



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Tax Reconciliation Conference  
Opening Statement of Chairman Grassley  
Wednesday, March 15, 2006

Well, we're finally here. After living through Groundhog Day, three times, we have moved on to the next step in the tax reconciliation process – the first meeting of the conferees from the House and the Senate to produce a conference report. To me, the objective of this conference is to produce a conference report that will pass both the Senate and the House and be sent to the President. To achieve that objective, we need to focus our efforts on a true, bipartisan, bicameral compromise. So, I say to my friend, Senator Baucus, the compromise must be bicameral. Likewise, I say to Chairman Thomas and the House conferees, the compromise should be bipartisan. In the Senate, we passed our reconciliation bill, for the second time, on February second with a bipartisan vote of 66 senators. I prefer to continue working in conference to produce a bipartisan compromise that can pass in the Senate.

The House bill and the Senate bill have significant differences. The centerpiece of the House bill is a two-year extension of the 15 percent maximum tax rate on dividends and capital gains, and the zero percent tax rate that will apply to taxpayers in the lowest two tax brackets. Such an extension would continue the bipartisan tax policy enacted in 2003 -- a policy which has been vital to our economy's recovery and continued growth. The centerpiece of the Senate bill is a one-year extension and modification of the AMT hold-harmless provision. This provision would keep 16 million American families from being hit by a "stealth" tax this year. Hitting Americans with a stealth tax is wrong. Clearly, the AMT should be abolished. At a very minimum, we should keep our promise to make certain that no additional taxpayers are brought into the AMT system on an annual basis. And that is the purpose of the Senate's hold-harmless provision.

The Senate bill also contains loophole closers and tax shelter fighting provisions that raise revenue, while the House bill does not. The two bills also share similarities. Both bills would extend, and in some cases modify, certain provisions that expired at the end of 2005 – provisions like the research and development credit.

To sum up, my goal for this conference is to produce a true bipartisan, bicameral compromise that merges both bills. A true compromise of this nature should do three things: (1) accommodate the centerpieces of each bill – AMT relief in the Senate bill, and dividends and capital gains relief in the House bill; (2) take care of the common extenders; and (3) maximize tax relief by using appropriate revenue-raising measures.