reformed, future system. This series of hearings is part of an overall effort to move proactively toward reform beginning in 2009 that is viable and that Congress will pass.

“In order to make significant reforms, we need significant agreement and I want this Committee to lead the way. I am interested in developing a pro-growth tax structure but I also know that our income tax base has corroded,” said Baucus. **“I think today’s hearing helped narrow our focus, and among the differences in witness testimony today is one commonality: the complications created by our tax system outweigh its benefits. The time is now for reform.”**

Proposals from Committee witnesses included a move from the current income tax structure to a consumption tax structure, which would place the tax burden on the purchase of goods and services, as well as the adoption of a comprehensive tax structure, which would tax all income once at a single rate within an individual tax bracket. Panelists also referenced the idea of consolidating certain tax credits and incentives as an effort to simplify the system, while reducing the tax burden on individual savings and investments to promote growth, and closing remaining loopholes and tax shelters that contribute to the “tax gap” of legally owed but unpaid taxes totaling \$345 billion annually. The Finance Committee is reviewing all options for tax reform to determine which will work best and have the most likely chance of passage in the coming years.

Additional hearings on tax reform are being developed in consultation with Ranking Member Chuck Grassley (R-Iowa) and with members on both sides of the aisle. A June 5 hearing is scheduled on the topic of business taxation, and then specifically on taxation of American multi-nationals at a date to be determined in June. Issues uncovered at the tax reform hearings will be further explored in expert roundtables. Baucus intends to work with Committee members to plan the roundtables and additional hearings this year.

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