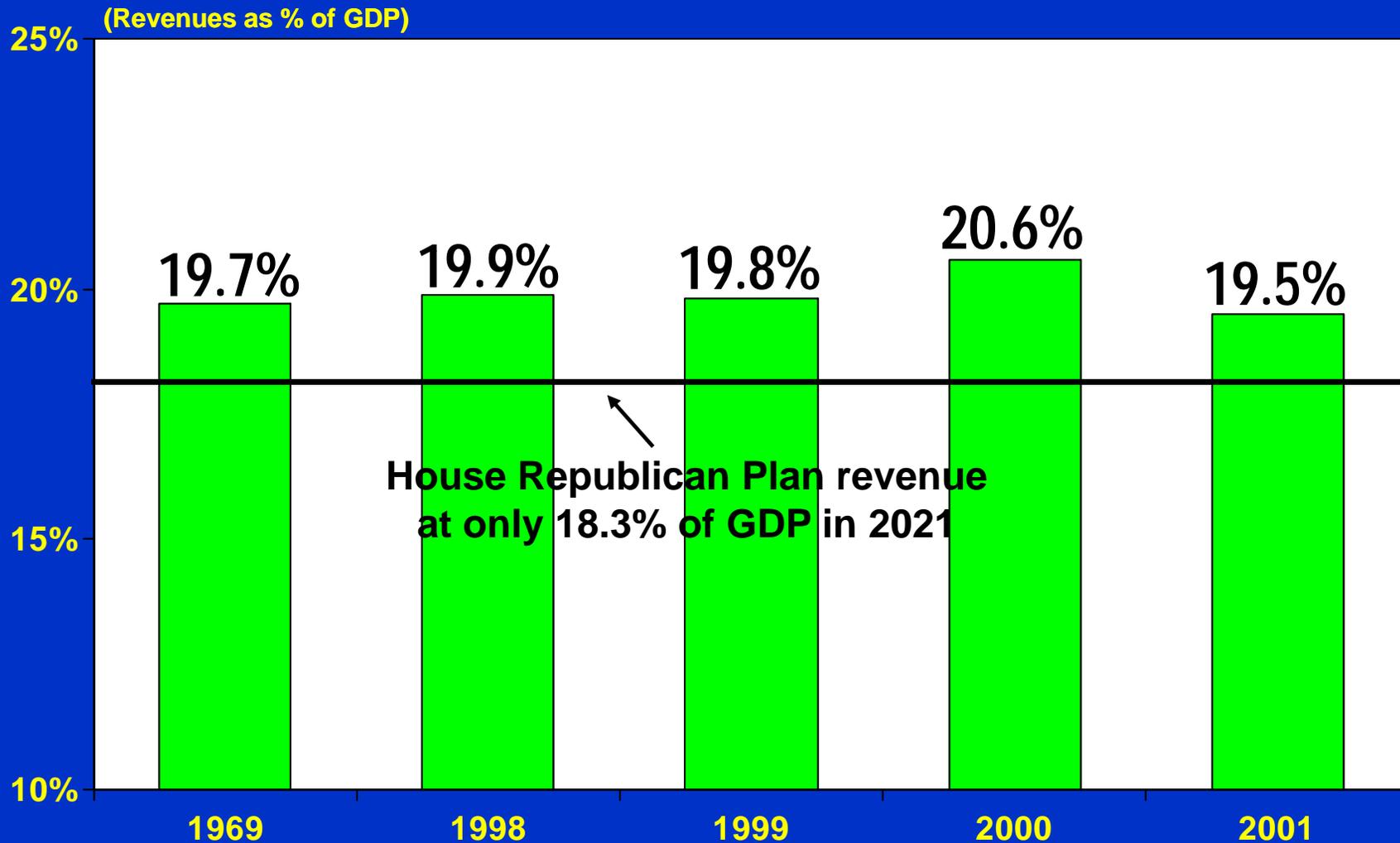


The Need for Tax Reform

- Tax system out of date and hurting U.S. competitiveness
- Hemorrhaging revenue – tax gap, tax havens, abusive shelters
- Expiring provisions create uncertainty
- Simplification and reform keep rates low
- Long-term imbalance must be addressed

