Public Statements

Hearing of the Joint Select Committee on Deficit Reduction - Overview - Revenue Options and Reforming the Tax Code

Statement

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In last week's testimony regarding the drivers of our structural debt we heard Congressional Budget Office Director Doug Elmendorf say that although government revenues are certainly temporarily down, he expects them to again reach their historic norm of a little over 18 percent of GDP in short order. However, he reminded us that spending is due to explode to over 34 percent of GDP in the years to come. That is principally-driven by entitlement spending programs, some of which are growing two, three, and four times the expected rate of growth of our economy.

As I have maintained from the first meeting of the Joint Select Committee, there are many actions that this committee could take that would be helpful in addressing our structural debt crisis. However, we cannot and will not succeed unless our primary focus is about saving and reforming social safety net programs that are not only beginning to fail many of their beneficiaries but simultaneously going broke.

If we fail to do this and choose to solely or primarily address our debt crisis by increasing the nation's tax burden, I fear the consequences.

Former CBO Director Rudy Penner, in testimony before the Simpson-Bowles Commission, stated, "the U.S. total tax burden, which is considerably below the OECD average, would be higher than today's OECD average by mid-century and within a few years after that we would be the highest taxed nation on earth."

Also appearing before the Simpson-Bowles Commission was former CBO Director and current Social Security and Medicare Trustee Robert Reischauer who stated, "The longer we delay, the greater risk of catastrophic economic consequences. The magnitude of the required adjustments is so large that raising taxes on the rich or corporations, closing tax loopholes, eliminating wasteful or low-priority programs, and prohibiting earmarks simply won't be enough."

Finally, when he served as CBO Director, Dr. Peter Orszag in a letter to Budget Committee Chairman Paul Ryan stated, "The tax rate for the lowest tax bracket would have to be increased from 10 percent to 25 percent; the tax rate on incomes in the current 25 percent bracket would have to be increased to 63 percent; and the tax rate of the highest bracket would have to be raised from 35 percent to 88 percent. The top corporate income tax rate would also increase from 35 percent to 88 percent."

The ability, wisdom and consequences of addressing our debt crisis through tax increases will continue to constitute a rigorous debate by our Committee.

My hope though is that we may be able to achieve rigorous agreement that fundamental tax reform, even if limited to just American businesses, can result in both revenue from economic growth for the federal government and more jobs for the American people.

Seemingly, both the President of the United States and the Speaker of the House agree. Most Americans agree that there is something fundamentally wrong with our tax code when a small business in East Texas pays 35 percent and a large Fortune 500 company pays little or nothing. There is also something fundamentally wrong with our tax code when an American company pays 35 percent and its chief European competitor only pays 25 percent. We should seize the opportunity and correct this for the sake of both bringing in more revenues through economic growth and addressing our jobs crisis at the same time.

Source: **http://deficitreduction.senate.gov/public/index.cfm/hearings?Id=c286522b-744a-4d5f-8500-679aa10b1ff5&Statement_id=07fe5a0e-603a-4496-b93b-d8369275beed (http://deficitreduction.senate.gov/public/index.cfm/hearings?Id=c286522b-744a-4d5f-8500-679aa10b1ff5&Statement_id=07fe5a0e-603a-4496-b93b-d8369275beed)**