



February 16, 2005

FACT SHEET

The President's Advisory Panel on Federal Tax Reform Holds First Meeting

OVERVIEW:

The President's Advisory Panel on Federal Tax Reform held its first meeting in Washington, DC, today. President Bush established the Panel to make recommendations on ways to create a simpler, fairer, and more pro-growth tax system. The panel is led by former Senators Connie Mack and John Breaux, and consists of a distinguished group of experts and experienced people from both parties.

America has a growing, dynamic, and changing economy - but our tax code has not kept up with the times. The current tax code is a maze of special interest loopholes and complex provisions that cause America's taxpayers to spend more than six billion hours every year on paperwork and other headaches. President Bush believes that America's taxpayers deserve better. The tax panel is part of President Bush's pledge to lead a bipartisan effort to reform and simplify the tax code.

The time that people spend complying with an overly complex tax code is a waste of resources that has been growing over time.

- The Internal Revenue Code contains more than a million words.
- The number of pages in the Internal Revenue Code and regulations has more than doubled over the past twenty years.
- In 1940, it took only two pages of instructions to fill out the Form 1040; today, the 1040 - EZ or "short form" is accompanied by 36 pages of instructions.
- Today's "short" income tax form takes more than 11 hours to prepare - about the same as the "long form" did a decade ago.
- It takes 12 pages of instructions to calculate the Earned Income Tax Credit - a basic element of income-support for the working poor.
- By 2010, more than one in five taxpayers will be forced to calculate their income taxes twice - once for the regular income tax and once for the Alternative Minimum Tax - and then pay the greater amount. The number of affected people will continue to grow over time.

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President Bush's Action to Promote Tax Reform

- President Bush announced that he is making tax reform a key priority of his second term.
- On January 7, 2005, the President began this effort by creating, by Executive Order, a bipartisan panel to advise the Treasury Secretary on options to fundamentally reform the tax code to make it simpler, fairer, and more growth oriented.
- The President's goals are to make the tax code simpler and to increase long-run economic growth and job creation. Taxes should be applied fairly, and reform should recognize the importance of homeownership and charity in our American society.

Background: The President's Advisory Panel on Federal Tax Reform

The panel will hold public meetings and seek input from individuals, businesses, and associations and organizations. It will also seek input from Members of Congress.

At today's first meeting, the panel heard from Treasury Secretary John Snow and from other witnesses. The witnesses described the history of the federal income tax and described the differences between income and consumption taxes.

The panel will hold a series of public meetings during the next few months. The next meeting will take place on March 3, 2005 in Washington DC.

- The Panel will examine the existing system and then formulate options for reform, which will be presented to the Secretary of the Treasury by July 31, 2005. This advice will inform the Secretary in his efforts to make recommendations to the President.

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