



*Opening Statement of
Chairman Steve Chabot
House Committee on Small Business
Hearing: “Tax Reform: Ensuring that Main Street Isn’t Left Behind”
April 15, 2015*

Good morning. Thank you all for being here. A special thanks to our witnesses who have taken time away from their undoubtedly busy schedules to be with us.

It’s here. The day that nobody looks forward to: Tax Day. I expect most of us have already filed our returns while struggling to figure out our liabilities, deductions and credits. We do this all while trying to discern what, exactly, the terms “adjusted basis” and “imputed interest” mean and sifting through the myriad of instructions for even the most basic of tax returns. Without question, the middle of April can be miserable for a lot of us.

Taxpayers face a tax code that has become intensely complex and truly temporary, with tax relief being extended for one year, months at a time, or even retroactively. America’s 28 million small business owners, taxpayers themselves, repeatedly complain that this uncertainty has made it difficult to plan or grow their companies. In fact, a recent survey by the National Small Business Association found that the sheer complexity of the tax code is actually a more significant problem for America’s small businesses than their overall tax liability. Imagine that--businesses are so fed up with not knowing what to do and how to do it that they care less about what they have to pay the IRS. Unfortunately, the current U.S. tax code has become one of, if not the most, significant hurdles for the growth of existing businesses and creation of new firms.

But it doesn’t have to be this way.

Over the past few years, there has been a renewed effort in Congress to reform our tax code, to make it easier, fairer, and more stable. Here in our Committee we have worked to identify the aspects of the code that are most troublesome to small business formation. We’ve held hearings, met with trade associations, and most importantly, we’ve talked with our constituents back home. The message we hear is always the same: we’ve got to make it simpler, flatter, and fairer. And taxpayers want Congress to enact changes in the code earlier in the year, or better yet, make certain beneficial tax provisions permanent so they can plan ahead. Unfortunately, Washington usually tends to do things at the last minute or even make changes retroactively.

Another critical aspect of the tax reform debate is making sure we are not leaving Main Street behind. Many people may not realize that the vast majority of small businesses in the United States are organized as “pass-through entities,” meaning, they pay no corporate income tax. Instead, business profits are “passed through” to the owner (or owners) to be reported, and tax paid, on their individual returns. Our entire tax system needs revamped, not just half of it.

There is no doubt that we must reform our corporate tax structure; we have the highest corporate income rates in the world. But, as our Committee has identified numerous times before—our small businesses are the backbone of our economy. They create over 60 percent of the new jobs in this country and represent over 99 percent

of all employers in the United States. Because so many of these enterprises file and pay their taxes on their individual return, we *cannot* and *must not* ignore them as we move forward with any tax reform debate.

It is time for Washington to get serious about helping American families and small businesses. It's not just about helping them keep more of their hard earned money, but about making April 15th a lot easier to handle. Nobody likes to pay taxes, but the convoluted system we have now is simply another burden. Reforming our tax code in its entirety will unleash the true potential of our economy. Our constituents deserve better than the mess Washington has given them.

Again, I want to thank each of our witnesses for taking the time to be with us today, especially my constituent, Scott Lipps, and our fellow Ohioan Dan McGregor. I now yield to our Ranking Member, Ms. Velázquez, for her opening statement.