



United States Senate
WASHINGTON, DC 20510-0905

BILL NELSON
FLORIDA

July 26, 2013

The Honorable Max Baucus
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Orrin Hatch
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Hatch,

I support the process you outlined in your June 27 letter, which includes a blank slate approach that was advocated for by the Simpson-Bowles Commission. Starting this process with a blank slate creates an environment in which we can talk honestly about how to move the country forward on issues ranging from economic growth to fiscal responsibility. That means getting rid of special interest tax breaks and corporate subsidies.

If successful, the revenue we could gain from closing some of these tax loopholes would actually allow us to lower the tax rates for individual Americans as well as corporations, while still paying down our nation's debt. In terms of specifics, I've been outspoken on a few, and intend to offer others throughout this process.

Over time Congress has inserted provisions in our tax code to benefit different interests or to achieve certain policy goals that could not otherwise be achieved through direct spending. Tax breaks we choose to provide in our tax code are seen as an indicator of our nation's social conscience. And that being the case, shouldn't our tax code be more focused on the average working American, instead of the powerful special interests?

Most of the special interest tax breaks we currently have in our code have turned into nothing more than guaranteed subsidies, some of which we can no longer afford and that have long outlived their initial purpose.

I'll admit, fixing this problem won't be easy. But to start this blank-slate process, I propose we establish "sunsets" on all of our federal tax expenditures. A "sunsetting" provision is one that is in effect for a specified period of time, usually ten years or less, after which time the law simply expires – unless Congress votes to keep it in effect longer.

Such a “sunsetting” requirement would force Congress to periodically consider the effectiveness and the need to keep each and every tax break on the books – thus creating a means to a more cost-efficient system of governing. The majority of the tax cuts enacted in 2001, 2002 and 2003 all had to be renewed in recent years – and, we had to vote on whether to keep them. And perhaps requiring a large majority for approval would prevent any new special-interest tax breaks from creeping back in.

On a broader note, the principles of simplicity, fairness, and economic growth should be the foundation of any overall reform effort as we begin writing on the blank slate. We need to close some of the loopholes that allow these giant corporations to keep avoiding paying their fair share of taxes.

We should end the subsidies that we’re giving to the oil companies, for example. These companies are making billions of dollars in profits at the expense of American consumers, and then the taxpayers subsidize them to the tune of billions of dollars more. And what about the so-called offshore tax dodges? I support efforts to prevent tax evasion that the Senate Subcommittee on Permanent Investigations estimated was costing us \$100 billion per year, or \$1 trillion over ten years.

I also think we need to end other obvious corporate subsidies that aren’t included in the tax code, such as one given to the pharmaceutical industry. The Medicare program should get the same discounts from the drug companies that they provide to Medicaid and our veterans and others. We could save up to \$140 billion dollars over ten years, if a discount like that was extended to Medicare.

You do the math on the so-called offshore corporate tax dodge and a few other special interest examples and it can add up to more than a trillion dollars over time. But as we proceed with this blank slate, we need to keep in mind that not all tax deductions are bad. Some serve a very legitimate public good.

It is essential that middle class families and low-income Americans do not end up worse off through tax reform. This means keeping a progressive tax code that ensures everyone pays their fair share. While we need to eliminate preferential treatment for narrow special interests, we also need to support a strong middle class by promoting affordable education, housing, and health care. Meantime, we can put additional money in government coffers by cracking down on tax-fraud abuse, for instance the IRS needs to do a better job of protecting taxpayers from identity theft-related tax fraud, which costs billions of dollars a year.

There’s no question: our tax code needs to adapt to the needs of the global economy we live in, where capital moves at the click of a mouse and goods are manufactured in production chains that transcend borders. By encouraging companies to invest here instead of abroad, we can spur a new age of innovation and job creation, ensuring America remains at the forefront of the global economy. Our leading trade partners have modernized their corporate tax laws, and we need to as well.

Letter to Sens. Baucus and Hatch

July 26, 2013

Page 3

In conclusion, I am committed to working with you and the other members of the committee to save taxpayers time and money by simplifying the tax code and making it more fair to all Americans, while addressing our nation's most pressing fiscal and economic challenges. That's the job the American people elected us to do.

Sincerely,

Bill Nelson