Last Five Times Budget in Surplus, Revenues Near 20% of GDP



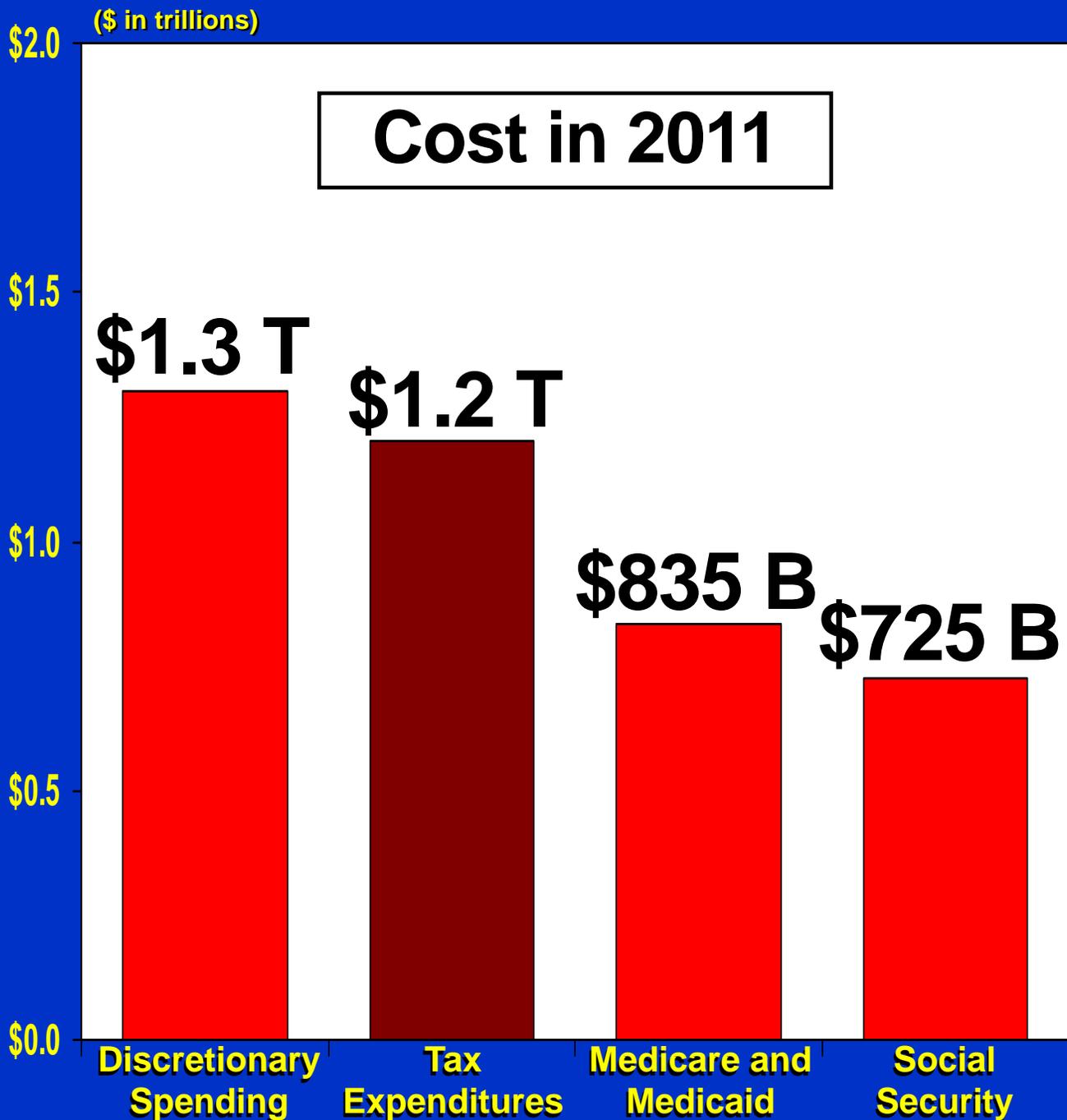
Source: OMB

CBO Director Elmendorf on Economic Benefit of Tax Reform

“I think analysts would widely agree that reform of the tax code that broadened the base and brought down rates would be a positive force for economic growth, both in the short term and over a longer period.”

