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Floor Statement of Senator Chuck Grassley:  
Should we prevent a tax hike on the American people?  
Delivered Wednesday, Feb. 28, 2007

Mr. President, we are in the budget season. The President sent his budget up to Capitol Hill about a month ago. In a few days, the Senate Budget Committee will be marking up a budget resolution. At a minimum, that resolution will lay out the fiscal priorities for the next five years. As everyone knows, the American People spoke last November and sent a Democratic Majority to both Houses of Congress. For the first time in 12 years, Democrats will take the initiative on our budget.

As Ranking Republican on the Finance Committee and a senior Republican on the Budget Committee, I am eager to see the direction the Democrats want to take us on fiscal policy. There are a lot of questions out there. What will be their plan on pay-go? With spending at higher than average levels of our economy, what kinds of spending discipline will they show? On the revenue side of the ledger, will Democrats look to prevent a tax increase on virtually every American taxpayer a few years down the road, or will they, without a vote, set in motion the largest Federal tax increase of all time?

Over the next few days, I'm going to be talking about the tax issues, topic by topic, that will come up as we process the budget.

The topics I'll hit are:

1. The importance of preventing a tax hike on virtually all American taxpaying families and individuals – that's today's topic;
2. The negative economic consequences of sunseting the bipartisan tax relief plan;
3. A review of Democratic tax increase offset proposals with a specific focus on the limits and problems associated with those tax increases;
4. A focus on one particular ill-defined but often mentioned offset: reducing the tax gap; and

## 5. Tax reform and simplification – its necessity and bipartisan opportunities to do so.

These discussions are meant to be about the revenue side of the budget. But before we get into them, I'm going to issue a challenge to my friends on the other side of the aisle. It's a challenge I've made over the last few years. It's in the context of intellectually honest budgeting. It's also in the context of the bipartisan record of the Finance Committee on tax policy over the last few years. That record shows about \$200 billion of revenue raisers from anti-tax shelter measures and corporate loophole closers. So, when I hear from these self-styled deficit hawks or media that are sympathetic to their view that we need high taxes to reduce the deficit, I feel like the Finance Committee has anteed up in terms of producing revenue raisers.

Here's my challenge. Listen up. Anybody on the other side who considers themselves a deficit hawk needs to prove it on the spending side. Show me a spending restraint proposal for deficit reduction. All I'm asking for is one proposal. Just one. I issued that challenge several years ago and have issued it repeatedly. No one from the other side has stepped up. You can look and look and look and you won't find a proposal.

All of those liberal think tanks that oppose tooth and nail any kind of tax relief are usually advocates of spending increases. All of this under the guise of fiscal responsibility. You won't find any proposals to restrain spending from these liberal think tanks. If you look at the media sources that are sympathetic to the views of the Democratic leadership or the liberal think tanks, you will find hard-line opposition to tax relief and lots of tax increase proposals, but likewise, no proposals to reign in spending. They will claim the mantle of fiscal responsibility, but won't show anything on the spending side other than spending increases.

For these folks, when it comes to deficit reduction, there is only one side to the Federal ledger, the tax side. We have a Federal government that is projected to spend \$2.7 trillion for this fiscal year alone and is projected to spend \$33.7 trillion over the next 10 years. Yet the Democratic Leadership, liberal think tanks, and media sympathetic to their views can't find a dollar of savings on the spending side.

To these folks, with all due respect, I'm calling you out. You won in November. The Congress is in your hands. Let's see some credibility on the spending side of the ledger. Show the taxpayer the money. Show me a proposal to restrain spending and put it to deficit reduction. Now, after that preliminary point, I'd like to move to talk about preventing tax hikes. This same group's position on current law tax relief is radically different than its position on spending restraint.

Back in 2001 and 2003, Congress approved and the President signed legislation that provided across-the-board tax relief to nearly every American taxpayer.

The Democratic Leadership, liberal think tanks, and sympathetic East Coast media criticized the tax relief on a couple of grounds. One charge was that the tax relief was a tax cut for the rich. The other charge was that the bipartisan tax relief was fiscally irresponsible. Non-partisan Joint Committee on Taxation distribution tables put the lie to the first charge. The record levels of revenue show that the growing economy and economic stimulus from the tax relief bettered the nation's fiscal situation.

This debate on preventing tax increases is often couched only in macro-economic terms. You will only hear what it “costs” to extend bipartisan tax relief. You will hear big numbers. For instance, the Joint Committee on Taxation projects that the revenue lost from making the bipartisan tax relief permanent is \$1.9 trillion over 10 years. That’s the way that the Democratic Leadership, liberal think tanks, and sympathetic East Coast media will define proposals to prevent a tax hike. You won’t see them talk about the number of families that benefit from an extension of the \$1,000 child tax credit. Or you won’t see these folks talk about the number of married couples that benefit, or the average family’s benefit, from marriage penalty relief.

Today, I’m going to take a few minutes and shed some light on this side of the debate about extending bipartisan tax relief. Lord knows there’s not much light shed on these important facts.

So, I’ll acknowledge the critics’ point on the macro “cost” of extending tax relief. But, keep in mind a liberal’s tax relief cost is a conservative’s tax hike when you’re talking about extending current law. They are the two sides of the same taxpayer’s coin. So, I’ll agree to the number, but call it a \$1.9 trillion tax increase.

