



## **Luke Messer on Tax Reform**

October 2011 marked the 25th anniversary of the Tax Reform Act of 1986, the last major overhaul of the federal tax code. That bill, signed into law by Republican President Ronald Reagan, dramatically lowered marginal rates - with the top rate dropping from 50% to 28%, removed millions of working poor off the tax rolls, and fundamentally simplified the tax code closing a host of loopholes, deductions, and preferences-mostly on the corporate side.

It was a monumental achievement. Unfortunately, twenty-five years later, we are virtually back where we started. Since 1986, the tax code has undergone more than 15,000 changes, and today, requires more than 71,000 pages to explain the rules. This complexity drives an estimated 80 percent of American households to use a tax preparer or tax software to help them prepare and file their taxes.

Without question, this complexity is hurting our country. In a time of record deficits, experts estimate that the complexity of our tax code contributes to an underpayment of \$400 billion annually in taxes rightfully owed. Families and business owners spend hundreds of billions of dollars more each year for record keeping and accounting services needed to comply with our overly complicated tax code. Worse yet, year-after-year, Washington politicians use the tax code to pick winners and losers - slopping out an estimated \$1 trillion in tax breaks annually.

There has to be a better way. I am excited to see the tax reform proposals being touted by our Republican candidates for President. Each proposal has its merits, and like you, I look forward to the opportunity to learn more. To me, any comprehensive tax reform package should, at a minimum, have the following components:

- Reduce the overall burden of our tax system on the economy;
- Significant across the board reductions in personal and corporate rates;
- Full business capital expensing in first year, replacing depreciation;
- Capital gains and dividends rate of zero (also achieved through uncapped IRA-type accounts);
- No death tax.

We need to kick start this economy and get our country moving again. To do that, we need a tax system that encourages businesses - both small and large - to invest, hire and create jobs right here in America - helping to ensure the American dream continues.