

**Opening Statement by Senator John Breaux
Vice-Chairman, President's Advisory Panel on Federal Tax Reform
Fifth Meeting – March 23, 2005**

Good morning and welcome. It is wonderful to be here today in my home state and at the Louisiana Children's Museum. The Panel has been looking forward to this meeting to discuss two fundamental aspects of any tax reform effort - fairness and the treatment of families. Before we can think about ways to reform the tax code, we must understand how to think about fairness, including how it can be measured and perceptions about it in our current tax laws. Notions of fairness in this country have long held that a person's tax burden should be based on his or her ability to pay and economic well-being. Our current system of progressive taxation – including refundable credits for low-income taxpayers – reflects these ideas. For example, each year 20 million people receive the Earned Income Tax Credit (EITC), which encourages work by providing additional income to working families. An equally important notion of fairness held by Americans is that there should be consistent tax treatment for those who are equally able to bear their fair share of the cost of government.

As we will hear today, there is no consensus among tax experts, politicians, or taxpayers on how to define fairness. In fact, much of the complexity in the tax code is a result of numerous attempts to distribute tax benefits among taxpayers based on imprecise notions of fairness. For example, there are 15 common tax benefits available to families that provide 14 different phase-out provisions to reduce benefits above a specified income level. These 15 different tax benefits define income 9 different ways. This complexity has a huge impact on perceptions of the tax system by treating similarly situated taxpayers differently and creating opportunities for manipulation by taxpayers and their advisors. Any effort to reform the tax code must recognize these important concerns.

We are delighted that John Kennedy, the Treasurer of Louisiana, is here to welcome us to New Orleans. He will share with us some of his thoughts about tax reform from the perspective of the States. We will also hear from Bob Greenstein, the Executive Director of the Center on Budget and Policy Priorities and Bill Beach, the Director of the Center

for Data Analysis at the Heritage Foundation. They will discuss ways of thinking about equity in the tax system.

Our next topic of discussion will explore the impact the tax code has on low-income taxpayers. Professor Hilary Hoynes, with the University of California, Davis, will share her insights and research on the EITC with us. Mark Moreau, the Co-Director of Southeast Louisiana Legal Services and the Director of its Low Income Taxpayer Clinic, and David Marzahl, the Executive Director of the Center for Economic Progress in Chicago, which runs the largest free community-based tax preparation program, will discuss the challenges facing low-income taxpayers as a result of the complexity of our tax laws.

Our last discussion panel will address the tax treatment of families. Eugene Steuerle, Senior Fellow with the Urban Institute will provide us with an overview of tax incentives for families and share his view on why many of these provisions are complex, unfair, and inefficient. Professor Mark Pauly of the Wharton School of the University of Pennsylvania will address the tax treatment of health insurance and

medical care. Finally, Professor James Alm from Georgia State University will help us understand the marriage penalty.

By the end of this meeting, we will better understand why the current system may cause families that look the same to have widely differing tax liabilities. We will also be able to better evaluate whether this differing treatment is fair. The President has asked the panel to provide options to reform the Federal tax code that will make it simpler, fairer and more growth-oriented. We are confident that today's meeting will assist us in understanding our current tax code and in providing options that will share the burdens and benefits of the Federal tax structure in an appropriately progressive manner.