

NEWS from U.S. Senator Bob Dole

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DOLE ISSUES PROPOSALS AIMED AT EASING TAX, INFLATION BURDENS

WASHINGTON, D.C. -- Sen. Bob Dole (R-Kan.) today proposed measures to provide tax relief and curbs on government spending to aid American taxpayers.

Dole introduced four bills, the most important of which would provide for inflationary income exclusion. This is a plan to help neutralize the impact of inflation by maintaining the effective rate of taxation at the rate originally legislated.

The Dole package is in response to nationwide taxpayer anger at rising tax rates and inflation. Dole pointed Proposition 13 as an expression of that anger, saying that voters "have told their government that enough is enough. The taxpayers in California and across America are in a state of revolt. It is time the Congress takes note and realizes that the American taxpayer is waking up from his eternal tax nightmare."

Dole said that inflation was the main tax problem, and that government was one of the main factors fueling inflation. "To demonstrate how outrageous federal spending has become, the government has increased new government outlays by \$100 billion in the last two years," he said.

Dole also indicated his office would send letters to state governors urging them to call for a Constitutional convention in order to adopt an amendment limiting federal spending.

Following is the text of Dole's floor statement:

Mr. Dole. Mr. President, yesterday the voters of California demonstrated their anger. In approving Proposition 13 they have told their government that enough is enough. The taxpayers of California-and across America-are in a state of revolt. It is time the Congress take note and realize that the American taxpayer is waking up from his eternal tax nightmare.

PROPOSITION 13

Mr. President, Proposition 13 is a tax limitation measure. It is designed to cut state property taxes by \$7 billion. However, more significantly it limits future property taxes to ~~one~~ percent of assessed valuation and requires a two-thirds vote to enact new taxes. *one*

Over the past years, Californians have seen their property taxes skyrocket. Property tax bills have increased 100%-200% - and even as much as 1,000 percent from year to year.

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The taxpayers revolt is caused by the two nagging problems of big government and inflation. Property values have dramatically increased in our inflationary economy. However, the average owner has not benefited from this phenomenon, he has only had to pay more taxes.

ENOUGH IS ENOUGH

Mr. President, the American people have had enough. They've had enough of big government-inflation-and high taxes. The taxpayers revolt in California is only the beginning. Because of the inability of the government of California to listen to the concerns of their citizens, the people of that state were forced to act on their own. Unless we in Washington listen, we will be faced with the same consequences.

Mr. President the citizens of our country are crying for tax relief and limited government. How can we constantly turn our backs and cover our ears?

The Senator from Kansas is not surprised that the Proposition has been favorably approved. Everywhere a person turns there is a tax. There are income, estate, and gift taxes. We have social security, unemployment, and excise taxes. If the President has his way we will soon have energy taxes. We have a telephone tax, a tobacco and alcohol tax, and an import tax. There are taxes on license plates, there are franchise taxes, property taxes, sales taxes, gasoline taxes, and preference taxes. There is practically no form of human conduct that can escape taxation.

Mr. President, frankly I am encouraged with the vote in California. It shows that the American people are ready and willing to act. It shows that they are looking for leaders that advocate tax relief.

In the 1970's, the American worker has been subjected to almost a decade of zero growth in his standard of living. Weekly wages have increased 86% since 1967, but because of higher prices and higher taxflation, real spendable income has increased at less than 3%.

Mr. President, the voters of California have struck out at this type of madness. I believe it is time for the voters all over America to call on the Federal Government to stop spending their hard-earned money. Today I am introducing proposals to stop runaway spending, to stop inflation, and to stop senseless government growth.

INFLATION

Mr. President, the latest inflation figures are grim. Consumer Prices in April rose by .9 of 1 percent. This is the biggest monthly increase in over a year. This news seems to confirm that inflation will get worse before it gets better. During the first four months of this year, prices increased at an annual rate of nearly 10%. The recent figures showing increases in the Wholesale Price Index indicate more of the same.

To demonstrate how dramatic inflation erodes and destroys our economy, a worker has to double his salary every ten years to keep up with a 7 percent inflation rate. So, an individual earning \$15,000 today would have to earn \$60,000 a year in 1997-just to keep up. Of course, once the worker starts to earn more money he is pushed into a higher tax bracket and pays a greater share of his earnings to government.

Mr. President, let me give you another example. Assume a family of four earning \$15,000 in 1955 had increased it's income to match inflation so that the family would be earning \$32,900 in 1976 or a gain of 120%. On the surface it looks like the family has improved in standard of living. However, this same family would have been moved from the tax bracket of 22% to the 36% tax bracket. The family's tax bill has increased by over 30%.

TAX INDEXING

Inflation is our number one tax problem. During periods of inflation, the net effect of the current tax system is to push low and middle income taxpayers into higher tax brackets without any corresponding increase in their real purchasing power. Indexing the tax system to the rate of inflation would help neutralize the impact of inflation by maintaining the effective rate of taxation for any given income level at the rate originally legislated.

There is no tax reform that is more important to the American taxpayer than indexing. The concept is not new. Pension provisions, found in the Tax Code, imposing limits on the amount of employee contributions, are presently indexed. The Energy Tax Bill, pending in Conference, contains an index tax in the business use of oil and gas. According to a Congressional Budget Office study, approximately 63% of all federal expenditures are completely indexed or quasi-indexed. Tax indexing is used successfully in a number of Western countries, including Canada.

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The Subcommittee on Taxation and Debt Management has held hearings on S. 2738, the Tax Indexation Act of 1978. This legislation cosponsored by Senators Griffin, McClure, Lugar, Schmitt, and Allen provides a rational, equitable approach to indexing our tax system.

