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Don't Wait To Weigh In On Tax Reform

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Don't wait to weigh in on tax reform. That's the message coming from the tax writers on Capitol Hill.

After the flurry of activity this year on comprehensive tax reform—including the House Ways and Means Committee's working group process, the Senate Finance Committee's Member meetings on tax reform, and the release of three Ways and Means Committee tax reform discussion drafts and ten Finance Committee tax reform option papers—the obvious question is, “What's next?” There doesn't seem to be a clear path forward and the clock is ticking, leaving Members and the public to question the prospects for comprehensive tax reform in this Congress.

However, this moment in time may be the calm before the storm. Chairman Dave Camp (R-MI) and Chairman Max Baucus (D-MT) are as committed as ever to moving ahead on tax reform and are ramping up their efforts in the coming weeks. It is still quite possible that the tax writing committees will take substantive action this year, including mark ups. After being asked what will happen after the Member meetings were completed, Mr. Baucus was quoted as saying, “The rubber meets the road; start trying to make some decisions.” The Finance Committee is widely expected to release discussion drafts with specific reform proposals, perhaps soon and with little advance notice.

Now is a critical time to engage with the tax writers. Although there is skepticism about whether tax reform will actually happen, and the tendency is to wait and see, stakeholders should be doing quite the opposite. It is prime time to participate in the process before the Finance Committee begins generating tangible proposals. Once even a preliminary decision is made by the tax writers to include or exclude a particular tax provision, it can be difficult to change their minds. It is better to weigh in earlier, rather than later.

In addition to issuing specific proposals and detailed discussion drafts, the Chairmen are taking other steps to demonstrate their ongoing commitment to tax reform:

1. **The Tax Reform Road Show.** Chairmen Camp and Baucus have announced a national tour, during which they will travel together this summer to various major cities to promote tax reform, visit large and small businesses, hold town hall meetings with individuals to hear their priorities and ideas for tax reform, and talk to the press.
2. **Individual meetings with Members.** Chairmen Camp and Baucus intend to meet individually with Members of their respective chambers to discuss their priorities for tax reform. Reports indicate that Members will be asked to start from a “blank slate” – i.e., that all tax expenditures are repealed – and assume that tax reform is working from the ground up.

These efforts are aimed at building support for tax reform and developing viable legislation. However, in addition to resolving matters of tax policy, other key issues must be resolved before moving forward that will require lawmakers to make some hard decisions.

1. **Revenue-neutral vs. revenue-raising tax reform.** Congress must decide whether tax reform will be revenue neutral or used to reduce the deficit. Republicans generally prefer a revenue-neutral approach and Democrats favor tax reform that raises additional revenue. The Finance Committee chose to shelve this decision for purposes of its tax reform Member meetings and options papers.



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For the time being, it appears that both Chairmen Camp and Baucus have decided to move forward independently, with the expectation that they will have to resolve the budget issue at a later time.

2. **Support from leadership.** Both the House and Senate will need the buy-in of their leadership to proceed. Reports indicate that Senate Majority Leader Harry Reid (D-NV) is encouraging Chairman Baucus to move ahead, and he is doing so cautiously. On the House side, Republicans are nervous that if they act too quickly by taking tough votes and moving legislation, the Senate will not act in kind. Some analysts are also concerned that rank-and-file House Republicans will not support a comprehensive bill even if Chairman Camp is able to secure the votes he needs to pass a bill out of the Ways and Means Committee. This concern was recently reinforced by the recent failure of the farm bill to pass. As the 2014 elections draw closer, Democrats and Republicans will be less likely to take the “hard votes” necessary to support a comprehensive tax reform bill.
3. **Timing.** There are many issues of timing. Can tax reform be accomplished before the 2014 election cycle takes over? Will a framework for tax reform be included in a year-end budget deal? What effect does the delay in hitting the debt limit have on the impetus to complete tax reform this year?

Substantive action on tax reform this year remains a real possibility. Offense is the best defense. Stakeholders thinking about engaging with Congress would be well-advised to do so before it's too late.

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