

United States Senate

WASHINGTON, DC 20510

February 8, 2017

Dear Colleague:

For years, we have opined about having a chance to rewrite the tax code. “If only the perfect opportunity to rewrite the tax code and make it pro-growth would come along,” has been a common conversation starter. That time has come. Before we make the mistakes of the past again, I would like to urge all of us to remember that when it comes to changing our tax code, we should trust the free-enterprise system.

Four major ideas to rewrite the tax code are under discussion by our colleagues in the House of Representatives. Three are pro-growth and level the playing field across all industries and with the rest of the world.

1. Simplify the individual tax code so it makes sense at all economic levels,
2. Dramatically lower the corporate tax rate so the U.S. is competitive with the rest of the world, and;
3. Fix our broken international tax system that has trapped over \$2 trillion dollars from being reinvested in the U.S. economy.

However, the fourth idea under consideration in this comprehensive proposal by the House is the so-called “border adjustment tax.” This 20 percent tax on all imports is regressive, hammers consumers, and shuts down economic growth.

Since all imports would be taxed, the clear effect of the proposed border adjustment tax is an increase in consumer prices. This would hammer consumer confidence and lower overall demand, thus putting a downward pressure on jobs. In fact, a recent economic study on a border adjustment tax by the University of Maryland estimates that some industries could face employment declines of up to 20 percent.

Proponents of a border adjustment tax have posited that embracing their proposal will not actually create additional burdens for taxpayers because currency revaluation would strengthen the dollar by 20%, increasing the buying power of the dollar abroad. Even if we apply this economic theory, we end up with more losers than winners. A successful currency revaluation would trigger a multi-trillion dollar reduction in the value of foreign investments held by U.S. investors including many pension funds and retirees. American seniors will see their retirement savings evaporate at the same time their living costs increase.

For sure, the tax code needs substantive change, but when Congress combines good ideas with bad ideas into a single sweeping bill, the bad ideas become law. This proposed border adjustment tax is a bad idea and should not become a permanent part of our tax code. America has the greatest economy in the world, but it has been held back by our archaic tax code and a pervasive regulatory regime. I urge you to focus on tax policies that would enhance fairness, innovation, and capital formation in our country – and ultimately generate real growth.

Kindest regards,



David Perdue
U.S. Senator