



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Chuck Grassley
"Preserving and Protecting Main Street USA"
Wednesday, March 28, 2001

Senator Baucus and I have called this hearing to focus on an issue on which Republicans and Democrats all agree -- the importance of tax relief for small business and farmers.

There can be no doubt taxes are at record levels. According to the Congressional Budget Office, total federal taxes consume 20.6 percent of GDP. Since 1993, individual income taxes have doubled in the amount collected and are at an all-time high of 10.2 percent of GDP.

These record levels of taxes are a problem for everyone -- workers, investors, and businesses -- both large and small.

All across America, the problem of high federal taxes is evident. Wall Street measures the economic slowdown by high-tech stock prices. Main Street uses the number of farmers buying equipment at the local dealer or taking out loans at the community bank. Both measures are important, but only one of them leads to farm auctions and empty storefronts. To get the economy back on track, we have to visit both Wall Street and Main Street. Today, we look at Main Street.

A significant portion of that record tax burden is borne by small business and farmers. These are the taxpayers who do business on Main Street. Farmers and small businesses rarely do business in the conventional corporate form. Most farms and small businesses are owned by sole proprietors, partnerships, or Subchapter S corporations. That means farmers and small business folks' taxes are paid with their 1040.

Ask any farmer why he or she should pay 39.6 percent versus 35 percent paid by Fortune 500 companies.

Now, President Bush's plan, which cuts marginal individual income tax rates, will greatly help farmers and small businesses. That's just one of many reasons to support the President's plan. If the President's plan were in effect, farmers and small businesses would pay a lower marginal rate than the Fortune 500.

In addition to marginal rate cuts, there are many tax problems faced by Main Street businesses that we will look at in today's hearing. We will explore multiple topics, such as expensing and accounting methods, and differing income tax treatments for the various business choices made by small business and agriculture. We will examine several legislative proposals designed to address tax problems faced by small business and farmers.

In a previous hearing I laid out three principles I plan to use in designing tax legislation: efficiency, equity, and simplicity.

On the first, efficiency, we must make sure that we change the tax code in a way that grows our economy. Small businesses and farms are a key to jobs and growth. We should ensure that the tax system does not strangle this important part of our economy with irrational rules.

My second principle is equity or fairness. I want to make tax policy changes that address inequities in the tax code. There are many inequities in the code, some that hit small businesses and farmers hard, and we will hear about some of them today.

My third principle is simplicity. Everyone who fills out a Form 1040 knows about the complexity of the tax code. All across this country, Americans are dealing not only with the burden of paying federal taxes, but the added burden of tax complexity. Our witnesses today will address those complexities that specifically affect small businesses and farms in the Internal Revenue Code.