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## K STREET INSIDERS

*This series of weekly columns by the biggest names on K Street unpacks the most important issues facing the lobbying business and the people in it.*

# The action is in the committees

**DAWN  
LEVY**



**Q**uestion: How will the presidential election affect upcoming tax reform?

**A**nswer: If history is any guide, not very much. And history does tend to repeat itself.

What we know: Tax reform is driven by individual tax issues, with corporate tax issues coming in a close second. On Dec. 31, 2010, just about every provision of tax relief created in 2001 and 2003 will expire. The Alternative Minimum Tax (AMT) is quite arguably the key issue driving reform at this time. When created, the real purpose of the AMT was to make certain that a few extremely wealthy Americans paid their fair share in taxes, and it only affected about 20,000 taxpayers. However, the reach of the AMT has grown and continues to grow exponentially. Some 3 million taxpayers a year now pay the AMT.

These issues are the base elements that policymakers will and must debate when considering the growth strategy for the U.S. economy and U.S. business competitiveness. The key term here is *policymakers*. In our federal system of checks and balances, the policymakers are the

members of Congress. The seeds for this debate are currently being sown and will continue to be sown in the revenue committees in Congress, more specifically the Senate Finance Committee and the House Ways and Means Committee.

While a President John McCain or President Barack Obama would certainly steer the direction of the debate by injecting their own ideas and initiatives, the tax-writing committees will be the places to go to find the real action.

As we consider future tax reform, it helps to examine the past two major reforms. In 1986 President Reagan, with his mastery of the bully pulpit, did not even send a bill to Congress outlining his ideas for tax reform or overhaul. Rather, the Senate Finance and House Ways and Means committees, under the strong leadership of Chairmen Bob Packwood (R-Ore.) and Dan Rostenkowski (D-Ill.), passed what was thought of at the time as one of the most significant pieces of legislation in history. Certainly, Reagan's clearly communicated principles and views — lower taxes for both individuals and corporations — influenced the debate. But the devil was in the details, and the details were hashed out in the tax committees.

In 2001, President Bush did send a tax reform bill to Congress. However, his agenda did not include two major areas ripe for reform — pensions and education taxes. Additionally, some of President Bush's reform

measures, like the Child Credit, were significantly modified by the Senate Finance Committee.

Regardless of the direction of the reform — whether we use the tax code to make social policy changes (marriage and child tax credit, anyone?) or whether we redistribute individual wealth (as is clearly intended in the recent bill introduced by House Ways and Means Chairman Charles Rangel, D-N.Y.) or whether we consider and act upon potential risks to U.S. companies because of the desire for a revenue-neutral bill — the reality is that the November presidential election will likely have only a minimal impact on the prod-

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uct debated and created by these two tax-writing committees.

It is clear that all significant tax reforms in the past few decades have been driven by action that took place in the tax-writing committees. And all indications are that the upcoming debate will likely be no different, especially considering the already expressed wishes and inclusive styles displayed by the chairmen of these key committees. Senate Finance Committee Chairman Max Baucus (D-Mont.)

and ranking member Chuck Grassley (R-Iowa) have been known for working together across party lines and often in contrast to party desires to deliver prolific product out of the Finance Committee. Rangel, after years of having his voice quieted by partisan politics in the House, has expressed, in his leadership role, the desire to reach out to the opposite party and work together. Of course, the real test of their bipartisan leadership will be rounding up the support of their colleagues and securing the signature of the new president.

For the sake of argument, let us consider the possibility that all the above was not true and the chair-

man of those key committees wanted to play partisan politics. The bottom line is that those politics would still be played

out in the tax-writing committees. In fact, Baucus and Rangel have already started the debate by holding hearings and, in Rangel's case, by introducing a large, controversial tax reform bill. The tax reform games are well under way despite the fact that there remain several months until the November election and the beginning of a new administration.

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