

Given your interest in taxes and the economy, I wanted to inform you that the House Ways & Means Committee, on which I sit, held a hearing to discuss reforming our federal tax system. The hearing was well-timed as we approach Tax Day on April 18th. The American tax system is a maze of complex deductions, credits, exclusions and exemptions that make it incredibly difficult for the average American to do their own taxes. Since the last major tax reform twenty-five years ago, the number of changes in the tax code – 4,500 in all – have created tremendous uncertainty from year to year when Americans plan their budgets. Approximately 60% of American households will use a professional to file their taxes and the reason is simple – our tax system is far too complicated. The time for simplification is long overdue.

During the hearing, I asked the witnesses about one aspect of tax complexity that I find especially troubling: Complexity results in hidden marginal tax rates that are much higher than what most people expect to pay. The marginal tax rate reflects the amount of tax that a worker pays on each additional dollar he or she earns. Most economists agree that the marginal tax rate has a significant impact on the labor market and the economy as a whole, because it determines the payoff for working more hours or earning more money. According to a [study](#) released earlier this week by the nonpartisan Tax Foundation, middle-income families can face effective marginal tax rates of as much as 42% due to the interactions of different tax laws. The witnesses at today's hearing agreed that by eliminating some of this complexity, we can make the tax system easier to understand while also helping our economy by doing away with negative incentives that discourage work and savings.

We need to streamline our tax code and do better for the American people. A complicated and expensive tax code is an albatross around the necks of job creators and as our economy struggles. Tax reform will help us remove that drag on our economy and will increase job growth. Independent economists have said tax reform combined with spending cuts will help spur a million new jobs in the first year. I hope that the Obama Administration and Congress can work together to develop a better tax system that will eliminate the burdensome provisions in place today and replace it with a fairer and more simplified tax system for all Americans.