

December 15, 2004

President George W. Bush  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President,

As we approach a new session of Congress, Democrats and Republicans agree that we must reform the tax code now. Recent statements by Administration officials indicate that you may postpone the appointment of a tax reform advisory panel and may delay sending Congress a proposal until 2006. We are writing to encourage you to act now so that tax reform can move us toward a system that is more fair, less complex, and that adequately funds the budget without perennial deficits.

Democrats are committed to the following principles:

- \* Fairness: Tax reform must not result in tax increases on middle-income families, and we must uphold our commitment to progressive taxation. Millions of middle-income Americans are paying more than their fair share as a result of an overly complicated, loophole-ridden tax code. This tax burden will only increase as more families are ensnared by the Alternative Minimum Tax (AMT). By 2010, the AMT is expected to hit 33 million taxpayers, up from just 1 million in 1999. We believe that tax reform must include a long-term solution to protect middle-income taxpayers from the AMT's unintended consequences.

- \* Simplification: We must make the tax code far less complex. The tax code and its regulations currently span more than 60,000 pages, thousands of which have been added since the mid-1990s. It takes the average family nearly 7 1/2 hours longer to complete their tax return than it did in 1994, and tax changes made since 2001 have only served to further complicate the tax code. The following example illustrates how the current tax code is unnecessarily complex. Parents with children in college must choose between two non-refundable tax credits and the higher education deduction, all of which are calculated differently with different income limits and phase-outs. Moreover, parents saving for their children to attend college have to decipher three different saving mechanisms. It is a taxpayer's nightmare.

\* Fiscal Responsibility: We must not add to the deficit; indeed, we must steadily reduce it. Revenue neutrality is especially important given the historic level of debt. Democrats are committed to reforming the tax code without burying our future under a mountain of national debt.

We look forward to working with you on a bipartisan basis to simplify the tax code for all Americans. Together, we can create a tax system that reflects common values and creates a more vibrant economy.

Thank you for your attention to our concerns.

Sincerely,

Nancy Pelosi, Democratic Leader

Steny H. Hoyer, Democratic Whip

Robert Menendez, Democratic Caucus Chairman

Charles B. Rangel, Ranking Member, Committee on Ways and Means

John M. Spratt, Jr., Ranking Member, House Budget Committee

George Miller, Ranking Member, Committee on Education and the Workforce

Rosa L. DeLauro, Co-Chair Steering and Policy