

# United States Senate

WASHINGTON, DC 20510

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July 23, 2013

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Orrin G. Hatch  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, DC 20510

Chairman Baucus and Ranking Member Hatch:

I appreciate your invitation to submit suggestions to assist the Senate Finance Committee's effort to reform the federal tax code. I am hopeful this process will be the beginning of one that engages all senators and results in meaningful tax reform.

While the "blank slate" approach described in your June 27, 2013, Dear Colleague letter, if done correctly, could set the conditions necessary to vibrantly grow the American economy, I am not optimistic that such an approach is possible within the realities of the current Senate. Sadly, too many of our colleagues, on both sides of the aisle, are not interested in the pro-growth tax reform that is needed to reinvigorate our economy and reduce the tax burdens of American families, individuals, and small businesses. Some want to use tax reform as a vehicle to redistribute income; others want to raise net tax revenue to fund an even more expansive government than the one we have today.

Still, I commend you for your sincere efforts to reform our broken, outdated and burdensome tax code.

As an organizing principle of any tax reform, we should begin with a resolution on how the government views the purpose of taxes in the first place. Quite simply, I believe taxes should be fair, flat, simple, transparent, and justifiable. We should be respectful of every hard earned dollar that the government confiscates from the American people, and those dollars should be spent wisely. And our tax system should provide the absolute minimal revenue that the government needs in order to provide for basic and essential government services. Our current tax system falls well short in many of these regards.

America needs fundamental tax reform in the form of simplification to spur economic growth and innovation. The United States has the highest corporate tax rate in the world. Corporate tax reform is essential to any tax reform discussion that aims to improve competitiveness and increase investment. We need to simplify our tax code to make it easier for American families and businesses to comply. We need the kind of tax simplification methods that will provide a level of certainty and quite frankly incentive to invest in the American economy and create jobs. By improving growth, increasing competitiveness, reducing corruption, and promoting simplicity, we can also better protect Americans' civil liberties which have been threatened by the Internal Revenue Service.

Throughout our nation's history, we've seen just how tax reforms under Presidents Kennedy, Reagan, and Bush have fueled strong economic growth. At a time when our nation is struggling to recover from the Great Recession, tax reform could be the solution that grows America's economy at a rate that makes trillion dollar deficits a thing of the past.

However, we should be cautious to avoid any tax reform process that exacerbates the dysfunction in and distrust of Washington. Prior to engaging in any reform process, we should clarify exactly what is meant – and not meant – by reform.

Tax reform should serve as an opportunity to vastly simplify the tax code, rid our code of unfair biases and special interest carve-outs, close the gap between statutory and effective tax rates, lower marginal tax rates, transition to a territorial tax system, eliminate the double taxation of income, and emphasize principles of economic freedom and opportunity.

By contrast, tax reform should not serve as a chance to generate new and additional revenue to fund the bloated size and scope of the federal government -- instead, we should use the tax reform process to limit government. Nor should tax reform revive Congress's earmark culture or expand corporate welfare, both of which undermine public trust in our republican institutions and free enterprise economy. I applaud your intention, as Chairman and Ranking Member, to tackle this monumental issue. Nevertheless, I fear a process whose secret policy submissions pose a risk to the public trust, especially if changes are made to protect or create tax expenditures available to some industries or regions but not others. Further, I formally request that tax provisions that are clear examples of corporate welfare not arise again within the code.

In addition tax reform should not serve as a secret plan to raise taxes. Simplification of the tax code and changes to static revenue are two separate issues that should be dealt with separately. Congress should not use a tax simplification package as a means to conceal a debate on tax hikes from the American public, nor should it use tax hikes to kill the legislative prospects of a tax reform bill in order to maintain special interest carve-outs.

Finally, tax reform should not be shielded from either public scrutiny or congressional deliberation, debate, and amendment. Consequently, I insist that any bill marked up under these recommendations follows the regular order through committee and is subject to vigorous floor debate with an open amendment process. The scope of submissions by senators should in no way be perceived as limiting the scope of amendments that they are allowed to offer to a bill on the Senate floor. I also request that macroeconomic analysis and dynamic scoring is included in any revenue estimates provided by the Joint Committee on Taxation throughout this process.

Thank you again for your invitation to this process.

Sincerely,



Marco Rubio  
United States Senator