

REMARKS FOR MAYOR RICHARD M. DALEY
Federal Tax Forum - Welcoming Remarks
Wednesday, March 16, 2005

Acknowledgments:

- Chairman Connie Mack, former senator
- Vice Chairman John Breaux, former senator
- Members of the President's Advisory Panel on Federal Tax Reform

On behalf of the people of the city of Chicago, I'm pleased to welcome the members of the President's Advisory Panel on Federal Tax Reform to Chicago.

I think I can speak for most of the citizens of Chicago when I say we share the goal of a federal tax system that is simpler, fairer and more effective.

And I would add two additional goals: creating a tax system that helps rebuild our cities, and one that works for working families, especially those who work hard for low wages in their quest for a share of the American dream.

Working families are the bedrock of Chicago and cities across the nation, and they deserve a federal tax system that is fair and that helps them build a better future for themselves and their children.

Equally, if not more important, they need a tax system they can understand.

In Chicago, we devote a considerable amount of time and effort toward helping our families navigate their way through the maze of federal, state and local taxes.

Our Chicago Tax Assistance Center, which opened in 2001, has helped 48,000 people receive refunds on their local property taxes, as well as state and federal income taxes.

Each year, the City sponsors free income tax preparation at 31 sites for families earning up to \$36,000 a year. Last year, we helped 19,200 families receive \$25.7 million in refunds.

And with the assistance of private sponsors, we conduct an annual outreach campaign to make sure people take advantage of the Earned Income Tax Credit, one of the best programs ever devised to encourage people to work for a living, rather than go on welfare.

We distribute EITC materials throughout the city in English, Spanish, Polish and Chinese – yet an estimated 10 to 15 percent of eligible families still fail to claim it, leaving some \$100 million on the table in Chicago alone.

I have argued for some time that the federal tax code – and especially the EITC – needs to be made fairer and simpler for the benefit of the millions of working Americans who can't afford tax attorneys but desperately need to take advantage of every tax break available to them.

Toward this end, and with the help of a generous grant from the MacArthur Foundation, the City of Chicago has asked the Brookings Institution to research several key questions that address the fairness, simplicity and effectiveness of the current tax code.

I've asked Brookings to examine federal tax policy from the perspective of America's cities, taking into account the unique impact of tax policy on areas with high concentrations of low-income and working families.

Let me give you some examples.

We need to ensure that the tax code is free of arbitrary distinctions that hamper a family's ability to receive tax relief. So I have asked Brookings to research the possibility of creating an EITC that treats all families fairly regardless of size, and a Child and Dependent Tax Credit that aids families with children of any age.

We also need to find ways to ensure that tax relief is effective in reaching those who need it the most. The current tax code provides many incentives for high-income individuals to save, such as capital gains relief and dividend-tax rate reductions.

It's equally important to provide tax benefits for low-and-moderate-income individuals.

So I have also asked Brookings to look for ways to use the tax code to help working families meet the cost of housing and health care, and to help them save for their future and their children's future.

Another problem with the tax code is that it defines a child several different ways, depending on which section of the tax code you're using.

If that's confusing to a professional tax preparer, you can imagine how confusing it must be to a working mom with an eighth-grade education.

So I've asked Brookings to analyze the effects of creating a uniform definition of a child as used in multiple sections of the tax code.

When the research is complete, I intend to share the findings with this panel.

Just as we promote fairness, simplicity and effectiveness for working families, we also must explore ways to do the same for businesses -- especially the small to mid-sized

businesses that create the majority of jobs in our economy.

I also hope this panel will look for ways to use the tax code creatively to help improve the quality of life for the residents of our cities.

A prime example is the Low Income Housing Tax Credit, which has helped fuel the construction of thousands of units of affordable housing in cities across the nation.

I'd also like this panel to explore ways of using federal tax policy to encourage the rebuilding of our urban infrastructure – the streets, water mains and school buildings that are crumbling faster than we are able to repair and replace them.

This panel has a big challenge ahead of it, but I'm confident you are equal to the task. Thank you, again, for coming to Chicago. I look forward to working with you on behalf of a tax code that benefits all Americans, especially the working families of our nation's cities

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