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NEWS RELEASE

For Immediate Release
December 7, 2006

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Slaying the Monster **by Senator Larry Craig**

With the New Year approaching, many of us are focused on the holiday season. Time with families and friends and the blessings we have dominate our thoughts. However, many Americans are also thinking about their taxes. They are wondering how to maximize deductions and lower their tax liability: Should I marry before the end of the year or after, can I send in another mortgage payment, make more charitable contributions, or install a solar panel at my home? Am I going to be hit with the Alternative Minimum Tax?

Unfortunately, these are symptoms of a larger problem – our ailing tax code. And as we inch toward April 15, the need for reform is even more apparent. According to the Internal Revenue Service, in 2005, Americans spent approximately 6.4 billion hours preparing their tax returns and nearly \$265 billion in related compliance costs. Federal tax rules alone ink out nearly 66,500 pages, and there are 893 different forms Americans must wade through come Tax Day. The current tax system in America is clearly broken.

The tax code's purpose is simply to fund the federal government – but we've turned it into a system loaded with preferences, deductions, credits, exemptions, and other loopholes that cater to special interests and fail to treat all taxpayers fairly. When Americans file their returns, they should do so under a code that does not discriminate against them based on their income, the type of car they drive, or whether they own a home.

America's tax system is also putting our nation at a competitive disadvantage in the global economy. Nine nations in Central and Eastern Europe have enacted flat taxes. Georgia set the lowest individual flat tax rate at 12 percent, followed by Russia and Ukraine at 13 percent – while corporate tax rates ring in as low as 12.5 percent in Ireland. While these reforms are reviving economies and attracting unprecedented foreign investment, the United States has the highest corporate tax rate at 39.3 percent among all countries in the Organization for Economic Cooperation and Development (OECD). We need to catch up with beneficial trends.

The time for short-term and piecemeal fixes to the tax code has passed. Fundamental reform is the only thing that will effectively reintroduce fairness and simplicity into the system. Recently, I joined my colleague from the other side of the aisle, Senator Ron Wyden of Oregon, and 14 different policy groups to call for a major revision of our tax code. Although we have different ideas on how to do that, we agree that tax reform must be fundamental, and it must start now.

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I have long-believed that the best approach to reforming the tax code is through a flat tax. In May 2005, I joined Senator Shelby in introducing S. 1099, the Tax Simplification Act of 2005, which would set a 17 percent flat tax rate for everyone above a certain income level. Standard deductions would apply so that lower-income taxpayers would not be required to pay income taxes. For instance, married couples with no children earning under \$25,580 – or singles earning under \$16,330 – would not pay any taxes.

S.1099 is also family-friendly, providing a \$5,510 increase in the standard deduction for each dependent. In addition, the bill would allow Americans to file returns on a postcard-sized piece of paper, eliminate the double taxation on savings and investments, and level the playing field among taxpayers. No longer would some people avoid taxes because they could raise an army of lawyers, accountants, and lobbyists.

It's impossible to overstate the impact of a flat, consumption tax on our economy and global competitiveness. According to Harvard economist Dale Jorgenson, tax reform would catapult national wealth skyward by \$5 trillion. Additionally, American corporations, currently saddled with a 39.3 percent tax rate, would be more competitive against developing nations who keep tax rates low to encourage investment and growth.

The bottom line is that Congress has a created a monster. It is time for us to slay it and return to simplicity and fairness. The flat tax is the way to do it, and I hope we act before it is too late. We all know what happened the last time Americans got fed up with taxes.