**– Congressional Budget Office Director Doug Elmendorf
Testimony before Senate Budget Committee
February 2, 2012**

Comparing Cost of Tax Expenditures and Other Federal Spending



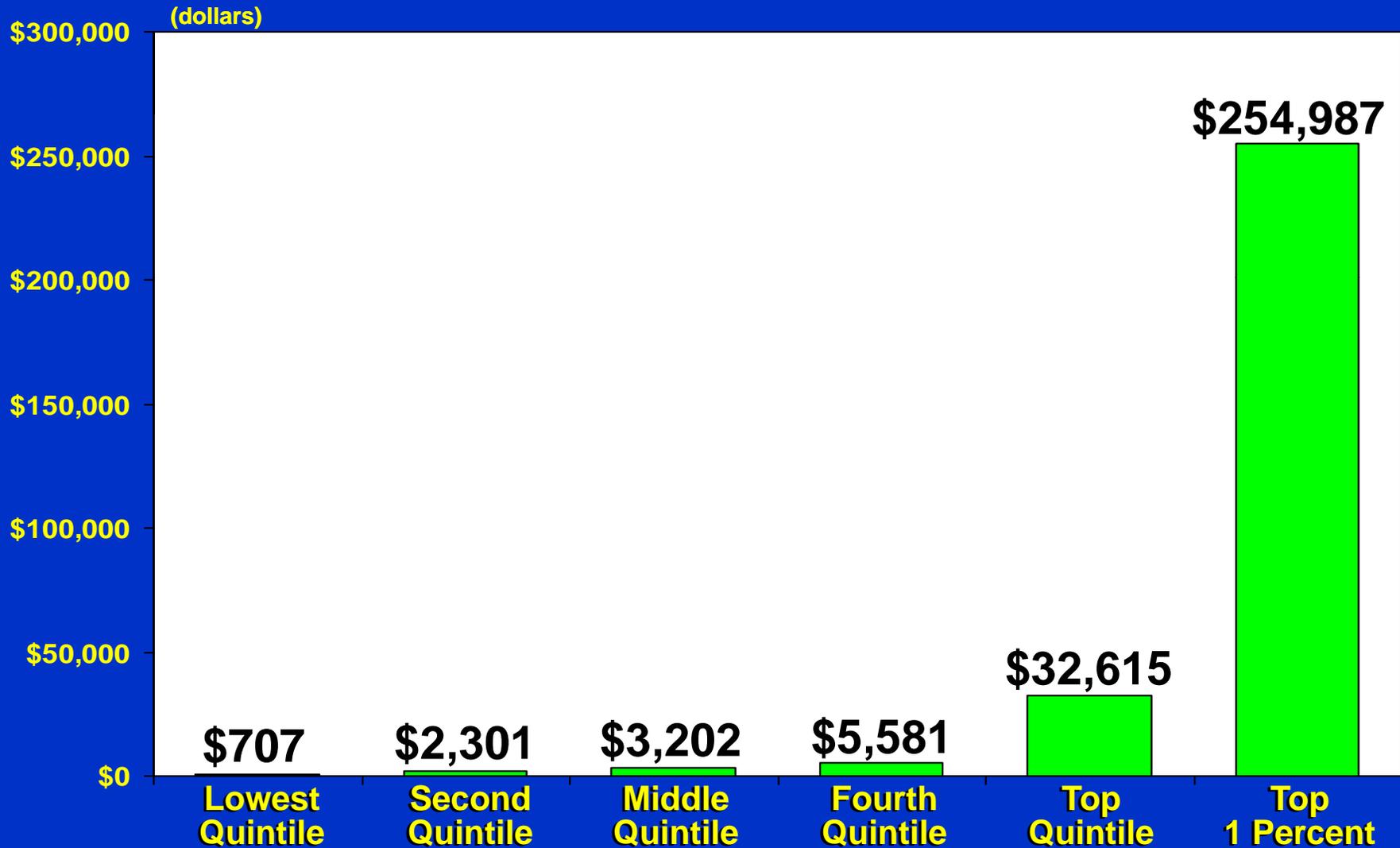
Source: JCT, CBO, SBC

Economist Feldstein on Need to Reduce Tax Expenditures

“Cutting tax expenditures is really the best way to reduce government spending.... [E]liminating tax expenditures does not increase marginal tax rates or reduce the reward for saving, investment or risk-taking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping tax-based subsidies would also greatly simplify tax filing. In short, cutting tax expenditures is not at all like other ways of raising revenue.”

