

Excerpts of Ways and Means Ranking Member Sander Levin's Speech on Tax Reform
June 3, 2011 -- Center for American Progress

- Today there is real need for tax reform. In the 1986 Act, reform proceeded from three principles: Fairness, Efficiency and Simplicity. Today, I propose that we build on that with three additional principles to guide today's tax reform efforts: tax reform should benefit working families; it should encourage economic growth and job creation in the United States; and it should be fiscally responsible.
- The approach advocated by House Republicans has been to simply announce that tax reform should achieve a top rate of 25% for both individuals and corporations, with no discussion whatsoever of what we would need to change and give up to achieve those rates. This is the equivalent of putting a blindfold on, spinning around three times, and picking a number. It's time to take the blindfold off. It's time to understand clearly what that would mean for working families.
- Clearly there is a need to address redundancies and reduce complexity. For individuals, the tax code can be a daunting system that is difficult to understand and comply with. This complexity and redundancy, even among some important provisions that have helped support and build the middle class, undermines the effectiveness of policy.
- I think we should lower our corporate tax rate in a manner that does not lose revenue, but the trade-offs involved in getting there matter.
- The discussion of tax credits and deductions needs to recognize that the vast majority of these provisions – by value – benefit individuals, not businesses. According to the Joint Committee on Taxation, 92% of these provisions by value benefited individuals in 2007. Of those, 74% of the value falls into four categories: Capital Gains and Dividends, Health, Retirement Savings, and Owner-Occupied Housing.
- The Joint Committee on Taxation reports on the distribution of many of these provisions as part of its annual tax expenditure pamphlet, and we have asked them to analyze more of them. It is often assumed, and unchallenged, that these provisions primarily benefit upper-income households. The results are somewhat surprising.
- While a top rate of 25% may sound tantalizing to some, to raise the revenue necessary to keep the reform revenue neutral, you would have to eliminate virtually every tax incentive for middle income and poor families. Even if proponents of such a rate eliminate the capital gains and dividend preferences, a rate that low still likely means a tax cut for many of those at the top, and a tax increase for broad portions of the middle class.
- We should be working to reform of our tax code. We need to be clear and specific about what we hope to accomplish. We need tax reform that benefits working families, encourages economic growth and domestic job creation, and is fiscally responsible.