INCOME EXCLUSION

Today, I am introducing further legislation to compensate for tax inflation. The proposal is simple. It allows any individual to ~~include~~ ^{exclude} any increase of his earned income that is due to inflation. For example, a worker earning \$10,000 who received a \$1,000 pay increase in an economy with an inflation rate of 10% would be able for tax purposes to exclude the \$1,000 phantom inflationary income.

GOVERNMENT SPENDING

Mr. President, the growth in federal spending has been incredible. Fiscal year 1962 produced outlays of slightly over \$100 billion. Fifteen years later the President of the United States submits a budget five times that number. To demonstrate how outrageous federal spending has become, the government has increased new government outlays by \$100 billion in the last two years.

NATIONAL DEBT

With this tremendous increase in spending, has come a dramatic growth in our national debt. In fiscal year 1975, our fiscal debt was \$544 billion. However, in only a short period of time, the Administration estimates that for fiscal year 1979 the debt will have grown to \$873 billion - an increase of \$331 billion in only four years.

The federal spending in the current fiscal year will be up some 13% from last year and a further 11% increase is projected for fiscal year 1979. If you include off-budget agencies the government deficit will rise 20% in the current fiscal year. All this is occurring at a time when the economy is nearing the top of the business cycle and heavy demands are being made upon the credit markets.

To curb federal spending which has by all sane standards become out of control, I am introducing an amendment to the Congressional Budget Act. This proposal would subject a Budget Resolution to a point of order if the Resolution contained any increases in federal spending over the previous year.

LIMITED FEDERAL SPENDING

All across America, state governments are being forced by their citizens to enact Constitutional limitations on spending. I am introducing a Constitutional Amendment to require that the federal government achieve and maintain a balanced budget. To did Congress in its deliberations, I am also calling for a Congressional Bipartisan Commission to advise Congress and to draft a Constitutional Amendment limiting spending.

FISCAL REALITY

Mr. President, at the present time there are five other resolutions in the Senate requiring a return to fiscal reality. The most notable is Senate Joint Resolution 26, introduced by my friend, the Senator from Nebraska, Mr. Curtis. I am a cosponsor of that initiative. However, let's not kid ourselves. I'm not under the illusion that this proposal will ever be enacted. Not this Congress, not the next Congress is likely to responsibly set mandatory spending limits.

Mr. President, the Senator from Kansas believes we will achieve the mandatory federal balanced budget only when our constituents are breathing down our necks. I believe the public supports this idea. Although there is no mechanism for a national initiative to force federal action the states may act and request that the Congress call a Constitutional Convention.

CONSTITUTIONAL CONVENTION

Article V of the Constitution provides that two-thirds of the states may request Congress to call a Constitutional Convention. The Amendment that is passed by the Convention would then have to be ratified by three-fourths of the states. The Constitution does not set any limits for getting two-thirds of the states to agree. This method has been close to utilization several times. Only one state was lacking when the Senate finally permitted passage of an Amendment providing for direct election of Senators. Two states were lacking in a petition drive for a constitutional limitation on income tax rates. The drive for an amendment to limit the Supreme Court's legislative apportionment decision came within one state of the required number.

The problem of federal spending is serious enough to warrant this approach. I am sending a letter to each state governor asking his support and cooperation in petitioning Congress for a Constitutional Convention. Mr. President, I ask unanimous consent that the text of this letter be printed in the Record at this point.

Dear Governor:

The American people, as demonstrated by the recently approved California Proposition 13, want to limit at all levels government spending. As you are aware, there is a movement across the country to enact state constitutional limits on taxing and spending authority. Fortunately, the traditional legislative process has stopped this type of proposal from being considered on a federal level.

Article V of the Constitution provides two alternative procedures for presenting a constitutional amendment to the states for ratification. One method is for two-thirds of the states to request Congress to call a Constitutional Convention, but have failed to obtain the two-thirds necessary. I believe that the time has come to try again.

The growth of federal spending and the federal deficit are national issues. The federal deficit of \$60 billion this year is likely to spur our already serious inflation problem. Inflation, of course, is the cruelest tax of all. It especially hurts the elderly, minorities, and Americans living on fixed incomes. Each and everyone of your citizens is directly affected each day by the decisions of the federal government. It appears there is not end to continued government growth. I know that state governments must wrestle each year with the problems created by bulging federal government programs and mandates.

I believe that Americans want to stop the onslaught of big government. The American taxpayer has reached his limit. The states have an important role to play in expressing the concerns of their citizens to Congress. I hope that you will consider requesting and working with your state legislature to petition Congress to establish a Constitutional Convention calling for a federal balanced budget. If I can be of any assistance in this matter, please do not hesitate to call upon me.

Sincerely yours,
BOB DOLE

Mr. President, the citizens of California have spoken. The American taxpayer revolt has officially begun. For the future of this country, I hope the government will listen to the very people who have elected us to office.

In summary, Mr. President, I am introducing four initiatives to provide assistance for taxpayers.

- (1) An income exclusion of ~~increased~~ wages earned as a result of our spiraling inflation.
- (2) A Constitutional Amendment calling for a federally balanced budget.
- (3) A Congressional Commission to study and recommend a proposal for limited federal spending.
- (4) An amendment to the Budget Act requiring that the Budget Resolution contain no real increases in spending. *Point of order*

In addition, I am calling for the states to petition Congress for a Constitutional Convention to consider a constitutional amendment for a balanced federal budget.

I hope my colleagues understand the message sent by the voters of California and give considerable thought to my initiatives.