Tax Foundation

2004 Annual Dinner Awards

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Scott Hodge: I think it’s only fitting that the presenter of this year’s private sector distinguished service award to Lee Raymond is a man himself who has won the public sector award twice in 1988 and again in 1998. Bill Archer is Senior Policy Analyst at Price Waterhouse Coopers where he works on federal policy matters, trade and international tax issues. He joined PWC after a 30-year career in the House of Representatives, representing, of course, the Seventh District of Texas.

Mr. Archer became Ranking Republican on the Ways and Means Committee in 1988 and Chairman in 1995. He was the architect of the 1997 Tax Bill, which benefited millions of American families. Mr. Archer was well known as the only member of the Ways and Means Committee who did his own taxes, which I think has made him quite a staunch advocate of fundamental tax reform. Do you still do your own taxes? He still does – my goodness. But it’s a little more complicated now than it was then. [laughter]

Last year Mr. Archer joined the Board of Directors of the Tax Foundation and I'm really grateful for the wealth of wisdom and knowledge that he has brought to our board and the counsel and guidance that he has provided me throughout the year. It's been a great pleasure to work with him and it's a great pleasure to introduce Chairman Bill Archer.

[applause]

Bill Archer: Scott, if you had gone on a little bit longer I was afraid you were going to give me the award for a third time. [laughter] But thank you for a generous introduction. I was so excited when our Foundation decided that the Private Sector Award this year would go to Lee Raymond. He is one of the truly outstanding human beings that I've been fortunate enough to get to know in my years in public life. And so tonight he has kindly agreed to come and accept this award. And let me tell you that is not something that happens very often. He has the opportunity to receive a lot of awards but he believes that his job belongs to running Exxon Mobil. But before I get any further into introducing him and presenting the award I want to thank each one of you here tonight for supporting the Foundation.

This Foundation does more good on less money than any organization that I know of in this country. We had our board meeting yesterday and I said to Scott this is virtually unique in American society – that a tax research group is labeled by the media as being non-partisan. [laughter]

Just think about it. When have you ever seen that happen? And yet the work of the Foundation strengthens enormously the way that we tax in order to have a growing economy and a more productive society. And when this Foundation gives an award, to me, well, of course, I've gotten it twice and I probably ought not to say this. But I think that it is truly an important award because of the nature of the Foundation. But I've said how much I respect Lee Raymond and there are a lot of reasons why I respect him. Not only is he the CEO of what used to be the largest corporation in the world and the reason they're not the largest anymore is that they're not going to keep pulling revenue in that doesn't make enough profit. And they are the largest in the world in profit.

Now I hope there's not any press here because they'll probably be a headline about how the oil and gas industry is really getting to the American consumer, but I think it's a great tribute to him. He presided over the largest merger of two corporations when Exxon and Mobil got together. And not only presided over the merger but made it work and work efficiently and effectively and that's saying a lot. Because in the corporate community you've got a lot of egos and to be able to bring all of those people together and have them function effectively was no small task.

But beyond his capabilities as CEO of this great corporation he is a man of unblemished integrity. As a human being he stands out in that regard. And if every corporate CEO in this country was a Lee Raymond we would not have had the Enrons and the Tycos and the other scandalous activities that have overlaid the entire corporate community in a negative way. His judgment is outstanding. He's smart, he's practical, he's commonsense, he's not an elitist and now it's appropriate that you're a Texan, Lee, and no longer up there in New York. I'm sure you're more comfortable.

[laughter]

But to show you how wonderful his judgment is he's kept Joe Luby on doing all of his tax work for a long number of years. [laughter/applause] He is greatly respected by all of the people with whom he works, including the people who work for him at Exxon Mobil. But maybe that's not saying too much because if you work for the President of the United States you've got to respect him too. And if you're working for a big corporation I guess you can't say I don't respect my CEO but he is respected.

He has kept a low profile. You don't see negative press about Lee Raymond ever and that's because of the job that he does. Tonight is really a great pleasure and privilege for me to present to you Lee the Distinguished Service Award for the Private Sector from the Tax Foundation and it is very, very well earned. If you’ll come up here I will be happy to present this award to you and then listen to what kind of comments you might have for us.

