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SHAHEEN LETTER TO SENATE FINANCE COMMITTEE ON TAX REFORM LEGISLATION

July 31, 2013

Dear Chairman Baucus and Ranking Member Hatch,

Thank you for the opportunity to provide my views on the Senate Finance Committee's effort to enact tax reform legislation. I have long called for tax reform as part of a comprehensive, bipartisan solution to address our debt and deficits. We need look at all areas of our budget – domestic, defense, and mandatory, as well as revenues. By eliminating loopholes for the wealthiest Americans and large corporations, we can also make the tax code fairer for middle class families and small businesses, while promoting our long-term economic competitiveness. I appreciate your leadership in moving the Senate forward on this important effort.

The federal tax code is an endless source of frustration for millions of American small businesses and middle class families. Overwhelmingly, they feel that the tax code is unfairly rigged to benefit large corporations and the wealthiest Americans. This is in large part due to loopholes in the tax code. Eliminating these loopholes will enable us to simplify the tax code and reduce our deficits while making the majority of Americans feel that they're getting a fair shake.

In addition, tax reform can help reduce the regulatory burdens on our small businesses, which create two out of every three jobs in the United States. Eighty percent of all paperwork done by small businesses for the federal government involves tax compliance – not a surprise when you consider the length and complexity of the Internal Revenue Code. In the past 10 years alone, there have been more than 4,400 changes to the tax code, a rate of more than one per day.

The "blank slate" approach provides an opportunity to rebuild our tax code in a way that promotes fairness, simplicity and economic competitiveness. As you have noted, our tax code should only retain those provisions that help grow the economy, make the system fairer or meet other policy priorities. In addition to these important objectives, I believe that the bill reported by the Senate Finance Committee should meet the following goals:

1. Simplify the tax code. The tax code is over 3.8 million words and 11,000 pages long. The length and complexity of the tax code not only makes it hard for average Americans to understand, but also makes it ripe for abuse. The Senate Finance Committee should attempt to simplify the code as much as possible to encourage transparency and reduce burdens on families and small businesses. In addition, the Committee should encourage the Internal Revenue Service (IRS) to offer "simple returns" – a solution that would make the filing process easier for millions of Americans and help consumers save billions of dollars every year. I have filed legislation, the Simpler Tax Filing Act (S.722), that would encourage the IRS to provide a voluntary simple return for tax filers.

2. Eliminate loopholes. The tax code is riddled with loopholes that help corporations and the wealthiest Americans avoid

paying their fair share. Utilizing loopholes in the tax code, 78 of the nation's major corporations paid less than zero in federal income taxes for at least one year between 2008 and 2010.

3. Promote the development of emerging industries that will lay the foundation for our sustainable, long-term economic growth and global competitiveness. For example, we should retain tax provisions that support the development of renewable energies and efficient energy systems, as well as biomedical research and technological advances. These are examples of developing industries which offer tremendous opportunity for job creation and economic growth.

4. Phase out tax expenditures for established industries. For those industries that are already established, we should phase out tax expenditures that were originally designed to encourage those industries to develop. For example, the oil industry is well-established and very profitable, but is still able to take advantage of special tax provisions.

5. Retain important tax provisions that help the economy grow, protect working class Americans, and meet important policy goals like promoting homeownership and affordable housing, as well as charitable giving.

6. Support research that will encourage the innovation and development of new technologies that will keep this country competitive.

Thank you again for the opportunity to express my views. I look forward to following the Finance Committee's progress and working with you on this important issue.

Sincerely,

Jeanne Shaheen

United States Senator

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