

June 24, 2016



The Honorable Paul Ryan
Speaker
United States House of
Representatives
H-232 The Capitol
Washington, D.C. 20515

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
1102 Longworth House Office
Building
Washington, D.C. 20515

Dear Speaker Ryan and Chairman Brady,

On behalf of the undersigned organizations, we write to applaud the efforts of the House Tax Reform Working Group. The Blueprint you have released today outlines a thoughtful approach to tax reform that would greatly benefit the individuals, families, and businesses that are hampered by a broken tax code.

Tax reform was last passed three decades ago and our code is woefully uncompetitive, overly complex, and out of date. It urgently needs to be fixed, and the working group's Blueprint ensures this issue remains center stage. Unfortunately, the current President has proven unwilling to seriously address the issue of our uncompetitive and unfair tax code, instead deriding the pressing need to update it as a "race to the bottom." Given the urgency of this problem, we believe it is vital that pro-growth tax reform is passed within the first hundred days of the next Congress.

While tax reform touches many issues by necessity, it is crucial that any new code prioritizes competitiveness, simplicity, and growth.

Simplify the Tax Code The tax code is more than 74,000 pages long and Americans spend over 6.1 billion hours complying with it each year, resulting in an annual economic loss of \$234.4 billion. The reality is, it is difficult or impossible for American families to properly comply with the tax code. Your Blueprint takes significant, important steps toward simplicity and fairness by consolidating seven individual income tax rates into three, eliminating the alternative minimum tax, and completely killing the death tax, which has destroyed over \$1.1 trillion of capital in the U.S. economy. Additionally, it streamlines individual deductions and exclusions and consolidates numerous, overlapping tax benefits for higher education. All of these changes would help reduce the monstrous tax code to a more manageable size and decrease the amount of confusion and frustration that Americans face every year when they file their taxes.

Reducing Rates to Address America's Competitiveness Problem. Under our current system, American businesses simply cannot compete with the rest of the world. We have business taxes far higher than the rest of the developed world with a statutory corporate rate exceeding 39 percent, more than 14 points higher than the developed average. Other countries are taking advantage of our inaction as they aggressively lower their tax rates to lure American jobs and businesses to their soil. Your Blueprint reduces the corporate tax rate to 20 percent – a change that would act as a powerful economic stimulus by encouraging domestic businesses to grow and foreign businesses to relocate





to the U.S. Further, it would reduce the top rate on pass-through entities, many of which are small businesses, to 25 percent.

Tax reform must encourage economic growth, jobs and innovation. For years, growth has remained stagnant, as new jobs have failed to materialize and wages remain unchanged. Just 38,000 jobs were added in May and labor force participation has continued to drop. Congress can reverse this trend with the type of pro-growth tax reform outlined in your Blueprint. In addition to reducing rates, your plan would provide full expensing for businesses – a change that would incentivize capital investment and lead to significant economic expansion. Additionally, it would transition from a worldwide tax system to a territorial system, thereby aligning our code with much of the industrialized world and, more importantly, allowing companies to reinvest foreign earnings back into our domestic economy. Also, under your plan, the top tax rate on long term capital gains and qualified dividends is cut from 23.8 percent today to 16.5 percent, a powerful pro-growth reform.



We applaud the work of the Tax Reform Working Group and your efforts to keep this important issue at center stage. It has been far too long since Congress last passed tax reform and it is imperative that businesses and families receive relief soon. We understand that there are many details of the plan to be worked out and we look forward to participating in these discussions and working with you to enact pro-growth tax reform in the coming months and years.

Sincerely,

Grover Norquist
President, Americans for Tax Reform

Karen Kerrigan
President & CEO, Small Business & Entrepreneurship Council

Pete Sepp
President, National Taxpayers Union

Christine Harbin
Director of Federal Affairs and Strategic Initiatives, Americans for Prosperity

David Williams
President, Taxpayers Protection Alliance

Andrew Moylan
Executive Director, R Street Institute

Neil Bradley
Chief Strategy Officer, Conservative Reform Network

Paul Gessing
President, Rio Grande Foundation

Jim Martin
Chairman, 60 Plus Association

Tom Schatz
President, Council for Citizens Against Government Waste

