



July 18, 2013

Dear Senator:

Following the “blank slate” tax reform approach put forward by Senate Finance Chairman Baucus and Ranking Member Hatch, we would like to take the opportunity to reintroduce the RATE (Reforming America’s Taxes Equitably) Coalition and provide you with an overview of our principles.

We believe that the RATE Coalition vision – tax reform based on the bipartisan vision of the 1986 Tax Reform Act – helps point the way toward what the American economy needs now: tax reform with a lower statutory corporate rate. The framework put forward by Senators Baucus and Hatch could install not only needed incentives for growth and jobs here at home, but also much-needed simplicity into our tax system, removing the ability of the code to pick winners and losers.

However, as you are no doubt aware, the current U.S. tax code is not only burdensome and uncompetitive globally, but imposes a 35 percent corporate tax rate – the highest in the industrialized world. Tax reform – real tax reform – must address both the issue of complexity in the code, as well as significantly reduce statutory rates nearer the OECD average rate of 25 percent.

As the Co-Chairs of the RATE Coalition, we believe that the time is right for comprehensive tax reform. The 32 member companies and associations of RATE, which together represent over 30 million U.S. jobs in all 50 states, see tax reform as vital to improving America’s economy and boosting job creation. Our members believe that American businesses – both large and small – need clarity and certainty in the code in order to boost investment and hiring here at home. However, our members also see a system that is broken with a tax rate that is far out of step with America’s competitors abroad.

We recognize that tax reform will not be easy. As you and your colleagues work to examine the code we know that some choices may be difficult. Nevertheless, our members are committed to working with you to reduce the statutory corporate tax rate and understand that base-broadeners, such as eliminating tax expenditures, may be necessary to achieve the significant reduction in the statutory rate that is required for the U.S. to better compete globally.

Our members are ready to make the tough choices and we know that the American people are ready for real tax reform. A recent study released by Ernst & Young found that by standing still on tax reform, U.S. economic growth could be reduced by up to 2.6 percent in the long-term, or roughly a loss of \$345 billion each year for the next decade. Over the same time period, the wages of average Americans could also suffer. The same study found that in the long-run, real wages could be more than 1 percent lower than if the U.S. had a more competitive corporate tax rate.

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Additionally, tax reform is not just an economic issue. Recent polling conducted by the RATE Coalition shows that after learning of America's globally uncompetitive 35 percent corporate rate, support for tax reform that lowers the rate to 25 percent while closing loopholes and exemptions in the code garnered nearly 60 percent support with less than 30 percent opposed. Tax reform is not simply an economic necessity – it is underpinned by significant support from the public.

We are encouraged by the building momentum for tax reform. Efforts by the Senate Finance Committee, including multiple tax reform option papers, and discussions alongside the efforts of Senator Baucus to work with House Ways & Means Chairman Dave Camp show that legislation is possible this year. We urge you to join with your colleagues in making comprehensive tax reform with a significantly lower corporate rate a reality this year.

Thank you for your hard work on this issue.

Sincerely,

Elaine Kamarck and James P. Pinkerton

Enclosures:

RATE Coalition About Us, Mission and Principles

RATE Coalition National Footprint

Summary of RATE Coalition Polling Data

cc: Senate Finance Committee Chairman Max Baucus
Senate Finance Committee Ranking Member Orrin Hatch