

Opening statement of Chairman Sheldon Whitehouse
Senate Committee of the Budget
“A Rigged System: The Cost of Tax Dodging by the Wealthy and Big Corporations”
April 18, 2023

There are two sides to the budget: spending and revenues. While some colleagues only want to look at the spending side, the US has never run a modern-era balanced budget unless revenues neared 20% of GDP. Most revenues come through the tax system. Today’s hearing tells of **two** distinct sets of rules, that produce a rigged, corrupted and deficient tax system.

Under one set of rules, for most Americans, paying taxes is immediate and automatic. Taxes are withheld from every paycheck to fund the public goods that contribute to our happiness and security: roads, schools, parks, veterans’ care, the military. Under this set of rules, taxes also are paid, on all income, for Social Security and Medicare, programs that let Americans retire with dignity and afford medical care. Under these rules, a typical teacher or ironworker in Rhode Island might pay a federal tax rate over 20%. As would a married couple running a small business earning salaries of \$150,000 a year.

But it’s different rules for the wealthy and well-connected. Billionaires and large multinational corporations get special rules that let them pick when—even *if*— they pay taxes. This corrupted tax code lets billionaires pay an average tax rate of just 8.2% — less than half the rate of a typical teacher or firefighter. Thanks to the Trump tax law, large multinational corporations average even less, just 7.8%. Some pay zero.

Simple fairness is reason enough to end this rigged system. But the tax dodging also blows a hole in our federal budget. The Center for American Progress reports that tax cuts for the wealthy have been a primary driver of deficits for decades, accounting for more than half of the debt increase as a share of the economy.

Letting wealthy business owners avoid Medicare taxes on their full income costs Medicare \$250 billion in lost revenue. Letting billionaires pay low or zero tax rates costs America \$550 billion. Letting multinational corporations shift profits to tax havens leaves a \$1 trillion bill for everyone else to pay.

Common sense reforms can make our tax code fairer while reducing the deficit.

First, to protect the long-term solvency of Social Security and Medicare, I’m filing legislation to require contributions to Social Security taxes on high-end income. Right now, the cap on contributions means someone making \$1 million effectively stopped paying into Social Security February 28th this year. People living on investment income pay *no* Social Security contribution. Respecting the Biden tax pledge, my Medicare and Social Security Fair Share Act will require Social Security contributions on all income above \$400,000, however earned. This legislation includes the Biden budget tax plan we saw to extend the solvency of Medicare by 20 years.

Second, billionaire Warren Buffet famously highlighted the rigged tax code by pointing out that he paid a lower tax rate than his secretary. So I am also re-introducing the Paying a Fair Share

Act to codify the “Buffett Rule” with a minimum 30% tax rate on income over \$1 million per year, whatever the source.

Third, American multinationals recently reported \$60 billion in profits in the Cayman Islands in a single year – ten times the size of its entire economy. That’s a scam, it costs American jobs, and it’s unfair to American businesses large and small that don’t engage in overseas tax games. My No Tax Breaks for Outsourcing Act would make offshoring companies pay the same tax rate domestic companies pay here at home.

House MAGA Republicans have yet to release a budget for the American people to see, but they’ve sure made clear who they want to protect. Their first vote was to protect wealthy tax cheats by hobbling IRS enforcement, adding \$114 billion to the debt. Then they filed legislation to make the Trump tax cuts permanent: a \$3 trillion cost, with over 40% of the benefit to the top 5% in income. Some have even proposed a new 30% sales tax on everything. The conservative American Enterprise Institute says this all could add \$18 *trillion* of debt.

Behind all this secrecy and mischief lurks a crew of Republican dark-money donors who don’t want to pay taxes and are so rich they don’t care about Medicare, Social Security, or the economic well-being of wage-earners. Selling their poison to the public is hard. Put Americans’ priorities first, and this gets pretty easy. And the math works! I look forward to hearing the testimony today about fixing a tax system rigged for wealthy political donors.