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CHAIRMAN JIM SAXTON

PRESS RELEASE

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NEW JEC STUDY SHOWS ECONOMIC BENEFITS OF TAX RATE REDUCTION --High Costs Of Current Tax Code Highlighted--

WASHINGTON, D.C. - Reductions in income tax rates would improve incentives to work, save, and invest, and improve the prospects for economic growth, according to a new study released today by incoming Joint Economic Committee (JEC) Chairman Jim Saxton. The study, *Economic Benefits of Personal Income Tax Rate Reductions*, also analyzes the additional economic costs imposed by the current tax system. According to the economic literature, these excess costs are estimated to range from at least 25 to 60 cents on each incremental dollar of federal revenue.

"This study shows the effects of the tax drag imposed on the economy by our counterproductive tax code," Saxton said. "The excessive tax rates imposed by the current system deepen its bias against work, saving, and investment, and undermine the growth potential of the economy. Moreover, the compliance and administrative burden is reflected in the 6 billion hours expended by individuals and businesses to record and file their tax returns and related information.

"A reduction in personal income tax rates would increase work, saving, and investment over the long run. Lower tax rates would also benefit about 20 million small businesses that are subject to the personal income tax. Small business entrepreneurs are vital to the dynamism and flexibility of the U.S. economy, and also have been a primary source of new job creation.

"By increasing the flow of resources into production, lower tax rates would significantly increase economic output and raise the standard of living. With huge and growing surpluses, there is no reason to saddle our economy with such a high tax burden, especially at a time of considerable economic weakness and uncertainty. Congress should move quickly to reduce the burden of our counterproductive tax code on the economy," Saxton concluded.

For more information on taxation, including the new study, *Economic Benefits of Personal Income Tax Rate Reductions*, please visit our website at www.house.gov/jec.

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