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Wyden Statement at Finance Hearing on Lessons from Tax Reform Act of 1986
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If there's one obvious similarity between 1986 and today, it's that people are quick to say tax reform is impossible. They say Congress can't organize a two-car parade – there's no way they can come together on major economic legislation. So what happened three decades ago will need to happen again: turning the impossible into the possible.

Congress and President Reagan came together to pass the 1986 Tax Reform Act based on what I call principled bipartisanship. One side wanted to flatten the tax structure. The other side wanted to close loopholes and guarantee the tax code treated everyone fairly. So they set aside the partisan attacks, looked for common ground, and each side came away with the feeling that it had upheld its principles.

When President Reagan signed the bill into law, he called it an "historic overhaul of our tax code and a sweeping victory for fairness." He continued, "...it's also the best antipoverty bill, the best pro-family measure, and the best job-creation program ever to come out of the Congress of the United States." Those same objectives should guide the committee and Congress as it again works to modernize our tax system. Reforming the tax code is always a herculean task, but the same strategy of principled bipartisanship can work again today. Congress can turn the impossible into the possible.

However, policymakers need to recognize that the process will look different. Not every part of a 30 year-old game plan for tax reform can work today.

China and India are now superpowers in the global economy, which is a much bigger factor in reform. The gulf between wage earners and the top of the income ladder has widened. And America is at its best when a rising tide lifts all boats, and it should be obvious that making that a reality once again will take work.

The status of the middle class in Oregon and across the country is at the top of the list of compelling issues for tax reform to address. It is fundamentally unfair that a middle-class wage earner could pay a higher tax rate than an affluent person whose earnings come entirely from investments. The tax code should never punish wage earners. And many tax incentives for college education and retirement savings are out of whack. The support those incentives provide doesn't always get to people most in need, and that ought to change.

Another challenge is making the U.S. more competitive in the global economy. Today, the U.S. is trying to win a road race in a thirty-year old car. Our competition, meanwhile, is trading up to more efficient models. America has not done enough to drive innovation at home, and worse, the tax provisions for R&D expire year after year.

In 1986, there wasn't a lot of talk about the tax code and a clean energy future in the United States. That has to change.

And finally, modernizing our tax code must be done in a fiscally responsible way. Tax reform cannot become an exercise in slashing rates at any cost.

The biggest lesson from 1986 is that tax reform is possible when Democrats and Republicans set partisanship aside, come together and focus on shared principles. Over the years, I've talked with Senator Bradley about how tax reform is totally, entirely, completely impossible – right up until it happens. The Finance Committee has two experienced, knowledgeable witnesses who will help us get closer to that point today.

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