COMMITTEE on WAYS and MEANS

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Camp Opening Statement: Hearing on How Business Tax Reform Can Encourage Job Creation

Thursday, June 02, 2011

Good morning and thank you for joining us today for another in a series of hearings on comprehensive tax reform. Whether at full committee, subcommittee or the Joint Committee on Taxation event, this committee has been actively engaged in a systematic review of the tax code for a very simple reason – today's tax code is preventing, not promoting, job creation.

And on the eve of what is widely expected to be a disappointing jobs report, this committee remains focused on what action must be taken to reform our code and make America a more attractive place to invest and create the jobs we need.

Today's hearing will examine the potential benefits to companies and workers of lowering marginal tax rates on business income. The hearing also will look at major elements of business and corporate taxation to evaluate policy options that can encourage job creation at home.

The challenges created by the tax code – for job creators of all sizes – are many: high statutory rates, compliance and administrative burdens, the impact of temporary and expiring tax provisions…just to name a few. Pile on top of that a dizzying array of credits, deductions and exemptions, and it is no wonder that the tax code is distorting economic behavior.

America's high and uncertain tax rates are barriers to growth and competition. With a combined federal-state corporate tax rate of 39.1 percent, we are well above the average of the rest of the industrialized world.

Some might find comfort in the fact that the December tax relief package prevented an immediate tax hike on job creators organized as pass-throughs who pay their taxes at the individual rate. These employers are primarily small businesses. But that relief will be fleeting as they again face higher taxes in less than two years unless Congress acts. The uncertainty surrounding their future tax rates makes it even harder for them to plan, invest and create jobs.

Consider this fact: over 200 Federal tax provisions are scheduled to expire between 2010 and 2020, whereas in 1998, there were only 50 such expiring provisions.

With uncertainty at every turn, it is no wonder that the optimism of small employers remains at recessionary levels according to NFIB's Small Business Optimism Index.

Today, through the testimony of both job creators and tax practitioners, we hope to gain insight into how the current structure of taxation affects the ability of businesses to invest, grow and create jobs.

Before we move to our panel and begin our discussion on tax reform, I want to make one final comment. Tax reform cannot and should not be confused with increasing taxes – it must be done in a revenue neutral manner. We will not grow if Washington is taking an ever-increasing share of our economic output in the form of federal taxes.

We do not have a vibrant economy when we increase taxes on job creators. We have a vibrant economy when we get spending down, keep taxes low and get Washington out of the way of our entrepreneurs.

As we discuss tax reform, I intend to move the dialogue in that direction. I look forward to the testimony of today's witnesses. Thank you for being here. I will now yield to Ranking Member Levin for his opening statement.

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