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## HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING PERSPECTIVES OF DEFICIT REDUCTION

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the current fiscal crisis and approaches to deficit reduction:

Mr. Chairman, thank you for holding this hearing, which continues a series of hearings we have had on deficit reduction. This hearing is timely, given that the debt limit impasse, unfortunately, continues to grind on.

I would like to welcome all of our witnesses and thank them for their presence and their testimony. Mr. Chairman, I'd like to briefly point out that many of the so-called plans for dealing with the debt limit seem to involve instructions to this committee to undertake "tax reform" in short order and with revenue raising as the principal objective. Part of that so-called reform usually is a direction to change tax expenditures.

Mr. Chairman, I believe that with an income tax system that is roughly 100 years old, we are in need of reform. I believe, however, that we need fundamental and comprehensive tax reform to broaden tax bases and lower tax rates.

I believe that we need tax reform to promote fairness, simplicity, growth in jobs and the economy, and efficiency. I do not believe that revenue raising in and of itself — accomplished by horse trading of selected tax expenditures against each other — is true reform, and I don't believe that such actions are good for jobs and the American people.

I do believe that we should thoroughly examine tax expenditures in the context of tax reform, and not as one-off efforts at raising revenue to pay for the spending status quo. But note, Mr. Chairman, that the Joint Committee on Taxation lists over 217 so-called tax expenditures. Of those, the President picked maybe three in order to get more tax revenue. He proposed hitting hit oil producers, including small ones; he proposed hitting users of LIFO accounting, which includes many small manufacturing companies; and he proposed hitting commercial jet producers, after having previously set up additional tax expenditures to benefit

them. What the President has proposed or leaked out to the press is hardly reform, and is nowhere near comprehensive.

We need to look at the forest of individual and corporate tax expenditures, and not merely three trees that appeal to focus groups or along the campaign trail. A comprehensive examination of tax expenditures will require examination of a host of factors, including distributional effects and interactions among various features of the tax code. And a comprehensive examination will look across all tax expenditures.

Many tax expenditures are valued highly by Americans across the political and income spectrums, such as incentives for charitable giving. Others tax expenditures seem to benefit some at the expense of others, such as deductions for state and local taxes, which works as a subsidy from taxpayers in low tax states with low levels of government to wealthy taxpayers in high tax states with robust levels of government spending.

We need to look across the board at tax expenditures, and not simply at whatever subset happens to serve political or campaign interests. And we need to clean out our tax code. It is riddled with tax expenditures which, while often instituted with good intentions, have generated an inefficient tax code. The code is a mess and has created an environment where Americans no longer trust that everyone pays their fair share due to loopholes, tax breaks, tax arbitrage, tax gimmicks, or whatever you want to call them.

We need fundamental and comprehensive tax reform, not a quick revenue fix to get us past August 2. Mr. Chairman, I look forward to the testimony that we are about to hear.

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