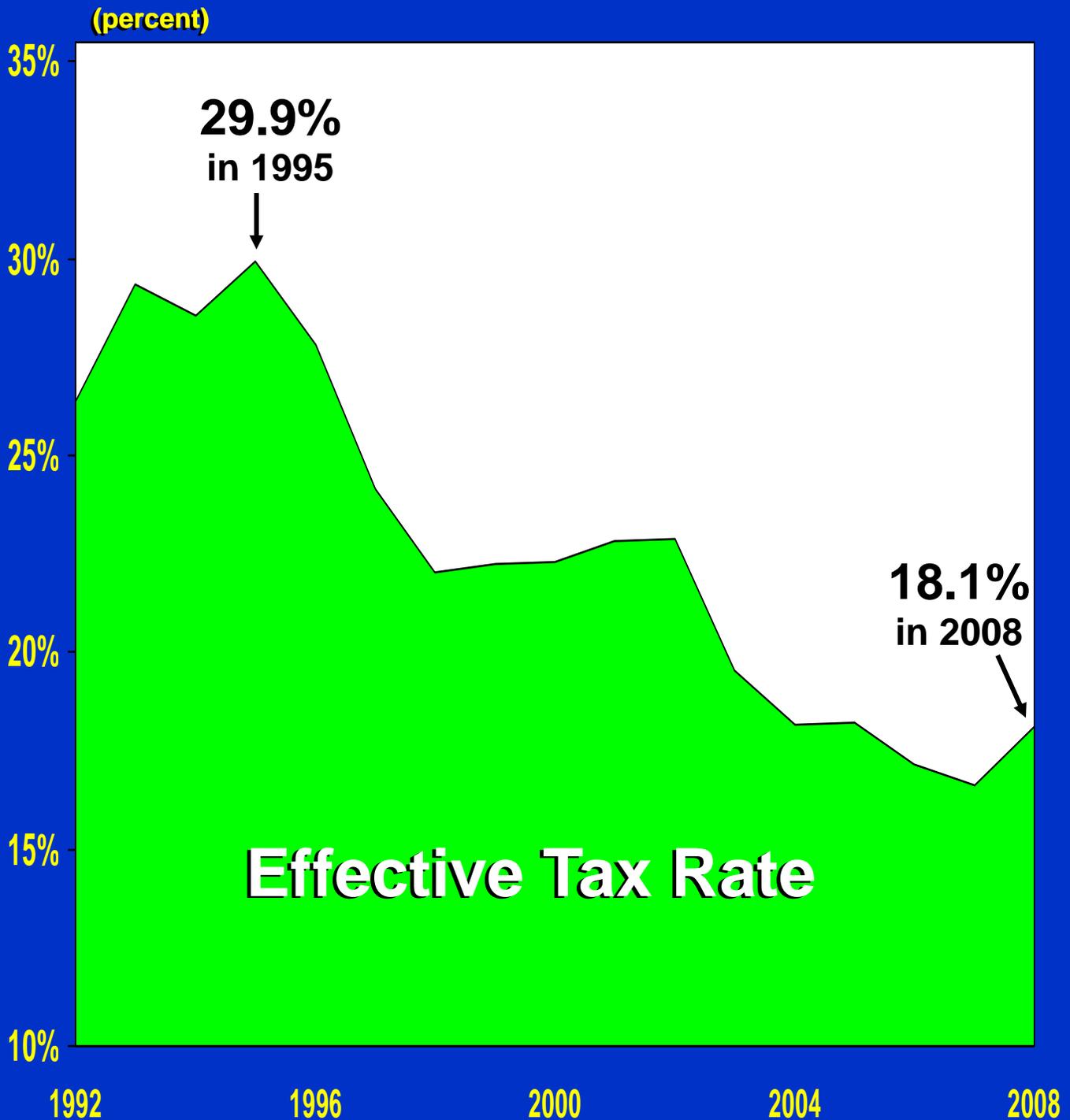
**– Martin Feldstein
Professor of Economics at Harvard University
Chairman of Council of Economic Advisers under President Reagan
“The ‘Tax Expenditure’ Solution for Our National Debt,”
Wall Street Journal
July 20, 2010**

Increase in After-Tax Income from Tax Expenditures



Source: SBC calculations using data from Tax Policy Center
Note: Reflects 2012.

Effective Tax Rate for 400 Wealthiest Taxpayers



Source: IRS

Tax Reform in Fiscal Commission Plan

- Eliminates or scales back tax expenditures, and *lowers* rates
- Promotes economic growth and improves America's global competitiveness
- Makes tax code more progressive
- “Illustrative” tax reform plan:
 - Three rates for individuals - 12%, 22%, 28%; corporate rate of 28%
 - Capital gains / dividends taxed as ordinary income
 - Reforms mortgage interest and charitable deductions
 - Preserves Child Tax Credit and EITC
 - Repeals AMT
- Revenues grow to 21% of GDP by 2022