



For Immediate Release
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**Hearing Statement of Senator Max Baucus (D-Mont.) Regarding
Tax Reform: Lessons from the Tax Reform Act of 1986**

Jeffrey Birnbaum, who wrote the book on the 1986 tax reform, said:

“The Tax Code is like shrubbery — the more severely it’s pruned, the bigger and stronger it will grow back.”

In 1986, Congress pruned the tax code, pretty severely. But it’s grown back, bigger and stronger. Once again, it needs to be pruned.

The tax code is now about 70,000 pages long. A recent article in *The Economist* reported that Americans collectively spend more than seven billion hours filing our returns. That’s the equivalent of nearly four million workers toiling full-time, year-round, just to handle the paperwork.

The Tax Reform Act of 1986 was a landmark law. It affected every American family and every American business. It significantly reduced taxes for individuals. And it eliminated many tax benefits for special interests.

The 1986 tax reform leveled the playing field.

No longer could a wealthy individual escape taxes by buying into a tax shelter. No longer could a clever investment strategy get investors out of paying their fair share. No longer could businesses participate in notorious tax shelters.

Similar taxpayers paid similar taxes.

But since the 1986 tax reform, Congress has made more than 15,000 changes to the tax code. Congress made these changes with the best intentions. Some to collect revenue, some to stabilize the economy, others to further other social objectives.

But each change created additional complexity. And each change created the potential for exploitation.

Once again today, just as in the 1980s, many can largely avoid paying taxes, if they know how to manipulate the tax code. A long list of deductions, credits, and exclusions are available to help avoid taxation.

Those who don't have a savvy accountant or who refuse to participate in tax games often end up paying more. Many honest taxpayers end up feeling like chumps.

During his effort to reform the tax code in 1985, President Reagan said:

"The American people are always willing, even eager, to do their duty, but you quite naturally resent it when you see others shirking theirs. It rankles to know that your tax rates are so high because others who can afford high-priced lawyers and tax consultants are able to manipulate the system to avoid paying their fair share."

Millions of Americans dutifully and honestly file their tax returns. They just want a fair shake.

They expect to pay the same tax as their neighbor who earns the same money. They expect not to feel like a sucker if they do the right thing. And that's not too much to ask.

Some may wonder why we're holding this hearing. They may assume that Congress cannot tackle tax reform. They may think: Times have changed, Congress won't compromise, and special interests are too strong.

That attitude is harmful to the American people and American democracy. Tax reform is not just about the tax code. It's about one of the most direct relationships that citizens have with their government. It's important that we try to make that relationship as fair as possible.

Now is exactly the time to talk about tax reform.

I am committed to tackling it. That's what our constituents sent us here to do.

They sent us here to meet challenges, not to shy away from them. They sent us here to make difficult decisions, not to ignore them.

Our continued prosperity and international competitiveness rest on our facing these challenges.

Today, we ask: What lessons can we learn from the 1986 tax reform?

The 1986 reform was the largest tax reform of a generation. It's important to learn from that history. And that's what this hearing is about.

We'll follow up with other hearings. We'll dig into areas of the tax code ripe for reform. Nothing will be off the table.

And so, let us prune back the tax code. Let us restore fairness to this fundamental relationship with government. And let us start today.

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