

Our Business Tax System: Objectives, Deficiencies, and Options for Reform

Senate Committee on Finance
September 20, 2006

Statement Submitted by
J. Michael Keeling
President, CAE
The ESOP Association
1726 M Street, NW
Suite 501
Washington, DC 20036
202/293-2971 (p)
202/293-7568 (f)

Michael@esopassociation.org
www.esopassociation.org

On behalf of the thousands of employee-owned companies in the United States, and certainly for the nearly 2,500 members of The ESOP Association, we put to the members of the Senate Finance Committee this one thought, which came to us as we read with interest statements by the Chair, Senator Grassley, ranking member Senator Baucus, and the distinguished panel.

Many goals were articulated in the statements by the speakers who felt that if the goals were reached because of a major reform of U.S. tax laws impacting business, we would make our nation's businesses more competitive, more productive, and easier to manage due to less tax compliance costs, among other things. These are all worthy goals, and, of course, debate will revolve around whether the details of proposals accomplish these goals.

Every American wants to have a booming economy and healthy businesses providing good jobs with good benefits.

But, we were somewhat disappointed that no one said, "You know, who owns American businesses is very important in terms of fairness and equity." We ask, should we look at the scheme we use to tax businesses with no regard to concentration of wealth? Should we not care that the most important element of a free enterprise society, ownership, is not part of the mix of the debate?

In sum, we would submit that who owns businesses in our nation is very much entwined with how business are taxed, and that as reform of business taxation is studied, the members of the Committee on Finance and their staffs keep in mind that broad based ownership of American businesses should be another goal of any tax regime developed.

On behalf of the ESOP community, I thank you for taking note of this thought.