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**STATEMENT OF CONNIE MACK  
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Good morning. Welcome to the third meeting of the President's Advisory Panel on Federal Tax Reform. We have been anxiously awaiting the opportunity to travel around the country to hear from taxpayers. This is the first in a series of meetings we will hold outside of Washington, D.C. Next week, we will be in Chicago, where we will explore the influence of the tax system on important taxpayer decisions. On March 23, we will be traveling to New Orleans for our fifth meeting, where we will explore perceptions about the fairness of the tax code and focus on how our tax system affects families. I will announce the location for our sixth meeting to be held during the last week of March soon.

We are grateful that SAGO Networks - one of the millions of small businesses in this country - has agreed to host today's meeting to examine the impact of the tax system on businesses and entrepreneurs. At our meeting in Washington last Thursday, we learned that a substantial proportion of the compliance burden from our tax laws falls on businesses.

Small businesses and self-employed taxpayers, in particular, are burdened by the complexity of our tax code and bear a substantial proportion of the estimated \$125 billion in compliance costs. These costs create a disproportionate burden, as studies have found that the smaller the business, the higher the cost of complying with the tax code per dollar of tax paid. As we will learn today, it is these same small businesses that are a powerful engine driving our country - they employ over half of all private-sector employees and generate 60 to 80 percent of new jobs. We have heard from small business owners from all over America who have told us that the tax code should be reformed and simplified so that these entrepreneurs can spend less time doing paperwork and more time growing their businesses.

The objective of today's meeting is to obtain a greater understanding of how the existing tax system affects business taxpayers. We will also focus on how our complex business tax rules restrain America's entrepreneurial spirit and hinder economic growth.

Governor Jeb Bush, who could not be here today due to the start of a new legislative session in Tallahassee, was kind enough to record his thoughts in advance to share with us. I am also

delighted that Representative Sam Gibbons is with us today. Sam has had a distinguished career. He has devoted a lifetime of service to this country and this community as a decorated war hero, a representative of Florida in Congress – where he served as Chairman of the tax writing Ways and Means Committee – and as a member of the Florida legislature.

We will also have two discussion panels. Our first discussion will provide an overview of the current business tax system. Jack Levin will explain how the taxation of businesses, like the rest of the tax code, has become increasingly complicated. Professor Douglas Shackelford will put the business tax system in perspective by examining historical trends and recent developments, as well as some thoughts about the continuing viability of our existing system. Professor William Gentry will explain who bears the burden of the corporate income tax and how the existing tax rules influence a myriad of business decisions.

Our second session will focus on small businesses and entrepreneurs. Roger Harris, who advises small business owners in every part of the United States, will share his insights on the burden faced by small businesses. Two local entrepreneurs, Todd Fleming of InfrSAFE and David Hurley of Landmark Engineering and Surveying Corporation, will give us first-hand accounts of how the tax system places a needless burden on small businesses. They will also share with us some examples of choices they made that were driven by tax results. Finally, Professor Donald Bruce will discuss how the tax system may affect the level of entrepreneurial activity, including some observations about the impact of taxes on the number of new businesses and the viability of existing businesses.

The U.S. has the most dynamic and flexible economy in the world. In his testimony last week, Chairman Greenspan described how a simpler tax code would be more economically efficient and would allow resources currently devoted to complying with the tax laws to be used for more productive purposes. I am optimistic that our tax system can be improved in a way that will significantly reduce the strain that our tax laws currently place on our economy and look forward to working to achieve that goal.

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