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## **Wyden Statement at Finance Hearing on Fairness in the Tax Code**

### **As Prepared for Delivery**

If there's a common economic theme to take away from the town halls and meetings I hold in Oregon, it's that people feel stuck. They worry about being able to afford necessities like childcare and college tuition. They say they're struggling to make ends meet, and they're unable to save.

The fact is, people fear more than a daunting climb up America's economic ladder of opportunity. They fear losing hold of the rungs and sliding back into hardship. And the numbers show why. For fifteen years, America's middle class has been shrinking for the wrong reason. People are falling out of the middle class, not moving upward.

No single piece of legislation will turn that around, but in my view, tax reform can help. As deeply flawed as the tax code may be, it reflects many of the country's most significant economic goals. There are policies designed to spark innovation and investment and help create high-wage, high-skill jobs. There are policies that fund our safety net, health care, and social security programs. Most importantly, there are policies that help hard working people grab the rungs and climb America's economic ladder.

So the challenge of tax reform can go one of two ways. The first option is to forget those important goals and make lowering rates the overriding objective. But that would leave the middle class hanging without the means to achieve the American dream of owning their home, save for a secure retirement and see their kids achieve a better future. The better option is to fix the tax code and accomplish our goals more effectively – to build a stronger economy and help more Americans climb the economic ladder.

That's the option I prefer. It's the fairest route to a smarter and more efficient system. An unfair tax reform plan would risk heaping a new burden on people who are already struggling to get ahead.

Recently, there has been discussion that not enough people are pitching in and paying taxes. It focuses on Americans of modest means who aren't hit by the income tax. Let's unpack that for a moment and think about a young veteran just coming home from serving our country overseas. Let's say for the sake of discussion that this vet has health problems, and as soon as he gets home, the bills start piling up.

He's fighting against a current that's forced a lot of vets into extreme hardship – some have even wound up sleeping in the woods in Oregon. But he's doing his best to grab the rungs and climb the economic ladder, and he's certainly chipping in by paying excise taxes. When he finds a job, at a minimum, there are payroll taxes. That vet's doing his part. And one of the tenets of the income tax has always been that it's paid by people who can afford it.

So to build a fairness agenda in tax reform, let's look back at how the last overhaul worked. The day President Reagan signed the '86 Tax Reform Act into law was a landmark day for fairness. President Reagan celebrated the fact that reform spared six million Americans from having to pay any income taxes. Six million! President Reagan called it, "...the best jobs creation bill, the best antipoverty legislation, and the best pro-family legislation the U.S. Congress has ever produced."

So let's try to meet the standard of fairness President Reagan set. I want to hone in on two important things the '86 act did, both of which should happen again. First, it gave fair treatment to wage earners, instead of punishing them by taxing their income at higher rates than others. And second, it cracked down on tax cheats who pry open loopholes and skirt their responsibilities.

Today I'm releasing a report that sheds light on some of the most egregious tax loopholes around. "Wash sales" and "options collars" disguising income – "swap contracts" shielding gains. Sophisticated taxpayers are able to hire lawyers and accountants to take advantage of these dodges, but hearing about these loopholes must make middle-class taxpayers want to pull their hair out.

For people having a hard time or just making their way as best they can, it must feel like the tax system is rigged to make the other guy's climb up America's economic ladder easier than theirs.

The 1986 Tax Reform Act went a long way to changing that, and the Senate version of that bill passed with 97 votes. That's a bipartisan route that Congress should take again: A tax reform plan built on fundamental fairness that makes it easier for everybody to climb America's economic ladder of opportunity. I look forward to discussing that with our witnesses here today.

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