



**RANKING MEMBER DAVE CAMP
COMMITTEE ON WAYS AND MEANS
REMARKS AS PREPARED BEFORE THE TAX COUNCIL**

TUESDAY, NOVEMBER 16, 2010

It has been a tough couple of years for the economy at large and for American taxpayers ó individuals, families and employers alike. Since January of 2009, we've seen enacted into law:

- A surtax on future investment income such as interest, dividends and capital gains;
- An increase in the Medicare payroll tax;
- Higher taxes for American employers with worldwide operations, often appearing in bills with little notice and no opportunity for affected companies to have serious concerns addressed;
- Higher tobacco taxes; and
- Larger tax and penalty burdens, from increased 1099 reporting requirements to the costly new individual and employer mandates under the health law.

Those are just a sampling. I could easily list every single one of the nearly \$700 billion in tax increases that have been signed into law in the last two years alone, but, frankly, you know what they areí and, to be honest, I'd run out of ways to say õhigherö and õlargerö and õjob killingö if I had to list all of them.

And, that pales in comparison to the \$3.8 trillion tax increase that is in store for the economy on December 31st of this year ó just 45 days from now ó if the current Majority fails to extend the lower rates on income, dividends and capital gains for all taxpayers.

Thus, it is not surprising that much of the talk these days is about whether Congress and the White House will reach agreement on preventing all income tax rates from increasing on January 1.

Frankly, it is ridiculous and irresponsible for this problem to have lingered this long. The continued practice of dealing with expired and expiring tax policies after the leaves have begun to fall isn't fair to taxpayers and doesn't inspire much confidence in Washington.

We need to act quickly to address these issues. The IRS, as Max Baucus, Chuck Grassley, Sandy Levin and I noted last week, needs time to program its computers for the eventual AMT patch. And the IRS ó along with employers ó needs guidance about how withholding tables will change on January 1.

So a top priority during the Lame Duck must be to resolve these outstanding issues. But we must do so in the right way.

I am pleased the White House seems to have given up on the idea of letting taxes go up on some taxpayers, including many of the most successful small businesses. That is certainly a refreshing change from their stance for the last two years.

Their plan to do so by "decoupling" the rates, providing a longer extension for some than for others, however, is a terrible idea and a total non-starter. The goal, quite clearly, will be to set up a debate in a few years on extending ONLY the top tax rates. We would be foolish to fall for it. If that is the price the current Speaker will ask us to pay for extending the rates this year, then I think this issue will end up getting kicked into next year. And if that happens, I plan to send to the Senate ó a bill that contains no such decoupling but extends all of the tax rates. Period.

This discussion, over how and when Congress resolves these issues, misses the point. We have much larger issues to contend with. Both the current tax code and the even higher levels of taxation proposed by those who want the government to spend even more are ruining our economy. That means American employers are not competitive in an increasingly crowded global economy where capital is mobile. The uncertainty in the tax code has forced many businesses to sit on cash instead of investing it in new plants or equipment, leaving Americans without the jobs they need.

America is at a crossroads, and the fundamental hope and promise of the American Dream is at stake. As I travel around my district and visit families and employers in Michigan, and all across the country, there is a look of concern and doubt I have never seen before. The confidence is gone, and people are no longer sure that they will leave their children and grandchildren a better world than the one they inherited.

We all share the blame. We let spending get out of control, and that problem has only grown significantly worse in the last two years. Those who subscribed to the view that "you never let a serious crisis go to waste" used these events to wrongly justify a further and massive expansion of the federal government that not even \$700 billion in tax increases could cover.

But we must admit that not all of that spending has been through increased appropriations or expanded entitlements; much of it has been through the back-door proliferation of "tax expenditures" or provisions that technically reduce someone's tax liability, but that in reality amount to spending through the tax code. Indeed, even before the ink was dry on the Tax Reform Act of 1986, Congress once again began rewarding good and worthy industries, as well as certain noble behaviors and socially desirable activities. It was done by carving holes in the tax code that have not only distorted economic decision making, but have also, perversely, pushed the lower rates achieved in 1986 higher and higher at the expense of economic growth.

Bound by the constraints of Washington's budgeting rules, many of those provisions were made temporary. So we became foolishly dependent on annual extensions to create the illusion of a stable tax policy. And that was OK, because for many years, tax policymakers viewed the yearly extenders package as an "engine" that could help pull other must-pass legislation over the finish line. That myth has been shattered in the last two years. The extenders have become less of an engine that could and more of an anchor, particularly as the current majority demands permanent tax increases in exchange for a temporary extension of these now expired provisions.

We all share the responsibility for getting America and her government back on track. The spending must and will come down.

Some have suggested that getting our deficit under control will take both spending cuts and more tax increases. Let me be clear in saying that Washington doesn't have a revenue problem. It has a spending problem.

