

Blumenthal Pushes For Fairer Tax Code That Protects Middle Class, Promotes Investment In American Jobs ()



Monday, July 29, 2013

(Washington, DC) – Today, U.S. Senator Richard Blumenthal (D-Conn.) released a letter he sent on Friday to the Senate Finance Committee in which he urged Chairman Max Baucus (D-Mont.) and Ranking Member Orrin Hatch (R-Utah) to work toward a fairer tax code that eliminates wasteful giveaways, protects working and middle-class families, and promotes innovation and investment in American jobs.

“Your efforts should right the historic imbalances in our tax system that undermine the health of our middle class and investment in economic growth and American jobs,” Blumenthal said. **“The tax code can be made both more just and more effective in producing revenue.”**

The letter is attached and below:

July 26, 2013

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

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

Dear Chairman Baucus and Ranking Member Hatch:

Thank you for your commitment to proceeding with comprehensive tax reform. The tax code that results from this process must support working and middle class families and promote economic innovation, while containing fewer of the inefficiencies, needless complexities, and wasteful giveaways that are the unfortunate hallmarks of our current system.

First, tax reform must protect working and middle class families. I am particularly concerned that working and middle class families—including many of the 1.4 million families in Connecticut—have not fared well in recent years, with both median income and median net worth plummeting since the start of the recession. The tax code contains a number of provisions that help working and middle class families stay above water, remain in their homes, and participate fully in the economy in difficult economic times.

There are many strong examples of how our tax code plays a key part in reducing poverty, alleviating suffering, and rebuilding a strong middle class: the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), the Mortgage Interest Deduction (MID), the Low Income Housing Tax Credit (LIHTC), the Savers’ Credit, and exemptions for employer healthcare and pension contributions are only a few. Incentives for retirement saving are another way in which the tax code helps middle class families build stable and secure financial futures. Such provisions should be retained. I also urge you to include S. 836, the Working Families Tax Relief Act, which I cosponsored, to strengthen the EITC.

All participants in our economy will benefit from less poverty, more prosperous families, and a stronger middle class, and our tax code should help us work toward that goal. That is why working and middle class families should not pay for rate reductions that disproportionately benefit some of the wealthiest individuals and most profitable corporations. Instead, tax reform should ask Americans who have not yet contributed as meaningfully to deficit reduction to provide some relief to our struggling working and middle class families.

Second, tax reform must promote innovation and investment in American jobs. Economic growth in America depends on whether our country continues to nurture our highly innovative sectors, including advanced manufacturing, renewable and high-efficiency energy, and biotech, to name only a few. The nation should use tax incentives to nurture these businesses, help them attract private capital, and provide the long-term certainty they need to continue creating jobs here in America. Small, medium, and early-stage businesses are also key engines of job creation. The tax code should help, not hinder, these crucial sectors of our economy. Any changes should take into account the unique circumstances they face, such as the difficulty of absorbing sudden changes in tax policy.

Many Connecticut businesses have told me that the existing Research and Experimentation Tax Credit must be made permanent to do the work it was intended to do. The Manufacturing Reinvestment Accounts Act and the Fuel Cell and Hydrogen Infrastructure for America Act are two new ideas I have proposed that will make a real difference to innovative Connecticut businesses. I strongly urge you to include them.

To help small businesses, promote job-creation, and aid people transitioning back into the workforce, the tax code should also continue to provide robust hiring incentives. The Back to Work Tax Credit, for instance, would encourage businesses to hire and retrain people who have been out of the workforce for six months or more. Other proposals I have championed, such as the VOW to Hire Heroes Extension Act, would make it easier for our returning veterans to find a job and provide for their families.

Innovative American businesses—and the entire American economy—can only succeed with both a well-trained workforce and a robust 21st century infrastructure. Tax reform should encourage investments in our roads, bridges, airports, and other public facilities so vital to economic growth and job creation. Tax reform should preserve provisions that support these community investments, such as the tax exemption for interest earned on municipal bonds. Another way the tax code can help the next generation of workers is by ending the taxation of forgiven student loan debt, which should not be treated as income.

Third, tax reform must eliminate wasteful giveaways and make the tax code fairer. As I made clear in my first speech before the Senate, the people of Connecticut are outraged by the special breaks and tax loopholes that have been protected for too long—tax breaks that encourage companies to send jobs overseas, subsidize huge oil and gas interests, and allow deductions for million-dollar bonuses. Eliminating such special interest tax expenditures is necessary not only to promote fairness but also to produce revenue necessary for investing in infrastructure, securing our national defense and other vital national needs, and reducing intolerable deficits. I know that shutting down those loopholes, special breaks, and sweetheart deals will take a fight. But the people of Connecticut and the country are ready for that fight.

Many tax provisions cost taxpayers tens or hundreds of billions of dollars while, at best, serving little useful economic purpose. Other such provisions likely cause real economic damage by skewing economic incentives in precisely the wrong direction. These wasteful “loopholes”—preferential credits, deductions, exemptions, and rules that impair rather than promote the public good—are far too numerous to list exhaustively. We must also close tax loopholes that allow many large corporations to fully deduct multi-million-dollar executive compensation packages—compensation that has grown 127 times faster than worker compensation over the past three decades. The tax code should not exacerbate inequality by subsidizing multi-million-dollar bonuses, and I look forward to working with you to eliminate such waste from the tax code.

I urge closing tax loopholes that allow large corporations to avoid paying their fair share. Oil companies are among the biggest beneficiaries of such unnecessary tax subsidies, and I support efforts to end them. Repealing the Intangible Drilling Costs (IDC) Deduction, which is a special provision available only to oil and gas companies, would raise \$13.9 billion over 10 years. At a time when our country faces difficult fiscal choices, Americans are rightly outraged by tax breaks for some of the most profitable businesses on earth.

More broadly, I also support efforts to close the loopholes that encourage companies to move jobs and operations offshore at the expense of American workers. Through a combination of rules that govern how, where, and when U.S.-based multinational corporations report their income, a number of such corporations have avoided paying much, if anything, in taxes in recent years. The current situation is not only hugely wasteful and unfair to U.S. taxpayers, but in some cases actively encourages companies to report earnings abroad, and thereby pay only foreign taxes and shirk their fair share in America. Our tax code should *discourage* outsourcing, not encourage it, and I urge you to fix these broken incentives.

I urge you to adopt other reforms that would make our tax code much fairer. The tax code can be made both more just and more effective in producing revenue. Your efforts should right the historic imbalances in our tax system that undermine the health of our middle class and investment in economic growth and American jobs.

I look forward to working with you to enact these commonsense tax reforms.

Sincerely,

Richard Blumenthal

United States Senate

Press Contact

Josh Zembik (DC) - 202-224-6452

Josh_Zembik@blumenthal.senate.gov (mailto:Josh_Zembik@blumenthal.senate.gov)

Elizabeth Benton (CT) - 860-729-3589

[Elizab](mailto:Elizabeth_Benton@blumenthal.senate.gov) (mailto:Elizabeth_Benton@blumenthal.senate.gov)

(mailto:Elizabeth_Benton@blumenthal.senate.gov)

(mailto:Elizabeth_Benton@blumenthal.senate.gov)