[applause]

Lee Raymond: Thank you, Bill, for that very kind introduction. I can probably take the rest of the time to tell Bill Archer stories but I don’t think I will. And I do admit, Bill, I was born in a red state and I live in a red state. We had a small sojourn to a blue state for a while but we recognized it was time to get home to Texas.

Bill our nation owes you a profound debt of gratitude for many years of outstanding leadership in the Congress and, of course, including your service as Chairman of the House and Ways and Means. Your famous urging that we must care for each other more and tax each other less will long be cited as a reminder of the wisdom and wit you displayed throughout your career as a champion of freedom. It’s a very special honor to accept this award tonight and I do so on behalf of all of my colleagues at Exxon Mobil around the world.

I also want to recognize and congratulate my fellow award recipient this evening, my long time friend Senator Don

Nickels. Working as I do for a company that does pay a significant amount of taxes to anybody I can think of [laughter] I do pay close attention to tax legislation being considered by the Congress. One item caught my attention recently. The Congressional Record noted that Senator Nickels was working with Senator Kyl to pass an amendment to the 2004 Budget Resolution that speeded up the death tax repeal by one year. This may be the only government tax program where the potential claimants are hesitant to take advantage of the accelerated benefit. [laughter/applause]

I also understand that at the end of this term, Senator Nickels and his wife Linda will be completing 24 years of service, tying Sen. Elmer Thomas as the longest serving senator from Oklahoma. [applause] Least we forget, when Ronald Reagan and Don Nickles won election in 1980, the maximum tax rate was 70% and now it’s 35. Notable among their long list of achievements, President Reagan, Senator Nickels and their colleagues helped unshackle the U.S. economy and free individuals and businesses from the crushing tax burden that had been built up over prior decades.

In President Reagan’s view government had outgrown its proper role and confiscatory taxes and unnecessary and burdensome regulations were doing serious long-term harm to the U.S. economy. As only he could put it, government’s view of the economy could be summed up in a few short phrases – if it moves tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it. [laughter]

Since its inception the Tax Foundation has been a respected and articulate voice bringing unbiased analysis and clarity to the never-ending public policy debates about taxes. Guided by the core principles of simplicity, transparency, stability and neutrality within a pro-growth framework the Foundation’s economists and staff play a vital role by informing and advising our nation’s lawmakers and business leaders about tax policies that best serve the public interest and strengthen our economic future.

I would also note that the Tax Foundation’s official anniversary is almost upon us – December 5, the date in 1937 on which it was formally organized in New York. That same year federal spending stood at $7.5 billion. A postage stamp was three cents and the top marginal income tax rate was 79%. The original members of the Board of Directors included Alfred P. Sloan, Chairman of General Motors; Louis Brown, President of Johns Manville; and Bill Farish, President of Exxon, Mobil’s predecessor – the Standard Oil Company of New Jersey.

Ever since the Tax Foundation was founded my company has remained steadfast in supporting its important work, both financially and through the voluntary efforts of numerous company executives. Today Paul Sullivan, Exxon Mobil's Vice President and General Tax Counsel, sits on the Foundation's policy council. And Joe Luby who's been referenced earlier, our Assistant General Tax Counsel serves on the Board of Directors. My company is deeply committed to fostering economic growth. Key to this is encouraging investment and central to driving investment is a reliable and sound tax policy. We believe in the efficacy and the ethical soundness of capitalism and the free enterprise system. Our commitment to corporate citizenship is deeply rooted in that belief and in the knowledge that free markets and democratic institutions remain the best models for producing prosperity and improving the lives of people the world over.

We also understand that economic progress still depends in large part on abundant and affordable supplies of energy. It will come as no surprise to anyone here that there is a strong historic link between economic growth and energy demand. There is also a widespread recognition that the development and growing use of hydrocarbon fuels in the 20th century help propel ever-increasing levels of prosperity. It was a period during which the earth's population rose fourfold, from 1.7 billion in 1900 to more than 6 billion today. Among the most significant achievements was bringing a better quality of life and a more hopeful future to billions of people. The global economy has grown at an average rate of about 3% since 1970 and we think it will continue at that pace on average for the next few decades.

World energy demand will grow about 1.7% each year. Rising from today's 220 million barrels per day oil equivalent to about 335 million barrels a day by 2030, an increase of more than 50% in absolute consumption.

