COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

March 6, 2013

The Honorable Paul Ryan
Chairman
Committee on Budget
207 Cannon House Office Building
Washington, D.C. 20515

Chairman Ryan,

Since the start of the 112th Congress, the Ways & Means Committee has engaged in an aggressive effort to develop comprehensive tax reform legislation – with over 20 hearings, three joint hearings with the Senate Finance Committee (unprecedented on tax issues in the past 70 years), the release of two discussion drafts (on international taxation and financial products), and the establishment of 11 bipartisan working groups. The Committee intends to build on that work in the first session of the 113th Congress by introducing and reporting to the House of Representatives legislation that provides for the comprehensive reform of the U.S. tax code. Our ultimate goal remains enactment of comprehensive tax reform during fiscal year 2014.

With American families continuing to struggle through high rates of joblessness, stagnating wages, and weak economic growth, it is critical that Congress respond to the calls from bipartisan experts for comprehensive tax reform that would achieve two critical goals:

1) A simpler and fairer tax code for families and employers, and
2) Higher wages, more job creation and greater investment stemming from lower tax rates for individuals and businesses of all sizes.

To this end, the Committee intends to develop comprehensive tax reform legislation that makes the tax code fairer and more accountable to hardworking Americans by scaling back tax preferences that distort economic behavior and that often benefit only a narrow group of individuals or businesses. The Committee will then use the resulting revenue to: (1) simplify the tax code and (2) spur job creation and income growth through lower tax rates and transition to a more modern and competitive system of international taxation. Such an effort would lead to a stronger economy, which would create more American jobs and higher wages. More employment and higher wages would lead to higher tax revenues which would simultaneously address both the nation's economic and fiscal problems.

While the Committee is committed to tax reform that strengthens the economy, the Committee will continue to oppose any and all efforts to increase tax revenues by any means other than through economic growth. As the Congressional Budget Office projects, the amount of taxes the government will take from American families and businesses will double over the next ten years. Clearly, Washington does not have a revenue problem.

America, however, does have an economic problem, in large part due to our outdated, broken tax code. While the vast majority of our foreign competitors have moved aggressively to lower corporate tax rates and update their international tax systems, the United States imposes the highest combined federal-state corporate tax rate in the industrialized world and relies on an outdated international tax regime designed more than 50 years ago, when the United States faced virtually no global competition. Furthermore, the top U.S. tax rate on small business income is 44.6 percent, the top tax rate on individuals' wages and salaries is 44 percent and the total tax on investment income (capital gains and dividends) in the United States is 55 percent.

American families and small businesses must navigate a maze of different statutory tax rates, hidden rates, confusing deductions, credits, limitations, phase-outs and the Alternative Minimum Tax. The trifecta of (1) maddening complexity, (2) high tax rates on business income, and (3) the prevalence of double taxation of capital and investment, all combine to suppress innovation, job creation, and economic growth.

American families and businesses spend over $160 billion and 6 billion hours every year trying to figure out their taxes. Roughly 90 percent of Americans are forced to pay for commercial tax preparation software or hire a tax professional just to file their taxes. Even after all that, average taxpayers are left to wonder whether someone with the resources to hire a better accountant managed to get a "better deal" out of the tax system.

Furthermore, American corporations engage in elaborate tax planning because the current tax code puts them at a competitive disadvantage compared to their foreign competitors. Here too the tax code is unfair as some companies are able to use arcane and complex provisions of the tax code to reduce their tax burden compared to their competitors. Companies engage in complex transactions purely to reduce their tax burden even when these schemes divert resources from more productive investments.

These conditions necessitate that Congress undertake a comprehensive rewrite of the tax code. Therefore, the Committee requests that you include in the House's FY14 Budget Resolution the authority for the Chairman of the Budget Committee to adjust allocations and aggregates to provide for floor consideration of legislation providing for the comprehensive reform of the tax code that:

- Simplifies the tax code to make it fairer to American families and businesses and reduces the amount of time and resources necessary to comply with tax laws,
- Substantially lowers tax rates for individuals with a goal of achieving a two rate structure of 10 and 25 percent.
- Repeal the Alternative Minimum Tax.
- Reduce the corporate tax rate to 25 percent, and
- Transitions the tax code to a more competitive system of international taxation.

In 1981, President Ronald Reagan inherited a stagnant economy and a tax code that featured 16 brackets, with a top rate of 70 percent. When he left office in 1989, the tax code had been simplified down to just three brackets, with a top rate of 28 percent. President Reagan's bipartisan tax reforms proved to be a cornerstone of the unprecedented economic boom that occurred in the decade during his presidency and continued in the decade that followed.

It is time to reclaim the Reagan legacy of enacting fundamental tax reform in an era of divided government. By making the tax code simpler and fairer, we can begin to regain the trust of the American people that Washington can and is working for them. By making the tax code more conducive to innovation, investment and sustained job creation, we can safeguard the American Dream for generations to come.

Sincerely,

Dave Camp

DAVE CAMP
Chairman

Sam Johnson

Sam Johnson

K Brady

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Devin Nunes

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