United States Senate
Committee on Finance

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Ranking Member

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Statement of U.S. Senator Chuck Grassley of Iowa
Ranking Member of the Committee on Finance
News Conference on the Alternative Minimum Tax
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Last Friday, November 9th, the House passed the Temporary Tax Relief Act of 2007. The purpose of the bill was to offer an AMT "patch" and extend certain expiring tax provisions. The House-passed bill was designed to prevent an AMT increase for at least 19 million families. While this action is six months later than the actions of previous Congresses on this issue, it is better than no action at all.

On October 30, 2007, the tax-writing committees' two chairmen and ranking members assured Secretary Paulsen and Acting Commissioner Stiff that they would work expeditiously to produce this legislation "in a form mutually agreeable to the Congress and the President."

This commitment is important because 23 million families could be facing an AMT tax increase, and another 27 million families could experience serious delays in refunds to which they are entitled.

The vote on November 9th proved the House-passed legislation to be agreeable to the House Democratic leadership. While the House legislation may be agreeable to some Senate Democrats, it is not agreeable to the House and Senate Republican leadership and the White House. In that respect, this legislation does not meet the goal its proponents claim to seek-a change in law to protect the almost 50 million taxpaying families and individuals in the upcoming filing season.

We have little time left. Congress can't delay further. This legislation is now at the Senate. I implore the Senate Democratic leadership to follow the standard laid out in the tax-writing committees' senior members' letter. I implore them to work with the Senate Republican leadership to change this legislation to a form that can be passed by the Congress and signed by the President. We need to put the needs of 50 million hard-working, taxpaying families and individuals above partisan politics.

Now, some here will ask about pay-go. From a policy standpoint, pay-go is supposed to be about fiscal discipline. The pay-go advocates are pursuing vetoed spending bills with the goal of $23 billion in additional spending. If the pay-go advocates prevail, several hundred billion dollars in new spending will be baked into the budget over the next 10 years. How can those same people propose to prevent an AMT tax increase on 23 million families only if an unrelated tax increase goes with it?

How can those same people impair the filing season for another 27 million families and individuals by insisting on revenues which were never intended to be raised in the first place? How can the pay-go advocates be so insistent on new spending and so unconcerned about working with Republicans to prevent an unintended tax increase and a flawed filing season? If you think about those three questions it leads to the big picture issue.

What do I mean big picture? I'm talking about how high taxes need to be to fund the government. Back in the early and middle part of this decade, the Democratic Leadership opposed the bi-partisan tax relief plans. The main reason for their opposition was their charge that the tax relief would gut the revenue base. Now, over the period, with these plans in full effect and the AMT held harmless, revenues have been coming in at levels above the historic average.

With the revenue base preserved, the Democratic Leadership have shifted their opposition to tax relief. The shift has occurred to new argument. They are insisting that maintaining a higher revenue base trumps the tax policy of remedying a flawed AMT. Put another way, the Democratic Leadership believes it is more important to raise revenue we did not intend to collect than to fix the AMT. They are willing to pursue legislation that the President will veto.

Chairman Charlie Rangel has done us all a service by putting out a tax reform bill. Over the long-term, Chairman Rangel's proposal is consistent with the Democratic Leadership's insistence that no AMT relief will occur unless the unintended revenue bonanza is preserved. As the Joint Committee analysis showed, Chairman Rangel's proposal means a record tax increase in 2011.

So, over the long-term, the Democratic Leadership's objective is clear: no AMT relief unless that unintended revenue is preserved. It's not about preserving a reasonable tax base. It's about insuring that the Federal revenue base is taking record levels of GDP. Elite opinion makers on the left have made this objective clear.

Take a look at this *New York Times* editorial of October 22, 2007. Focus on the third sentence. It says: "This country's meager tax take puts its economic prospects at risk and leaves the government ill-equipped to face the challenges from globalization."

The *New York Times* and Chairman Rangel's proposal are transparent in their primary objective. That is, insure that the Federal government's tax base is at record levels.

Many of the members on the other side are using pay-go as a smoke screen for this objective. They now rely on pay-go as cover to keep revenue we did not intend to collect. They rely on pay-go as rationale to insure that the future tax base will be at record levels. Their insistence on prioritizing unintended revenues over enactment of an AMT patch makes the point very clear.

Let’s focus on helping the taxpayer by getting an AMT patch bill done in a way that the President can sign. Let’s have the larger debate about the tax system in a more transparent manner, as the New York Times and Chairman Rangel have done. Let’s look behind the pay-go smoke screen and have an open debate about the real issue. The real issue is whether we need a tax system that collects amounts far in excess of the historic average. But let’s have that debate after we’ve taken care of business and passed an AMT patch that will gain a super-majority in the Senate and be signed by the President. I want to work with the Democratic Leadership to produce AMT patch legislation that will garner a super-majority in the Senate and a Presidential signature.

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Late Edition - Final
A Dearth of Taxes

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President Bush considers himself a champion tax cutter, but all the leading Republican presidential candidates are eager to outdo him. Their zeal is misguided. This country's meager tax take puts its economic prospects at risk and leaves the government ill equipped to face the challenges from globalization.

According to a report from the Organization of Economic Cooperation and Development, a think tank run by the industrialized countries, the taxes collected last year by federal, state and local governments in the United States amounted to 28.2 percent of gross domestic product. That rate was one of the lowest among wealthy countries -- about five percentage points of G.D.P. lower than Canada's, and more than eight points lower than New Zealand's. And Danes, Germans and Slovaks paid more in taxes, as a share of their economies.

Politicians on the right have continuously paraded the specter of statism to rally voters' support for tax cuts, mainly for the rich. But the meager tax take leaves the United States ill prepared to compete. From universal health insurance to decent unemployment insurance, other rich nations provide their citizens benefits that the United States government simply cannot afford.

The consequences include some 47 million Americans without health insurance and companies like General Motors being dragged to the brink by the cost of providing workers and pensioners with medical care.

President Bush and his tax-averse friends extol the fact that the tax haul has risen over the past two years as evidence of the wisdom of his tax cuts. But if anything, the numbers underscore the economy's weaknesses -- mainly its growing inequality.

Indeed, the growth in tax revenue since 2004 is due mostly to the spectacular increase in corporate profits, which have grown at the expense of workers' wages. Moreover, it's proving ephemeral. As economic growth has decelerated, corporate profits are losing steam and the growth of tax revenue has begun to slow. This pretty much guarantees that the revenue will prove too low to face the challenges ahead.