Maintaining sufficient energy supplies to meet the expected growth and demand will continue to be an enormous challenge, requiring timely development and access to resources in all regions of the world to promote diversity of supply and enhance energy security. The funding required for power generation will be even larger. Such staggering investments will only be forthcoming if market participants seek attractive risk-return opportunities. The projects are huge where they're drilling in mile deep waters in the Gulf of Mexico or building ships the size of aircraft carriers. And investors will decide which opportunities have merit.

Governments will be held accountable for creating conditions necessary to attract investment capital in a competitive global marketplace. Forward-looking countries must foster an environment that encourages the very large, long-term investments needed by the energy industry. Such an environment requires the rule of law and a predictable competitive environment. Developing a favorable climate for investment, trade and innovation is an essential task for developing economies and developed countries alike. We can support continued economic growth and improve living standards by opening new markets and seeking innovative and responsible ways to develop and utilize the world's resources.

The Bush administration has completed free trade agreements with a dozen countries and is working to open new markets and eliminate trade barriers with 10 more. These free trade agreements open a huge market for American goods and services and bring benefits to American workers and businesses. The developing economies of poorer nations also stand to benefit. Governments at all levels in every country should reject the political impulse to adopt protectionist approaches that inhibit free trade.

These include measures that levy discriminatory taxes or grant special subsidies and regulations that harm competition and the efficiency of world markets. Governments would also be well advised to heed Winston Churchill's admonition that a nation to try to tax itself into prosperity is a like a man standing in a bucket trying to lift himself up by the handle. [applause]

I am heartened to see that a growing number of countries are casting aside discredited collective economic models and embracing a free market economic system that time and again has produced significant and widespread prosperity. U.S. policymakers must see to it that tax rules do not hinder the competitiveness of U.S. multinational corporations or make it more difficult for them to compete with foreign-based multinationals.

Together with many other companies and leaders here tonight Exxon Mobil believes that there is an urgent need to correct the problems in the tax code governing U.S. taxation of international operations. It is imperative that these U.S. tax rules be amended to remove the disparity that exists in the tax treatment of U.S.-based multinational companies and home country tax regimes of those based outside the United States.

In our increasingly global enterprise, as political barriers give way to economic progress, the petroleum industry will be there to meet the world’s energy needs. And I believe we have the right to expect that American companies should not be put at a competitive disadvantage by virtue of the U.S. tax code. We commend the Tax Foundation for its outstanding work and service to our nation and we pledge our continuing effort to support the free market principles it so skillfully advances in the tax and public policy arenas. I’m honored to be here with you tonight and I am pleased to accept this award on behalf of everybody at Exxon Mobil. Thank you.

[applause]

Scott Hodge: Thank you very, very much for those kind remarks and we look forward to partnering with Exxon for hopefully another 67 years. By that time Luby will be [laughter] I shudder to think. I'm very fortunate to be able to introduce Senator John Kyl who will be making the presentation of the Public Sector Distinguished Service Award to Senator Don Nickles. As most of you know, Senator Kyl has been one of the most relentless advocates in the Senate for pro-growth tax policies, in particular for eliminating the estate tax or death tax.

Speaking of the estate tax, last year I heard an interesting story from our award winner Ben Cardin. I had been giving the introduction, as I always do, telling a little history and he said, gee, Donaldson Brown, that name sounds familiar. He said, oh, yeah, during my first year in the Maryland legislature we were facing a budget shortfall.

And we were debating whether or not to raise taxes or cut spending and all of a sudden we get a call from the Revenue Department and the state got this big tax windfall. And it came from the estate of Donaldson Brown, one of our founders who had long since retired from General Motors and moved back to his home near Baltimore. Believe it or not, the more than $30 million paid by the estate of Donaldson Brown to the state of Maryland closed the entire budget gap that year. [laughter]

Now while that’s certainly good for the state of Maryland, I would say that Senator Kyl would argue and I would join him in that, that the economy is worse off as a result of those resources being taken from productive activities and given to close a one-time budget gap for the state. Well, Senator Kyl is now serving in his second term, serving the great state of Arizona and I’d like you all to give an extended welcome to Senator Kyl.

