



October 18, 2005

Statement of Connie Mack
Chairman, President's Advisory Panel on Federal Tax Reform
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Good morning. Senator Breaux and I would like to welcome everyone to the twelfth meeting of the President's Advisory Panel on Federal Tax Reform. Last February, we held our first meeting in this very auditorium. Since then, we have developed a thorough understanding of the problems created by our tax code and a conviction that tax reform is imperative. We have also explored a number of reform proposals that would deliver a better tax system than the one we have today.

Today's meeting represents a critical step towards the conclusion of our process. We will have three presentations that will present a number of reform proposals in detail. The proposals we will discuss are intended to be revenue neutral using the President's Budget as our baseline. In addition, the proposals are progressive and will not substantially alter the distribution of the tax burden under current law. These presentations will be followed by Panel discussion to decide on the direction we will take in our recommendations.

Our objective is to address the most pressing problems presented by our current system. Accordingly, we have focused on big picture ideas that would improve the tax system for a large number of Americans. The Panel's recommendations will be only the first of many steps in what we hope will be a successful tax reform effort. Undoubtedly, the Panel's recommendations will be further refined by the Secretary, the President, and Congress.

The President directed the Panel to submit at least one option using the current income tax system as a starting point for reform. Our first order of business today is to discuss proposals that will fulfill that mandate. Two members of the working group studying major simplification and reform of the current tax code, Charles Rossotti and Beth Garrett, will make a presentation.

We will then turn to more far-reaching approaches to reforming our tax system. Our second working group has been studying fundamental reforms of the existing tax system, focusing on consumption tax proposals. Three members of that working group, Liz Ann Sonders, Jim Poterba, and Ed Lazear, will present reform ideas that would tax consumption in a progressive manner. They will present two separate approaches that would fundamentally change our tax system.

Lastly, we will continue the discussion we began last week about the adoption of a consumption tax that would be used to collect a substantial portion of the revenue now collected under our current income tax. Bill Frenzel will outline a possible approach that would combine a value-added tax with a smaller and more efficient simplified income tax.

At the conclusion of today's meeting, we will have defined the broad outlines of our recommendations to reform the tax code. In the remaining days ahead, we will continue to refine these concepts to provide a more detailed set of recommendations that we will deliver to the Secretary of the Treasury by November 1.

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