

Remarks by Treasury Secretary Steven T. Mnuchin at the Ronald Reagan Presidential Library



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Simi Valley, CA – It is good to be back in California – I specifically wanted to come here and speak at the iconic Reagan Library and reflect on the former president and what he did more than thirty years ago.

At that time, President Reagan and Congress worked together to pass an ambitious and comprehensive tax plan that he signed into law in 1986. By lowering rates, broadening the tax base, and allowing the market to make its own decisions, that legislation ignited a period of prosperity that carried our country through the 1990s. In the final two years of the Reagan Administration, annual real GDP growth was averaging 4.2 percent each quarter and the economy was generating an average of over 200,000 jobs a month. We saw rising incomes, increasing labor force participation, and growing output. American investment in that period helped to create modern economic growth.

To pass this legislation, President Reagan knew he had to speak directly to the American people. In an address to the nation from the Oval Office, he spoke of the need to “transform a system that’s become an endless source of confusion and resentment into one that is clear, simple, and fair for all—a tax code that no longer runs roughshod over Main Street.”

The messenger may be different, but the message is the same. President Trump’s number one priority is bold, pro-growth tax reform. We are going to overhaul our code for the first time since President Reagan.

Like Reagan we will lower rates – for individuals, for families, and for business. He reduced the business rate from 46 to 34 percent – we will reduce it further to 20 percent. Like Reagan we will free the country from the “grip of special interests” by closing loopholes that benefit a privileged few. We are going to do everything possible to make our code simple and fair again.

This is an important moment in our nation's history. That is why it is so meaningful for us to be here today surrounded and inspired by President Reagan's legacy.

The *Tax Cuts and Jobs Act* released last week by the House Ways and Means Committee is a critical first step to a stronger economy that benefits all Americans. Lackluster growth below 2 percent has sometimes been referred to as the New Normal. I want to assure you that this will never be normal for me, for President Trump, or for the American people. President Trump is committed to moving forward on economic policies that will create sustained growth of 3 percent or higher – that is what the American people deserve. This means trillions of dollars back into the economy, new innovations, and better, higher paying jobs for all Americans.

We have proposed a comprehensive plan for tax reform in order to achieve this level of growth. This plan consists of major reforms, which I will outline today.

First, we will provide a tax cut to middle income Americans and their families, giving them a much-needed raise after years of stagnant wages. Second, we are going to simplify the tax filing process – this will save billions of dollars and hours spent complying with our complicated tax code. Third, we are going to make American businesses competitive again by lowering our rate to bring companies and investment back to the United States. Finally, we are going to incentivize companies to bring back the trillions of dollars in profits sitting offshore so that they can invest here at home.

Our priority is providing relief to middle-income Americans and their families. By passing tax cuts, we can immediately put money back in the pockets of hardworking American taxpayers and give them the pay increase they deserve. That is why we will double the standard deduction that is taken by most Americans. If you file as a family that means \$24,000 will be tax free. This will be a portion of what you make that the government does not take. We call this the zero tax bracket.

We are also going to make it easier on parents to raise and support their families with a new family credit and an expanded child tax credit. Additionally, we will provide a credit for non-child dependents.

In addition to tax relief, we will make the tax system simple and fair – April does not need to be so stressful and complicated. American families and small businesses spend too much time each year making sure that they comply with our complex tax code. Time spent on tax

compliance by families is time that is not spent with each other. This is also a drag on the economy. It keeps businesswomen and men from focusing on what is really important – growing their companies and providing for their employees and families. More paperwork is good for lawyers and accountants, but not most American families and small businesses. Innovating and creating new goods and services leads to higher-paying jobs for the American people. We will make it easier, not harder to do that.

In the plan we proposed, most Americans will be able to file their tax returns on a single sheet of paper. They will no longer have to worry about saving receipts, filing for extensions, or hiring an accountant. We will accomplish this by eliminating special interest loopholes that benefit the well-connected. Taking the standard deduction will be easy and it will be impactful.

We can only grow this economy for everyone if American businesses are allowed to compete fairly with the rest of the world. Our business tax rate today is the highest in the industrial world. This is simply not acceptable. Our average economic competitor has far lower business rates than ours. This ends up hurting American workers and consumers. It encourages companies to move overseas and build their factories and products elsewhere.

We are going to lower the business rate to 20 percent. This will put our companies and our workers on a level playing field with the rest of the global economy. When we give American businesses and workers the opportunity to succeed – they do. With a tax code made for Americans, we will see much more “Made in America.”

America succeeds only when all of its businesses succeed – both large and small. That is why we are going to lower the rate on pass-through entities like LLCs, partnerships, and S-corps. This is important because many of our small and family-owned businesses are structured using these entities. Our plan will put these job creators in a better position to succeed, hire more employees, and pay their existing workers higher wages. Starting a small business will be easier, allowing more Americans to be their own boss. Pass-throughs will have the lowest rates since the 1930s.

Finally, we will bring investment back to this country. There are literally trillions of dollars in business profits sitting offshore right now. This is because we have a system of worldwide taxation that is unusual and unproductive. It encourages companies to keep their profits offshore. We have a repatriation plan that will encourage companies to bring money back to

America, and invest in workers and jobs here. Our innovators need capital to thrive – all sorts of new industries will benefit from this inflow of capital.

Our complex, burdensome tax system has given the rest of the world an advantage in the years since President Reagan’s tax reform – but no one can compete with our country when we are on an equal footing. America’s entrepreneurs, workers, and businesses are the best in the world. Tax reform will position them for greater success in our global economy.

I want to end by quoting President Reagan – his words are as applicable today as they were more than thirty years ago.

“...[L]et’s not let this magnificent moment slip away. Tax relief is in sight. Let’s make it a reality. Let’s not let prisoners of mediocrity wear us down...We can do it. And if you help, we will do it this year.”

He did it, just as we will do it today. We will work with Congress non-stop to make sure we have a bill for President Trump to sign this year. It is critical for our economy, critical for our country, and critical for our future. Thank you very much.

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