[applause]

Senator John Kyl: Thank you very much. First of all, Lee Raymond congratulations, a well-deserved honor of the Private Sector Distinguished Service Award. Lee Raymond is certainly a good example of good tax policy helping a small business to become a profitable, medium size, and growing business. [laughter] Just think if everybody followed these tax policies every small business in America could be just like Exxon Mobil. [laughter] But good sound advice, Lee, to us all from your comments and thank you very much.

Tonight is really bitter sweet for me because I’m losing one of my best friends in the United States Senate. I’m losing my best colleague on the Senate Finance Committee and American taxpayers are losing their strongest advocate in the United States Senate. Don Nickles has been stalwart for sound tax policy and fiscal policy for his entire 24-year career in the

United States Senate. On the Senate Finance Committee it's been my privilege to work with him for a few years now. The votes for you junkies – you've seen a lot of votes out of the Senate Finance Committee and they're usually 18-2. [laughter]

Now you can do the math. There are 21 members of the committee. Senator Kerry is never there. [laughter] And you can guess who the two are. And some day our positions will prevail I'm sure when there are better advocates for them. [laughter]

It has been my pleasure to serve as Don's wingman for many lost causes – lost but correct causes for sound tax policy. I asked Don a moment ago, I said, Don, have you ever calculated how many trillions of dollars you have saved the American taxpayer? And he said no I never have. It was $1.7 trillion in the last Congress but I haven't gone back to calculate it all. [laughter] Don said, of course, there were a lot of other people that helped too and indeed there were. But it was Don's leadership that as Budget Committee Chairman that enabled us, first of all, to establish the rules under which we could procedurally object to illicit spending, to hold the line on the spending. And also, as Budget Chairman, to set the parameters for the tax cuts that we were able to adopt and before his Budget chairmanship, as a leader in the United States Senate, to help to shape the tax policy. I have a list here that would go on for far longer than we appropriately take tonight in honoring Don of the initiatives that he's led on to develop sound tax policy in this country.

And I dare say that with the possible exception of Phil Graham, his soul mate in this effort over many years, Don has probably been responsible for more in the way of reduced spending and tax savings than any other senator in the United States Senate. Let me just cite a couple of examples.

You've all heard the stories about Nickles Machine and that's where it all began. And it would be a good thing, Lee, if there were more business people in the United States Senate understanding the impact of taxes on business. And it was in Ponka City, Oklahoma, with Nickles Machine that Don Nickles began to be aware of the heavy hand of government on business and our economy. He understood the impact of these policies on taxpayers. And he understood the impact of gimmicks in our tax policy.

Just take the example of the death tax that we just talked about. Senator Nickles was the driving force behind the current law – the unlimited marital deduction that allows one spouse to transfer to the surviving spouse their entire estate tax free. Don's family had to sell off part of the Nickles Machine to pay the death tax. And because of his efforts countless other families have avoided similar heart-wrenching decisions. And since 2001 Don and I have worked together to try and find a way to ensure the permanent repeal of the estate tax and, if not, something that will satisfy the requirements of all estate taxpayers.

On dividends one of the most important of the recent achievements in our tax policy – the 2003 Tax Bill – where we cut the tax rate on dividends and capital gains to 15%. Senator Nickles and I as his wingman again actually convinced our Senate colleagues to take it down to zero because of working with our House colleagues in the White House we ultimately settled on a 15% rate -- a tremendous achievement that has unleashed the power of corporate America and the investments to ensure that our economy will continue to grow. Not only to provide substantial relief for taxpayers but to provide terrific incentives for companies to finance their business operations with equity rather than debt.

As I said Senator Nickles has also been an extraordinary advocate for business but not in the traditional way that many people think is appropriate. A lot of people try to suggest gimmicks to help business. Don Nickles has always understood the fundamentals and he’s been a vocal advocate for sound tax policy, not gimmicks, to support our business friends. Indeed we found ourselves on the short end of a lot of votes here for tax subsidies to various business interests.

Senator Nickles rather has consistently advocated less government interference in business to begin with and that means not having government pick winners and losers but allowing the marketplace to do that. It also means understanding that business and not the government is what creates private sector jobs. And Don has been one of the best in arguing against what we in Congress like to call revenue raisers. Well you all know what that is – it’s tax increases on the backs of some business.

