

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

May 17, 2017

Dear Chairmen and Ranking Members:

Transformative reform of the tax code has the potential to dramatically increase business investment in the United States, helping to raise living standards for American workers and improve conditions in the communities in which they live.

A key aspect of any comprehensive tax reform is to focus on economic activity within the United States. While the rest of the world has moved towards territorial tax systems coupled with border adjusted taxes, the United States continues to cling to an outdated worldwide system that disadvantages American workers and literally drives US businesses and their investments overseas.

To ensure Americans have the best tax code possible, the undersigned economists believe:

Comprehensive Tax reform is long overdue. There is widespread agreement across economic disciplines that our tax code must be modernized. The United States currently boasts one of the worst tax codes in the world, ranking [31st out of 35 OECD member nations](#). We have the [highest corporate tax rate in the G20](#), and the [third highest tax rate in the world](#).

Transformative tax reform is necessary: Tinkering around the edges or adopting temporary rate reductions is not going to address our underlying challenge. Congress and the new Administration have an opportunity to take one of the worst tax codes in the developed world and make it one of the best, but to do so the reforms need to be comprehensive, permanent, and transformative.

Border adjustments should be a critical part of the plan: [The United States is the only developed nation that does not border adjust its taxes](#). Border adjustments help to ensure the integrity of a territorial tax system by all but eliminating the incentive for companies to shift income, intellectual property, and their headquarters overseas. The result would be increased investment here in the United States and a level playing field where products imported into the United States are assessed the same tax as those made in America.

It has been thirty years since the U.S. last reformed its tax code and the urgency for a new approach is obvious. America needs a pro-growth tax code that is fairer, simpler, and more conducive to economic growth than our current code. The undersigned economists encourage Congress and the Administration to be bold in their efforts and to give the American people the tax code they deserve.

Sincerely,

Alan Auerbach
University of California, Berkeley

Sanjai Bhagat
University of Colorado Boulder

Ike Brannon
Capital Policy Analytics

Ernest S. Christian
Former Deputy Assistant Secretary of the Treasury
for Tax Policy

Chris DeMuth
Hudson Institute*

Thomas J. Duesterberg
Senior Fellow, Hudson Institute*

Doug Frechtling
George Washington University

Christopher Frenze
Joint Economic Committee (Ret.)

William Gale
Brookings Institution

Gordon Gray
American Action Forum

Andrew Hanson
Marquette University

Michelle Hanlon
MIT

William Hart
Miami University of Ohio

Rea Hederman
The Buckeye Institute*

John Heywood
University of Wisconsin – Milwaukee

Douglas Holtz-Eakin
American Action Forum

Tim Kane
Hoover Institution

Tom Kniesner
Claremont Graduate University

Laurence Kotlikoff
Boston University

Tony Losasso
University of Illinois Chicago

S.P. Kothari
MIT

Jim Lucier
Capital Alpha

Aparna Mathur
American Enterprise Institute

Steve Moore
Heritage Foundation

James B. O'Neill
University of Delaware (Ret.)

Don Parsons
George Washington University

Korok Ray
Texas A&M

Brian Reardon
Former White House Official at the National
Economic Council

Anthony Sanders
George Mason University

Tim Slaper
Indiana University

Jason Taylor
Central Michigan University

David Vanhoose
Baylor University

