

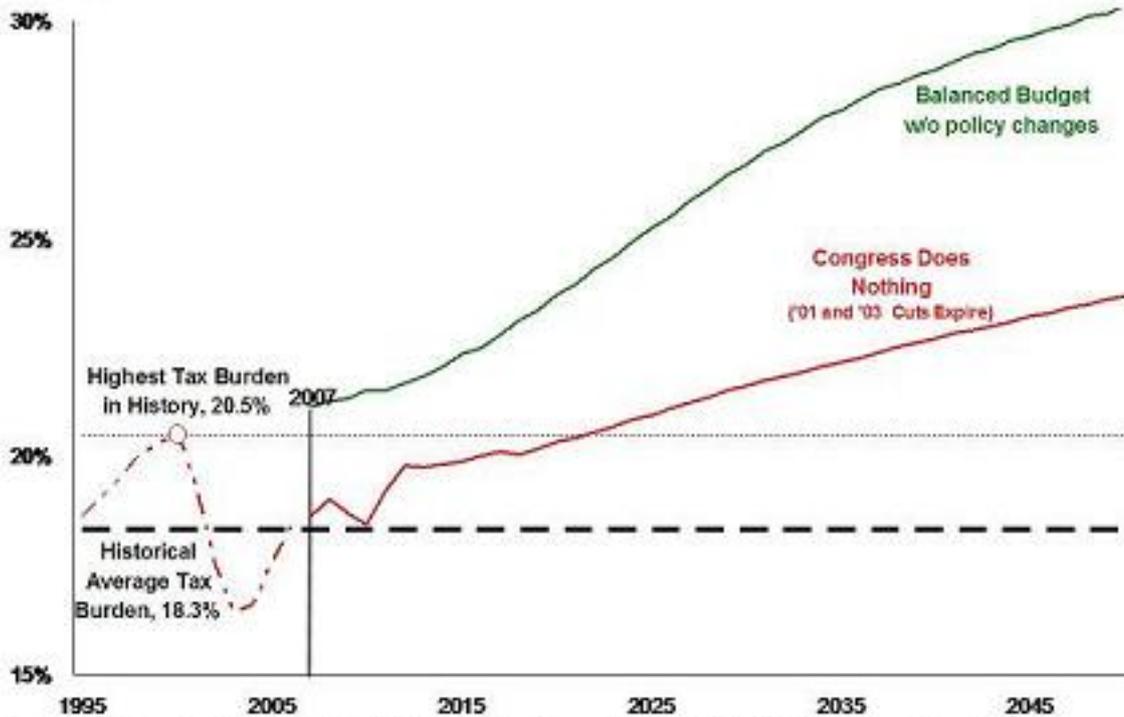
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Tax reform must be a focal point of our fight to keep the economy growing. If Congress fails to act, Americans face the largest tax increase in our nation's history - \$3.5 trillion over ten years, or an average annual tax increase of more than \$3,000 per household. This tax increase would be crippling to our economy, straining the budget of every American family, creating a ripple effect on business' decisions to invest in the United States and stifling job growth. Democratic leaders in Congress clearly indicated that they not only intend to allow this to happen but that they welcome higher taxes.

### Projected Federal Tax Revenue for Four Tax Policy Scenarios

Percentage of GDP



Source: CBO Long-Term Budget Outlook (2005); Budget and Economic Outlook (2007); Heritage Foundation calculations

In the 1980's, President Reagan took the lead on lowering our personal and business taxes. Without the burden of suffocating taxes, the American people were able to choose how they spent their money and we enjoyed an unprecedented economic boom. I believe that Northern Californians know how to spend their money better than Washington politicians. As a rancher and small businessman, I have always stood by the bedrock principle that when we as Americans have our economic freedom, we can best grow our economy. By reducing the oppressive tax burden on the Northern California families and small businesses, and instituting a fundamentally fair tax code, we can begin to strengthen our economy and maintain our future competitiveness.

I support the following common-sense measures to reduce the tax burden on Northern California families and small businesses, and give them more control of how they spend their own hard earned money.

o **Simplify the tax code.** When more than 60% of Americans have to hire a professional to prepare their tax return, clearly our tax system has become far too complicated. Although there is tremendous disagreement about the best way to reform the system, I believe a bill called the "Taxpayer Choice Act" is a good way to start. This legislation would allow taxpayers to choose whether to file under the current system or a greatly simplified two-rate flat tax, which could be filed on a single sheet of paper. Along with fundamental reform for individuals, we must repeal the alternative minimum tax, (AMT), which threatens to significantly raise taxes on millions of middle-class households. This tax, originally designed for the 150 wealthiest individuals in the 1970's now threatens to affect more than 24 million people due to inflation.

o **Preventing the looming record tax increases by making the 2001 and 2003 tax relief permanent.** In 2001 and again in 2003, Congress enacted sweeping tax relief, including... That tax relief is set to expire in 2010 unless Congress acts. If the Majority party has their way, we will see the return of the marriage penalty, a 50% cut in the child tax credit, and a resurrection of the "Death Tax." I believe Congress needs to act immediately to avert these massive tax increases which would be incredibly harmful for our economy. We can avoid these fundamentally unfair tax hikes simply by making this pro-growth tax relief permanent.

o **Cutting the corporate tax rate to increase American entrepreneurship.** The United States corporate tax rate, currently 35% (and nearly 40% when state taxes are factored in), is the

second highest in the developed world. We should take action to keep good-paying jobs in the United States by reducing these taxes on American employers. The currently high U.S. business tax rate creates an incentive for companies to ship jobs overseas to countries with lower tax rates. Reducing the tax burden on American businesses -- both large and small -- will make our country more competitive in the global economy and will foster job creation and long term growth.