While taxpayers are losing one of their best champions, the Senate is also losing one of its most thoughtful and influential members. Don not only ran the senatorial committee of the Republicans in the Senate but served three terms as Chairman of the Republican Policy Committee, which I now am honored to serve. He then spent two terms as the assistant Republican leader in the Senate and he capped his career by chairing the Budget Committee. In each of these roles Don Nickles has advocated limited government, low tax rates, and he has consistently been willing to debate some of the most complex issues, both in the Finance Committee and on the Senate floor. Don’s service to his state of Oklahoma, to all U.S. taxpayers and to the philosophy of the appropriate relationship between government and business underscores why he so rightly deserves the Tax Foundation’s Distinguished Service Award. And

I am very honored and privileged to introduce Don Nickles to you to receive this award.

[applause]

Don Nickles: Thank you very much. I saw you stand up and I thought everybody was going to leave. [laughter] John thank you, that was very nice. I meant to give you signals – how you go short, late, but you were very, very kind. I wish you would have kept going. [laughter] It was very nice. Lee Raymond it's a pleasure to join you and be honored with you. I complimented . . . when Bill Archer said every business . . . I guess my colleague said that, I would have stayed at Nickle's Machine if we had been the size of Exxon Mobil. [laughter] You have that great success. Actually you had a time in Oklahoma with Exxon. Anyway my compliments to you for such an outstanding company. I see so many friends here and many that I've worked with on so many issues for so many years and it's been a special treat. Linda and I are concluding our 24 years in the Senate and we've loved every minute of it. I've got a lot of special little things – I might share with Harry Byrd.

Harry and I served together in the Senate. Harry was the epitome of a gentleman senator. He also he was one that would stand up. We would be ready to vote on an Appropriation bill – this would be in 1981 and 1982 – and as usual sometimes the Senate is trying to railroad something through and we move this bill forward and we vote on it. And Harry Byrd would be back there in the back and he would want just a few minutes. Usually he wouldn’t speak too long. Usually he would speak in rather kind of a quiet way . . . but everybody would listen. When Harry Byrd would speak everybody would listen.

“I want to tell you why I’m voting against this bill. This bill is growing by 6.7% and that’s too much.”

He convinced me so we were the two votes that voted against it. [laughter] But Harry Byrd . . . outstanding service for the state of Virginia and our country. [applause]

And I can easily see why this group gave Bill Archer the Public Service Award for two years. I would tell you that you should give it to him for many more than that. I’ve had a lot of friends, a lot of mentors, people that I had great respect for, people I had the pleasure of serving with, working with and frankly on the House side. The Senate and the House don’t work too many times together. But for whatever reason Bob Dole was kind enough to me even though I was relatively new on the Finance Committee to let me sit in him for him I guess during the ’95 Tax Bill, which is a great tax bill. President Clinton vetoed it but he didn’t veto the one in ’97. He tried to take credit for it but frankly we had to cram a lot of it, including reducing the cap gains rate from 28% to 20%, which really helped our economy.

And later they were trying to take . . . they opposed that provision I might add, including Secretary Rubin and others that were trying to say what a great job they did for the economy. But frankly that was Bill Archer and a lot of us on the Republican side who said this is really a good thing to do for the economy.

I should tell you that my whole political career was launched by a Democrat and it was on tax policy. I want to thank Jimmy Carter for helping me get elected. [laughter] It's actual factual. I won in 1980 in large part . . . everybody says, well, it was Reagan's year – it was, and Reagan had coattails and he won big. But I won in Oklahoma because they passed the windfall profit tax. And I campaigned very, very strenuously against that tax.

I'm a die-hard, as most of you know, for the free enterprise system. And I thought this was the most anti-free enterprise piece of legislation that ever passed Congress. That would tax domestic consumption production and wouldn't tax imports, so you discourage domestic production and encourage import. I thought how absurd could you be. And $77 billion and about eight years later, Lee, we finally got rid of it.

But I wouldn't have won without that tax so I do thank Jimmy Carter. [laughter] They're in Little Rock. I'm looking for my invitation. I'm sure I could have been there tonight.

I tried to help him on his ’93 Tax Bill but it passed by, what, one vote. We did kill the BTU tax in the ’93 provision. [applause] But we didn’t kill the maximum rate.

