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Tax Simplification and Small Businesses

Max S. Baucus

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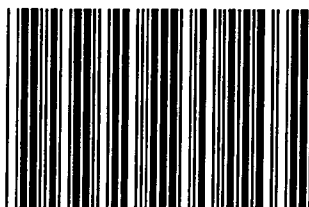
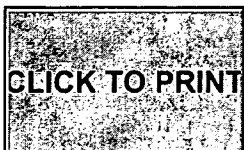
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(2) Subject* **Tax Simplification and Small Businesses**

DOCUMENT DATE*: **05/28/1985**

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* "required information"



BAUCUS

OPENING STATEMENT BY SENATOR MAX BAUCUS
TAX SIMPLIFICATION AND SMALL BUSINESSES
MAY 28 & 29, 1985

I WANT TO WELCOME YOU TO TODAY'S HEARING.

TAXES ARE AN AGE-OLD PROBLEM.

IT WAS PLATO WHO SAID "WHEN THERE IS AN
INCOME TAX, THE JUST MAN WILL PAY MORE AND THE
UNJUST LESS ON THE SAME AMOUNT OF INCOME."

THOSE WORDS SEEM TRUER TODAY THAN EVER
BEFORE.

ONCE AGAIN, CONGRESS IS RE-EXAMINING FEDERAL
TAX LAWS. AND ONCE AGAIN, PROPOSALS FOR REFORM
HAVE CAUSED QUITE A STIR.

TAX LAWS ARE TOO COMPLICATED. THE TAX CODE IS A 2,000 PAGE NIGHTMARE. TAX REGULATIONS ARE FIVE TIMES LONGER.

FOR EXAMPLE, THE RULES FOR THE INVESTMENT TAX CREDIT ARE 50 PAGES LONG.

AS ONE MONTANAN WROTE ME, "WHEN IT REQUIRES SEVERAL PAGES TO EXPLAIN HOW TO DETERMINE YOUR FILING STATUS," THE LAWS ARE TOO COMPLICATED.

TAX LAWS ARE UNFAIR. TWO PEOPLE, EARNING THE SAME INCOME, RARELY PAY THE SAME INCOME TAX.

DEDUCTIONS, CREDITS, EXEMPTIONS -- ALL ENCOURAGE PEOPLE TO SEEK NEW WAYS TO AVOID PAYING THEIR FAIR SHARE OF THE TAX BURDEN.

AND WEALTHY TAXPAYERS, WHO CAN HIRE EXPERTS TO DESIGN ELABORATE TAX SHELTERS, WIND UP AVOIDING A LARGE SHARE OF THE TAX THEY SHOULD BE PAYING.

THERE IS NO QUESTION THAT CONGRESS NEEDS TO OVERHAUL THE FEDERAL TAX CODE.

THE PRESIDENT'S TAX PROPOSAL IS WELCOME. I APPLAUD THE PRESIDENT FOR TAKING THE INITIATIVE, AND MAKING THE DIFFICULT DECISIONS NEEDED TO DRAFT SUCH A PROPOSAL.

NOW THE HARD JOB BEGINS. TODAY'S HEARING IS JUST THE FIRST STEP.

THE SENATE FINANCE COMMITTEE, ON WHICH I SERVE, WILL CONDUCT 40 DAYS OF HEARINGS. THE HOUSE WAYS AND MEANS COMMITTEE WILL DO THE SAME.

THEN THESE TWO COMMITTEES WILL BEGIN WRITING A TAX BILL.

THERE ARE A NUMBER OF QUESTIONS THAT WE MUST ANSWER. THE PURPOSE OF THIS HEARING IS TO BEGIN TO FIND ANSWERS.

WE NEED TO DECIDE:

1. SHOULD INDIVIDUAL TAX RATES BE "FLAT" SO THAT EVERYONE ABOVE THE POVERTY LEVEL PAYS THE SAME PERCENTAGE OF THEIR INCOME IN TAX. OR

SHOULD RATES BE PROGRESSIVE SO THAT WEALTHIER TAXPAYERS PAY MORE THAN MIDDLE AND LOWER-INCOME TAXPAYERS.

2. SHOULD CORPORATE TAX RATES BE FLAT. OR SHOULD SMALL CORPORATIONS BE TAXED AT LOWER RATES THAN LARGE ONE.

3. SHOULD TAX RATES BE INDEXED.

4. HOW SHOULD EARNINGS ON CAPITAL INVESTMENTS -- "CAPITAL GAINS" -- BE TAXED.

5. WHAT, IF ANY, TAX CREDITS, EXEMPTIONS AND DEDUCTIONS SHOULD BE KEPT IN THE CODE.

I AM PARTICULARLY CONCERNED ABOUT HOW TAX SIMPLIFICATION WILL AFFECT MONTANA'S BUSINESSES.

IN RECENT YEARS, WE HAVE USED THE TAX CODE TO STIMULATE NEW INVESTMENT, TO SPUR PRODUCTIVITY, TO STRENGTHEN BUSINESSES.

WE NEED REFORMS IN FEDERAL TAX LAWS. BUT WE MUST MAKE SURE THEY IMPROVE OUR ABILITY TO COMPETE IN INTERNATIONAL MARKETS.

WE NEED REFORMS THAT WILL MAKE US MORE COMPETITIVE -- AND THAT DON'T PENALIZE OR DISCRIMINATE AGAINST CERTAIN BUSINESSES.

THESE ARE SOME OF THE QUESTIONS THAT I HOPE WE CAN DISCUSS TODAY.

I WANT TO THANK THE WITNESSES FOR TAKING THE TIME TO APPEAR HERE TODAY.