

**Prepared Opening Statement by Senator Chuck Grassley of Iowa
Ranking Member, Senate Budget Committee
Hearing on “A Rigged System: The Cost of Tax Dodging by the Wealthy and Big
Corporations”
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Revenues to the federal government are a fundamental part of the budget and a subject that this committee ought to be studying. However, I want to stress that the fundamental problem we have in the federal budget is not one of under taxation, but of overspending. The last time the federal budget was balanced in 2001, revenues were 18.9 percent of our gross domestic product. Last year, federal revenues amounted to 19.6 percent of GDP. Yet, we still managed to run a deficit of \$1.4 trillion. That’s because even though tax collections have increased by \$2.9 trillion since 2001, spending has grown by \$4.4 trillion.

Another issue I want to stress is the difference between tax avoidance and tax evasion. Tax avoidance is the legal minimization of tax liability. Tax evasion is the failure to pay taxes owed. Tax evasion is a crime. Tax avoidance is legal—and frequently encouraged by Congress. The tax code is full of various credits, deductions, and other incentives, which are usually tied to a behavior Congress decided to incentivize. In fact, taxpayers have the right to pay only what tax is legally due.

It’s also important to remember that a tax loophole is an ambiguity in the law exploited in a way not intended or foreseen. It’s not simply a policy with which one disagrees. When it comes to closing actual loopholes and cracking down on tax cheats, my record as a former chairman and ranking member of the Finance Committee is second to none. One only needs to look at my investigation uncovering tax cheats in the conservation easement program and my creation of the IRS Whistleblower Office that has reclaimed billions from tax fraud to name just two examples.

I also want to stress that the U.S. has a progressive tax system. According to an analysis published by the Biden Treasury Department: “Total federal taxes are progressive.”

Families at the bottom of the income spectrum often have a negative federal tax liability due to refundable credits. In contrast, those in the top one percent pay close to one-third of their income in federal taxes.

Nonpartisan experts at the Congressional Budget Office and the Joint Committee on Taxation have come to similar conclusions. So have outside groups like the Tax Foundation and Tax Policy Center.

IRS data also bears out the progressive nature of our tax system. Based on tax year 2020 returns, the top one percent of taxpayers by adjusted gross income paid more than 42 percent of total federal income taxes.

Congress should regularly examine tax incentives—just as we should review spending programs—to ensure they’re working as intended. If my Democrat colleagues are on the hunt for tax subsidies that benefit large corporations and the wealthy, they need look no further than legislation they enacted on a purely partisan basis last year.

Their ill-named *Inflation Reduction Act* included hundreds of billions of dollars in new or expanded tax incentives. Included in this legislation are novel new tax features, such as “direct pay” and “transferability,” that actually make it easier for corporations and wealthy investors to pay little or no tax. These provisions will not only further complicate the tax code and primarily benefit the affluent, but recent estimates suggest their costs could be far greater than Congress was originally lead to believe.

We helped create the tax avoidance problem, and last year's Democrat bill made it even worse. As one former Finance Committee chairman used to say, "Many taxpayers accept complexity that favors them." If we really want to diminish the advantage that wealthy taxpayers and large corporations have, we should address the complexity of the tax code. This is a bipartisan problem, but fortunately solving it is within our control.

