



NEWS from U.S. Senator Bob Dole

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STATEMENT BY SENATOR BOB DOLE UPON THE INTRODUCTION OF THE EDUCATIONAL SAVINGS BOND BILL

Mr. Dole. Mr. President, the concept of a tuition tax credit has received broad support in the Senate from both sides of the aisle. The tax credits are designed to provide financial relief for those struggling with the growing burdens of education costs. Unfortunately, many times it benefits taxpayers who already have the money to pay education expenses. The government lacks a program to help an individual save the amount of money necessary to finance the costs of higher education. We must face the facts -- prevailing economic conditions force parents to neglect proper planning for their children's education in order to make ends meet. Tuition tax credits will provide only a portion of the help needed.

OPPORTUNITY TO SAVE

To help remedy this situation, I propose the issuance of a special education savings bond to provide Americans with the incentive and opportunity to save for the education of their children. The education savings bond is not intended to be a replacement for, or alternative to, the tuition tax credit. It is meant to address a fundamentally different problem.

Mr. President, the bill I am today introducing calls for bonds to be issued at face value for various denominations. They would have a maximum life of 20 years, with interest accruing at a rate of 7%. The interest on the bonds when redeemed would be tax free when used to pay for expenses associated with room, board, and tuition at an institution of higher learning. Additionally, to prevent any bail-out at capital gain rate for investment in the bonds, they would be made nontransferable.

Mr. President, savings bonds are economically accessible to almost every American. Statistics compiled by the Treasury Department indicate that taxpayers at all levels of income can and do buy savings bonds. In fact, 19% of all families with a yearly income of less than \$5,000 own savings bonds, and 30% of all families with a yearly income between \$5,000 and \$10,000 own savings bonds.

LESS GOVERNMENT -- MORE HELP

Mr. President, the federal government spends billions of dollars on educational assistance. My proposal would provide this assistance at an efficient cost to the government. In order to prevent any abuses where the student withdraws from school and receives a refund of the costs, my proposal taxes the money returned. An individual will be limited on the amount of bonds he may purchase. In addition, the bonds may be used for a person who is directly related to the bondholder.

Many Americans want to save for the future education of their children. Bonds issued through a payroll savings plan or through financial institutions will allow a parent to financially plan, in an orderly manner, for future expenses.

PLAN FOR THE FUTURE

Mr. President, my proposal is simple. An individual buys a bond yielding 7%. The taxpayer upon redeeming the bond will not pay tax on the interest earned on the portion which is used for a qualified educational expense. Of course, strict reporting and accounting of the receipt of the interest and the expenses will be required. No middleman, no onerous regulations, and no discrimination. The program is designed to allow people to help themselves.