Lee mentioned when I was elected with Ronald Reagan the maximum rate was 70% and today it’s 35. Bill Archer will tell you at the conclusion of Ronald Reagan’s term it was 28. I absolutely look back at that with great awe because, Bill, the Democrats always controlled the House. As a matter of fact they always controlled the House until ’95 when you were chairman. And yet we still were able to make that kind of rate reduction and that is phenomenal – to go from 70% to 28%. Corporate went from 48 to 35. Those were great changes.

When I ran Nickles Machine Corporation I think, wait a minute, we’re trying to build and grow our business but government is going to take up to 70% individually, 48% corporately, and we’re talking about building and growing. But, wait a minute, why? Before that my wife and I had a janitor service. I should have introduced my wife because she’s put up with me for this business for 24 years and me for 36, my wife Linda. [applause]

We had a janitor service and we start doing like . . . how many people in here are self-employed? Quite a few of you. I’m going to be in a couple of months. I’m going to join you. How is it? Is it good? [laughter] But we were self-employed and we had a little janitor service. And some of you were kind enough . . . we had a little party the other night. Somebody found this in the phonebook and they circled it and it said Don Nickles Professional Cleaning Service. But we had that when we were going to school and we did quarterly estimated taxes and, Jim, we were paying 40-some percent with this little janitor service. It was just my wife and I. She quit and it was a real small business. [laughter] And the government was taking so much. Why should we keep growing that business if you're working half the time for government?

And it's basically the same thing. If you're self-employed and you have taxable income with a ratio over $25,000, you're at the 25% tax bracket and you pay 15.3% on top of that, that's 40.3. You pay state income usually at 6% or 7% and that's 47% for any additional dollar you make. Wow that's too high. So some of us do believe in fighting to lower marginal rates. We think in essence it's a fight for freedom and so we have made some progress. We have got the rate back down. Bill Clinton took it up to 39.6 and we finally got it back down to 35. We did that in the '03 tax bill.

Let me tell you, in fight those battles – and that was a tough battle – the '03 tax bill . . . the '01 passed but the '01 was phased in so slow it didn't have the economic punch we really wanted it to have. The economy was still pretty much in the doldrums and so what can we do in ’03 that would really help the markets and really help the economy. So we said let’s accelerate . . . the tax cuts are already in the pipeline. Those were tough fights. I will tell you when you’re in a tough fight and you’re on taxes there is no matter ally then in the country than to have Senator John Kyl on your side. And we fought those fights and we won. [applause]

And I’d be remiss . . . I want to thank President Bush; he introduced me to introduce that bill and the first thing we did was have Zell Miller be my principal cosponsor and without Zell Miller’s help we wouldn’t have passed that bill either. And I made a speech today complimenting him for his service. I said think of this, we passed that bill with my support and Chuck Grassley’s support – we passed it by one vote in the Senate in June of ’03.

When we started taking up that bill . . . when we introduced that Bill, Dow Jones was at 7700. Dow Jones today is at 10,500. That bill accelerated the tax cuts that were in the pipeline that, frankly, hadn’t happened. We had already taken the 15% bracket and made the 10% -- we had already done that. We did that immediately. We did it retroactively. For upper income you heard John Kerry say, oh, yeah, we gave all this big tax cuts for the upper income. But upper income, up until that point in 2003, they had a one-point reduction. It went from 39.6 t 38.6 – one point. In the ’03 bill we said let’s go ahead and have some impact.

Let’s go ahead and make it 35. I know during the campaign he said, oh, no, that’s big tax cuts for the wealthy. Well, wait a minute, it was 31% being in Bill Clinton’s term and now it’s at 35. Thirty-five happens to be the same rate that Exxon Mobil was paying. I didn’t think individuals should have to pay more than Exxon Mobil. [laughter] I still believe that. And so we were able to do.

We also did a couple of other things. We realized that we taxed corporate distributions higher than any other country in the world. We’re tied with Japan because we double tax dividends. And so, as John mentioned, we passed in the Senate a zero tax on individuals because we already tax corporately on corporations 35%. We came out of conference at 15% and that’s still a big improvement and we cut cap gains to 15%. And I think largely as a result of that you’ve seen a big market appreciation. You’ve seen over a couple million jobs created the last couple of years. And, again, it was because of John Kyl. It was because of Zell Miller. It was because of President Bush and I think we made a difference. So taxes do make a difference.