It is true that, in the last couple of years, a deep recession and a slow recovery have pushed revenues well below historic levels. But if we do nothing to current law or such as preventing the massive tax hikes coming in January or revenues are projected to quickly soar to levels that have never been sustainable in this nation, and I very much worry that the result will be to slow the economy.

And while we can look around the world and see that higher taxes to support more and more government doesn't work, there are still those on the other side of the aisle who continue to push for even more taxes, more of the people's money to feed the beast. If the 2001 and 2003 rates expire or and if the new health care law takes full effect or the top individual tax rate will rise above 40 percent, capital gains taxes will surpass 25 percent and the effective tax rate on dividends will more than triple today's 15 percent. The death tax next year will consume more than half of some estates.

Thus, one of my top priorities in the next two years will be to make sure taxes do not go up.

But that doesn't mean I intend to leave the tax code unchanged. It is my hope that the Congress will work with the President to find a way to provide the certainty and the fairness in our tax code that families deserve and employers require to grow.

You have heard politicians on the right and the left, and even former Ways and Means chairmen, talk about tax reform before. Some of you may have tried to help in those efforts, even as most of the tax policy fights in Washington were about who was going to be able to add what new hole into the Swiss cheese that is the U.S. tax code.

What we need is a comprehensive reform of the tax code that expands the tax base and lowers rates. The Co-Chairs of the President's Fiscal Commission recently offered some suggestions. Tax reform is an important part of deficit reduction because while an efficient tax code can ensure the government has the money it needs with as little drag on the economy as possible, a broken tax code that impedes growth will fail to generate sufficient revenues even if spending is cut dramatically. As the Fiscal Commission continues its work, however, I want to make clear that I do not and will not support a higher level of taxation to sustain a permanent and higher level of spending.

In our nation's recent history, federal revenues have equaled or exceeded 20 percent of GDP only three times – the last two years of World War II and in 2000 (which was spurred by a temporary and three-fold increase in capital gains revenues associated with the tech bubble). In fact, in most of the years we have run surpluses in this country, tax receipts have been below 19 percent of GDP. The notion that we must raise taxes to solve our debt and deficit problems is just wrong. The American people know it, I know it, and it is time Washington learns it.

Washington has turned into its own Little Shop of Horrors with Congresses past and present screaming “feed me.” Well, on Election Day, the people delivered a message – NO MORE.

I heard that message loud and clear, and I welcome it. With the gracious support of the voters in my district and that of my colleagues in the Republican Conference, I will be the next Chairman of the Ways and Means Committee and I mean to find a way to restore the sanity and simplicity, as well as the fairness and “flatness” to the tax code that will allow families to thrive; allow small businesses to become big businesses; and, allow America to remain the economic envy of every nation.

Yes, I aim to launch and fight the tax reform battle once again. And, I am well aware that this might ruffle those who have used the tax code to benefit particular industries or activities at the expense of economic efficiency, simplicity, and fairness. The tax code should collect the revenue the government needs as efficiently as possible. It should not be a tool of industrial policy. I recognize that progress in this direction will not be easy. But what Washington needs to understand is that the American people are demanding action, and, more importantly, they are demanding results.

Here are my principles of reform: fairer, simpler, and conducive to growth. While I don't think the following questions are necessarily exhaustive – and of course they can sometimes lead to conflicting answers – they are the kinds of questions Washington needs to be asking:

Is the code simple enough for families and employers to allow for the efficient collection of necessary revenue or does complexity drive rates even higher and discourage productive economic activity?

Does the tax code create the incentive for companies to spend vast sums on creative tax planning rather than on growing and creating jobs?

Is the code reasonably flat or does it have a seemingly ever escalating number and level of rates that discourage work, savings, and investment?

Does the tax code try to dictate social and economic behavior by individuals Washington deems important by offering financial rewards or penalties in the tax code?

Does the tax code level the global playing field for American employers, or does it put endless obstacles in front of them?

Does the tax code treat employers and industries fairly or does it favor those who happen to be in fashion in Washington?

Some have used the term "crony capitalism." While I did not coin the phrase, I want to end it. Politics and politicians should not choose the industry of the day; that is the job of our private economy as driven by the spirit of the American people and a nimble free market.

These are some of the questions I intend to ask. If we answer them correctly and then act on those answers, we will set the stage for strong, sustainable economic growth in the short term and the long run. If families and employers are unimpeded by a cumbersome and excessively complex tax code, not only will we earn the trust of the American people, we will help restore the hope and promise of the American Dream.

Yes, it is a big challenge, but as I have learned, big challenges can lead to big success.

I look forward to working with you on these efforts.

Thank you, and may God bless America.

###