

ORRIN G. HATCH
UTAH

JACE JOHNSON
CHIEF OF STAFF

104 Hart Senate Office Building

TELEPHONE: (202) 224-5251
TDD (202) 224-2849
FAX: (202) 224-6331

Website: <http://www.senate.gov/~hatch>

United States Senate

WASHINGTON, DC 20510-4402

June 24, 2010

COMMITTEES:

FINANCE

JUDICIARY

HEALTH, EDUCATION,
LABOR, AND PENSIONS

INTELLIGENCE

AGING

JOINT COMMITTEE
ON TAXATION

The Honorable Paul A. Volcker
Chairman, President's Economic Recovery Advisory Board
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Chairman Volcker:

I want to thank you for your long career of public service, most recently as Chairman of President Obama's Economic Recovery Advisory Board (PERAB). Its recent mission is, as you said, "...to discuss the pros and cons of a spectrum of reform ideas relating to tax simplification, enforcement of existing tax laws and reform the corporate tax system."¹ These are among the most pressing tax policy issues.

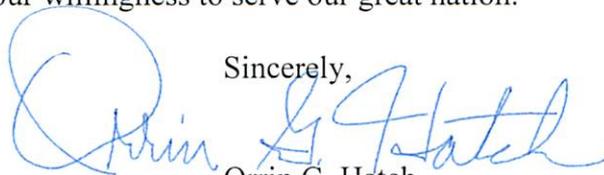
The nation's tax code is riddled with special provisions that not only lead to lower tax receipts but also generate economic inefficiencies, sub-par economic growth, and reduced standards of living. We must move toward a tax code that finances the nation's priorities with as little interference in saving, investment, and growth as possible.

In this light, I am writing regarding recent reports that the PERAB may find merit in the United States adopting a value-added tax (VAT) in addition to the existing individual income, corporate income, payroll, estate, gift, and excise taxes. The negative ramifications of instituting a VAT on top of our existing tax system are so compelling that I strongly urge the PERAB to not include any VAT proposals in its final report. I believe the mere discussion of a VAT overlay on top of our current tax system is dangerous and could move some Washington policymakers further toward an inclination to increase spending by providing more revenue. Such a course is not in the best interest of the future of our country and would also not help the PERAB accomplish its mission – reforming our current tax system.

Experts generally believe the hidden nature of the VAT would enable policymakers to raise taxes in significant amounts with relatively little public notice or objection. In my view, enacting a VAT on top of our existing tax systems would be a colossal mistake because its purpose would not be to improve the way we collect revenues, but solely to increase the amount of revenues collected. Such an increase in total taxes would be devastating to economic growth, job creation, global competitiveness, and our ability to deal with the fiscal crises that loom over our future.

I thank you and the members of the Board for your consideration of this matter, and I express my gratitude to all of you for your willingness to serve our great nation.

Sincerely,



Orrin G. Hatch
United States Senator

¹ <http://www.whitehouse.gov/blog/2009/11/27/perab-tax-task-force>