



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

Note: Sen. Chuck Grassley, chairman of the Committee on Finance, today is submitting this statement into the Senate record.

Floor Statement of
Chairman Chuck Grassley
Commemoration of Tax Freedom Day
Thursday, May 3, 2001

Mr. President, I rise today to apprise the Senate of a very distressing development. Today marks "Tax Freedom Day" – the day when Americans will finally have earned enough money to pay off their tax bills for the year.

This year's Tax Freedom Day marks the longest period Americans have ever had to work to pay their taxes. It is astounding that every hour worked since the beginning of this year will go solely to pay America's tax bills.

The average American is shouldering a heavier tax burden than ever before.

This year, Americans will work longer to pay for government than they will to pay for food, clothing and shelter combined.

Congress has got to put a stop to this. I am pleased to report that Senator Baucus and I, and the other members of the Senate Finance Committee, are right now working on a tax cut bill that will provide a real reduction in income taxes.

With \$1.35 trillion, we can now produce income tax cuts large enough that working Americans will actually see a difference in their paychecks.

So what has caused the lengthiest Tax Freedom Day in our nation's history?

It was the Federal individual income tax increases enacted in 1993. And here is the proof.

The Tax Foundation is the nonpartisan, nonprofit policy group that calculated today's Tax Freedom Day.

The Tax Foundation's analysis shows that the Federal tax burden grew by 14 days' of pay between 1992 and 2001.

That means that because of the 1993 tax increases, Americans now have to work an additional two weeks just to meet their Federal tax burden. That's equal to some Americans' vacation pay!

In stark contrast, the Tax Foundation says state and local tax burdens remained virtually unchanged during this period. So the culprit in creating the longest Tax Freedom Day in history is the Federal government.

The biggest source of Federal revenue is the individual income tax.

As this chart shows, over the past decade Federal tax collection levels for payroll taxes, corporate taxes, and all other taxes have been relatively stable. Collections of individual income taxes, however, have soared.

As the chart shows, in 1992, tax collections from individual income taxes were 7.7 percent of our Gross Domestic Product.

That percentage has risen steadily each year and as of the year 2000, it was an astounding 10.2 percent of GDP.

Individual income taxes now take up the largest share of GDP in history.

Even during World War II, collections from individuals were 9.4 percent of GDP, nearly a full percentage point below the current level.

The source of the current and projected tax surpluses is from the huge run-ups in individual tax collections.

And that has given us the lengthiest Tax Freedom Day in our nation's history.

Yesterday, the members of the Finance Committee met informally to discuss what everyone thinks should be in the tax cut package.

I think there was a nearly unanimous agreement that individual income tax rates are simply too high.

Senator Baucus and I are working hard to put together a bipartisan tax cut package. I ask members of the Senate and the American public to support our efforts.

Our quest for real tax rate reduction is sincere and urgent.

With an uncertain economy and excessive Federal tax collections, America needs action and it needs it now.

American taxpayers expect us to deliver tax relief and we must not fail them.

As I stand here today, I pledge to you that as chairman of the Senate Finance Committee, I will do everything in my power to ensure that next year's Tax Freedom Day will not mark the longest period Americans have to work to pay their taxes.

And I am confident that my Democratic colleagues will join us in supporting this goal.