John mentioned that I was involved in 1981 in the big tax bill and I was. I was a freshman senator but I learned the hard way. My dad had died in 1961. We had Nickles Machine Corporation and the government said we want a big chunk of this. This was a small family-held business that had machines. Those were our assets and the government said we want about a third of it. We fought the government for seven years and the government eventually won. We ended up settling. I wanted to send them parts but they wanted something else. [laughter] And I had a vendetta and that's one of the reasons why I decided I wanted to get involved in government because I thought government you're supposed to protect property not confiscate it.

And there is something fundamentally wrong when you work all your life or my dad did and my granddad did and my dad dies and so the government says, hey, we want half. So I have a real burr under my saddle to do something. We did get this one change in the 1981 tax bill when Bill Archer and others were able to bring the tax rate at that step from 70% to 50% -- a big step in the right direction. There was one little provision that said that surviving spouses pay no federal estate tax. I think a great pro-family, pro-business, pro-free enterprise change. I told somebody I can change the way you do your estate planning. My home in Oklahoma, frankly, I put our home in Linda's name so she wouldn't have to pay the state taxes if I died. Since we passed that exemption it's not so necessary so I tried to get the name back in my name. [laughter] I'm going to get in trouble for that.

I'm excited when I look at the future. We made some changes. Yes we have a 15% tax bracket now on corporate dividends and 15% on cap gains, those expire at the end of '08. President Bush is now saying we need to reform the tax code and he's looking for a private sector group to give him some advice. I will just tell you, I don't think anybody could head that group anybody than Bill Archer and I hope he has that responsibility – a big responsibility – with some outstanding advice. I'm excited about that.

I look at the tax code. The tax code is so complicated. We worked on it. I've always said we wanted to simplify it and we haven't done that. As a matter of fact if you look at the tax code it's about yea thick. It's very complicated; you can't fix it a paragraph at a time. I compare it to the Bible. The Bible is about yea thick. And unlike the Bible the tax code contains no good news. [laughter] So I really hope and I'm excited with President Bush's leadership and I think it will take his very strong leadership, and it will take outstanding work from a lot of people like Mark Fraiser and Russ Sullivan . . . Rachel Jones . . . I hope she's going to be working with me. [laughter] Lisa is back there, Lisa Wuskey does a fantastic job for Senator Kyl. I think with some outstanding staff work and a lot of good input from people who really understand the system we can do so much better.

This tax code is far too inequitable. It’s far too confusing. It is far from being fair or flat. We have some wages that we get credit for and we have some you have to amortize – how silly is that? We have some income that is exempt and some income we tax twice. There is so much we could do. You could cut the rates in half if you taxed all income once. I appreciate the fact that Teresa Heinz had millions of dollars that is tax exempt but I just want to tax it once [laughter] and you cut the rates way down. So I just think there is so much that can be done to make it better, fairer system. And I’m excited about that.

I’m glad that our president is taking the leadership to do it, and I’m honored by receiving this award with my friend Lee Raymond. I’m honored, frankly, when I look around the room and see so many people that I’ve had the pleasure of working with for so many years on so many issues. I say this in all sincerity, it’s absolutely been a pleasure and frankly a real thrill to be working with you on what I think is a very good cause – the cause of preserving, protecting, expanding our freedom. Thank you very much. God bless you.

[applause]

Scott Hodge: Are you sure you don't want to stay for a few more years? [laughter] Just as things were getting good. As we conclude this evening I'd like to thank all of you here tonight for making the 67th Annual Award Dinner a smashing success. Thanks to all of you and I would like to thank the staff of the Tax Foundation. If you could all stand – Julie Burden in particular [applause]. Everybody knows Julie by now.

As former Congressman Tom Foley once said, if you don't drink or smoke or drive a car, you're a tax evader. [laughter] Well, in honor of Mr. Foley I'd like to invite everyone to join us across the hall in the Dumbarton Room for a post-dinner reception. Drinks are on us and smoke 'em if you've got 'em. Now be careful when you drive. Remember the words of novelist Robert Heinlein [phonetic] – be wary of strong drink. It can make you shoot at tax collectors and miss. [laughter] I look forward to seeing all of you next year at our 68th Annual Dinner and to Senator Byrd [phonetic], we look forward to seeing you at your 49th Tax Foundation Dinner.