So I’m going to follow the Democratic Leadership’s plan and dismantle the bipartisan tax relief package bit by bit. I’m also going to challenge the Democratic Leadership to show us the money by indicating whether they want to scrap each piece as I move through the package. Which pieces would they scuttle? I’ll work through the bipartisan tax legislation piece by piece.

Let’s start with the basis for the 2001 bipartisan tax relief package. That is, the new 10% bracket. The revenue loss for this part of the package is \$299 billion over 10 years, according to the Joint Committee on Taxation. The 10% bracket is a huge piece of the tax relief. And no wonder, 100 million families and individual taxpayers benefit from it. Don’t think anybody wants to dismantle that piece, but let’s hear from the Democratic Leadership.

Where do we go next? The marginal tax rate cuts, which include the 10% bracket, lose \$852 billion over 10 years according to the Joint Committee on Taxation. That proposal reduces the taxes of approximately 100 million families and individuals across America as well. It appears some folks think 35% is too low a top rate. Well, guess what? Repealing the marginal rate cuts hits small business—the biggest source of new jobs—the hardest. The Treasury Department estimates that 33 million small business owners who are taxed on their business income at individual rates benefit from the marginal rate cuts. Repealing these cuts would cause 33 million small business owners to pay a 13% penalty. Do the Democratic Leaders want to raise taxes on these taxpayers?

Treasury also projects that small business gets over 80% of the benefits of the cut in the top two rates. Do we really want to raise the tax rates of small business by 13%? Does that make any sense? Democratic Leadership, what do you say?

How about the death tax relief package? The Joint Committee on Taxation scores that package at \$499 billion over 10 years. Most of the revenue loss is attributable to increasing the exemption amount and dropping the rate to 45% on already taxed property. Is it unreasonable to provide relief from the death tax? Or, should we raise the death tax on small businesses and family farms? That’s

what will happen if the bipartisan tax relief package is not extended. Democratic Leadership, what is your take?

Do the opponents want to repeal the proposal to double the child tax credit? 31.6 million families benefit from the child tax credit, according to the Joint Committee on Taxation. Or how about the refundable piece that helps 16 million kids and their families? That proposal loses \$135 billion over ten years. Don't think we'd have a lot of takers on that one. Democratic Leadership, do you agree?

How about the lower rates on capital gains and dividends? 33 million Americans, a good number of them low income seniors, benefit from the lower tax rates on capital gains and dividends according to a Joint Committee on Taxation estimate. Does the Democratic Leadership think we should raise taxes on these 33 million families and individuals?

On a side note, in another speech, I'll be talking about a worrisome Goldman Sachs economic report on the adverse economic effects of failing to extend the lower rates on capital gains and dividends.

Let's take a look at the marriage penalty piece. It's the first marriage penalty relief we've delivered in over 30 years. The Joint Committee on Taxation scores this proposal at \$52 billion over 10 years, and Treasury estimates that in 2004, nearly 33 million married couples benefited from this tax relief. Again, don't think many folks would want to raise taxes on folks because they decide to get married. Democratic Leadership, do you agree?

Another proposal is expensing for small businesses. This is a common-sense bipartisan proposal. According to IRS Statistics of Income, 6.7 million small businesses across the country benefited from this expensing provision in 2004. If we don't make it permanent, small businesses face a tax increase of \$19 billion over 10 years. Does the Democratic Leadership think small business expensing is unwise tax policy?

Continuing on through the bipartisan tax relief package, let's take a look at the education tax relief provisions. This package, which will help Americans deal with college education costs, scores at \$12 billion over 10 years according to the Joint Committee on Taxation. IRS Statistics of Income shows that nearly 16 million families and students benefited from this tax relief in 2004. In this era of rising higher education costs, should we gut tax benefits for families to send their kids off to college? Does the Democratic Leadership think that's the way to go?

Finally, families where both parents work have to deal with child care expenses. The tax relief package includes enhanced incentives for child care expenses. 5.9 million families across America benefit according to the Joint Committee on Taxation. Does the Democratic Leadership think we ought to take away these child care benefits?

Now, I've just taken you through about \$1.9 trillion of tax relief. It sounds like a lot in abstraction, but it provides relief to every American that pays income tax. I'd ask any of those who want to "adjust" or "restructure" the bipartisan tax relief, where would you cut the package?

Would you hit the 10% bracket, or small business tax relief, or the now refundable child tax credit,

or the death tax relief, or marriage penalty relief, dividends and capital gains relief, education tax relief, or child care tax relief?

In a recovering economy, with above average levels of individual income tax, as a percentage of the GDP, even with the tax relief package in place, which area would you “adjust” or “restructure”?

Why undo a bipartisan tax cut that make the tax code more progressive?

Mr. President, as folks on both sides of the aisle say, budgets are about priorities. As the Democratic Leadership draws up its budget resolution, we’ll hear a lot of talk about a big number for extending tax relief. It is a big number. It is the biggest tax increase ever and it’s going to affect nearly every American taxpayer. And, if the Democratic Leadership decides to propose the biggest tax increase in history in the name of deficit reduction, I’ll be looking for that single dollar of spending restraint. Maybe we’ll see it. Maybe we won’t. Time will tell.

I yield the floor.