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BAUCUS, HATCH URGE COLLEAGUES TO PROVIDE INPUT ON TAX REFORM

Finance Leaders Take "Blank-Slate" Approach, Call for Ideas on What Expenditures to Keep and Improve in Code

WASHINGTON – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Orrin Hatch (R-Utah) today proposed a "blank-slate" approach as a legislative starting point for tax reform and called on Senate colleagues to provide proposals for tax expenditures to add back and improve in a reformed tax code.

"Over the past three years, the Finance Committee has been working hard on tax reform on a bipartisan basis. We've held more than 30 hearings and heard from hundreds of experts on reforming the tax code," the Senators write in a letter to their colleagues. "We're now entering the home stretch. We need your input and partnership to get tax reform over the finish line."

In an effort to develop the foundation for tax reform legislation, Senators Baucus and Hatch are calling on all Senators to submit legislative language or detailed proposals for what tax expenditures and other provisions should be added back to a reformed code. The Senators stress tax expenditures and other provisions should be added back only if they: help grow the economy, make the tax code fairer, or effectively promote other important policy objectives. Senators have until July 26 to submit their proposals.

"This blank-slate is not, of course, the end of the discussion," Senators Baucus and Hatch write. "Indeed, we both believe that some existing tax expenditures should be preserved in some form. But the tax code is also littered with preferences for special interests."

To help inform submissions, the Senators had the nonpartisan Joint Committee on Taxation (JCT) and their staffs analyze the relationship between tax expenditures and the current tax rates if the current level of progressivity is roughly maintained. The amount of rate reduction would depend on how much revenue was reserved for deficit reduction, if any, and from which income groups. However, JCT and Finance Committee staff determined that every \$2 trillion of individual tax expenditures that are added back would, on average, raise each of the seven individual income tax brackets by between 1.3 and 2.2 percentage points from what they would be under the blank slate.

Likewise, every \$200 billion of corporate tax expenditures that are added back would, on average, raise the top corporate income tax rate by 1.5 percentage points from what they it would be under the blank slate.

Senators Baucus and Hatch said the JCT report demonstrates that the more tax expenditures allowed in the tax code, the less revenue available to reduce tax rates or reduce the deficit.

The full text of the senators' letter is available [here](#).

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