

Wyden, Coats Team Up to Make the Tax Code Work for Businesses and Families

Comprehensive Tax Reform Will Grow the Economy, Create Jobs and Make It Possible for Most Americans to Do Their Taxes in Under an Hour

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Washington, D.C. – While a partisan battle over cuts to government spending threatens to shut down the federal government, a bipartisan pair of senators took a page from President Reagan’s book today and offered legislation that experts say will reduce the federal budget deficit by growing the economy. The “Bipartisan Tax Fairness and Simplification Act of 2011” – being offered by U.S. Senators Ron Wyden (D-Ore.) and Dan Coats (R-Ind.) – would simplify the tax system, hold down rates for individuals and families, provide tax relief to the middle class and create incentives for businesses to grow and invest in the United States. Wyden-Coats updates the tax reform that Reagan signed into law 25 years ago by streamlining the tangled web of nearly 10,000 exemptions, deductions, credits and other preferences currently cluttering the U.S. tax code to create a simpler and fairer system for American workers and businesses.

“Cutting spending isn’t the only way out of the budgetary hole. Congress can grow its way out and right now, the federal tax code is doing anything but promoting economic growth,” said Wyden. **“Senator Coats and I want a tax code that encourages businesses to devote less time to tax avoidance and more time to growing their companies. That means eliminating incentives for shifting jobs and capital overseas and creating incentives for investing in the United States. It means creating an understandable and predictable tax environment for small businesses and it means eliminating loopholes and special breaks that allow one group to pay less than another. It also means simplifying the individual tax code so that Americans can find better things to do with their time than fill out tax forms. Because unlike health reform, I think you would be hard-pressed to find any American who loves the tax code they have.”**

“I am pleased to join Senator Wyden in this bipartisan tax reform package. America’s fiscal house is on fire and it will take both reductions in government spending and a pro-growth agenda to put out the flames and restore our economy,” said Coats. **“By revisiting Ronald Reagan’s vision to reform and simplify the tax code, we can encourage job investment here at home, create more American jobs and make our country more competitive in a global market.**

“Every year, Hoosiers and Americans across the country spend far too much of their time and hard earned money trying to navigate the convoluted tax system,” added Coats. **“This proposal simplifies the tax process to a one-page form making it easier on working families.”**

For individuals: Wyden-Coats reduces the number of individual tax brackets from the current six to three: 15 percent, 25 percent, and 35 percent and eliminates the Alternative Minimum Tax completely. Middle-class and low-income taxpayers will benefit from Wyden-Coats’ near tripling of the standard tax deduction, which will not only reduce tax bills but relieve Americans of the stress and responsibility of maintaining the records and receipts needed to document itemized deductions. These simplifications alone will make it possible for most taxpayers to file a simple one-page 1040 form (<http://wyden.senate.gov/download/?id=8d0df94d-72ba-4f35-a2ac-cd570eff0b56>) that most Americans will be able to fill out in less than an hour. Moreover, by eliminating tax breaks and loopholes that allow some Americans to pay less than others, Wyden-Coats is able to hold down rates for everyone. According to the Tax Policy Center, (<http://www.taxpolicycenter.org/publications/url.cfm?ID=412098>) most families making up to \$200,000 a year will pay the same or less in taxes under Wyden-Coats than they do today.

For businesses: Wyden-Coats takes steps to level the playing field and make investment in the United States more attractive to businesses of all sizes. To encourage small business growth, more than 95 percent of small businesses – those with gross annual receipts of up to \$1 million – will be able to permanently expense all equipment and inventory costs in a single year. Wyden-Coats also makes American companies more competitive by reducing the top corporate tax rate and replacing the existing six corporate rates and eight brackets with a single flat rate of 24 percent. Currently, U.S. corporations pay the second highest tax rate among industrialized countries. Under Wyden-Coats, companies investing in the United States would pay less than they would in Canada, Germany, France and many other U.S. trading partners.

More than 6.3 million new jobs were created in just the two years that followed the 1986 tax reform. The Heritage Foundation predicted comparable results when it evaluated an earlier version of the legislation (<http://www.heritage.org/Research/Reports/2010/05/How-Wyden-Gregg-Tax-Reform-Proposal-Affects-Taxpayers-and-Economy>) which Wyden authored with former senator, Judd Gregg (R-N.H.). The Heritage Foundation found that the legislation would create 2.3 million new jobs a year for Americans while cutting the federal deficit by an average of \$61 billion a year. Similarly, the Manufacturers Alliance/MAPI published a paper (<http://www.mapi.net/MediaCenter/news/Lists/Posts/Post.aspx?ID=166>) concluding that such an approach would ‘create nearly two million jobs on a net basis and add an extra \$500 billion to GDP by 2015.’ The Alliance estimated that the revenue generated by that added economic activity could reduce the debt by \$1.2 trillion over the coming decade.

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