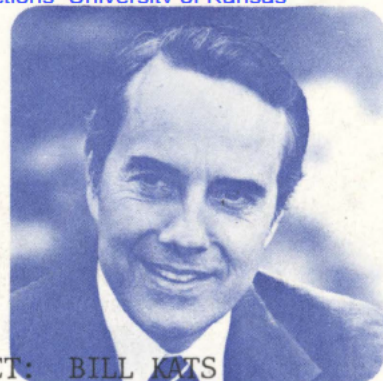


News from Senator

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TAXPAYERS SHOULD THINK OF 'HIDDEN TAX' THEY ARE PAYING THIS APRIL 15, DOLE SAYS

WASHINGTON -- The "hidden tax" on inflation will cost taxpayers approximately \$11.5 billion in additional taxes for 1979, an average increase of roughly \$115 per taxpayer, Senator Bob Dole (R-Kan.) said today.

Speaking at a Tax Day news conference, Dole added, "Americans will be forced to dig deeper into their pockets to come up with tax money today. The explanation is simple. We are receiving automatic tax increases because of inflation.

"If you examine your tax filing instructions from the Internal Revenue Service, you will believe that your taxes have been cut -- after all, there was a rate reduction, increase of the zero bracket amount and personal exemption, and a widening of brackets passed late in 1978. That tax bill was designed to cut about \$12.4 billion in personal income taxes. If you can compare that figure with the tax increase of \$11.5 billion, you see that the 'tax cut' remaining is about \$9 per taxpayer -- not nearly enough to fill up your gas tank."

Dole is Congress's leading proponent of the concept of tax indexing, which is designed to keep incomes from being jumped into higher tax brackets simply because of inflation. This is done by requiring that the figures used in the tax tables be adjusted by the rise in the Consumer Price Index. In this way, withholding tables can be prepared to take into account the most recent available inflation figures.

Later today, Dole gave the following speech on the hidden tax of "taxflation" on the floor of the Senate:

This April 15 is not just another deadline for paying taxes. This year taxpayers feel as never before the impact of Congress's neglect of tax policy. Unless we act to change the system, the tax burden for 1979 will, in retrospect, seem restrained and reasonable. This is because our failure to cope with inflation has a dramatic effect on the tax liabilities of our citizens. With no prospect of a sharp downturn in the inflation rate, we face the prospect of annual compounding of inflation-induced tax increases. Unless this trend is stopped, we will guarantee our perpetual economic stagnation through confiscatory tax policy.

INFLATION TAX PENALTY AND THE ILLUSORY TAX CUT

The figures are simply stated. Because inflation pushed them into higher tax brackets -- distorting their real earning power -- taxpayers are paying about \$11.5 billion in additional taxes for 1979. This is an average increase of roughly \$115 per taxpayer. Not much, you may say: but it is a real problem for many of our citizens who are trying to make ends meet as their dollars are steadily devalued. It is also a deceptive increase. If you examine your tax filing instructions from the Internal Revenue Service, you will believe that your taxes have been cut -- after all, there was a rate reduction, increase of the zero bracket amount and personal exemption, and a widening of brackets passed late in 1978. That tax bill was designed to cut about \$12.4 billion in personal income taxes. If you can compare that figure with the tax increase of \$11.5 billion, you see that the 'tax cut' remaining is about \$9 per taxpayer -- not nearly enough to fill up your gas tank.

A SIMPLE SOLUTION TO A TAXING PROBLEM

Mr. President, the automatic tax increases from inflation will drag our economy down if they are allowed to continue. Taxes this year will absorb 20.8 percent of our Gross National Product. The Administration expects the percentage to be 22.4 percent in Fiscal 1981, the highest level in history. Each percentage point of inflation adds about \$1.5 billion to the total income tax burden, because our progressive tax rates measure nominal, inflated income, not real income as measured by purchasing power. This means the 13.3 percent inflation in 1979 will cost taxpayers nearly \$20 billion, compounded on top of this year's \$11.5 billion. And the same thing will occur every year unless inflation is eradicated, or unless the tax code is changed.

(more)

The tax code can be changed fairly easily, and I would remind my colleagues that the Tax Equalization Act, S. 12, awaits the action of the Congress. I introduced this bill last year to eliminate automatic tax increases -- the inflation tax penalty, really -- by indexing the rate bracket, zero bracket amount, and personal exemption according to the rise in the Consumer Price Index. Then tax rates would correspond to real income, and we could claim to have an equitable tax code, in line with modern economic reality. On this taxpaying day the need for this legislation has never been more compellingly clear.

POLITICAL IMBALANCE ENCOURAGES TAX INCREASES

Mr. President, this year the Administration is being explicit about inflation tax increases. It is counting on the increased revenues to help balance the budget, to avoid having to endorse politically painful spending cuts. This fact illustrates the way in which our system is skewed in favor of tax increases. Votes to cut spending and votes to increase taxes are both politically costly -- the difference is that with inflation, Congress need not vote for taxes to be increased. They will increase anyway, with no member of either House accountable for the result. That is what must be changed if we are to halt the trend of government growth at the expense of the private sector. That change is also needed to preserve the principle that Congress must be responsible to the public for its decisions on national policy.

ADMINISTRATION ON THE SPOT

Tax reduction has received short shrift from this Administration. Even the periodic tax cuts that normally ameliorate the effects of inflation have been avoided, in order that spending may be maintained at a high level. But that is not enough for the President's economic policymakers. Now they propose additional tax increases, including withholding on interest and dividend income and an oil import fee that is really a 10-cent gasoline tax. These proposals have one outstanding virtue -- Congress will have an opportunity to vote on them. We shall see how tax increases fare when they are put to a vote. We may all learn something in the process. As taxpayers must know, the Administration has a lot to learn about taxes.

WINDFALL TAX MEANS SHORTFALL FOR CONSUMERS

They do know, however, how to get a tax approved by distorting its real impact and portraying it as a levy on an unpopular industry. I am referring of course to the windfall profits tax legislation, the largest single tax increase in history, which was signed by President Carter on April 2. The Administration did not publicize the fact that this tax also falls on royalty owners. Farmers and other small investors who purchased royalties over the years are extremely unhappy to be paying the same rate of tax as the major oil companies.

Many royalty owners in the state of Kansas -- farmers and others -- tell me they were extremely surprised that they are being asked to pay this tax. They did not understand that this tax would apply to them, because they had been told, time after time, by commentators and by the President of the United States, that we are going after the big oil companies and that big oil was to pay the tax. This was not an accurate representation of what the windfall profit tax proposal contained. For this reason I have introduced legislation, S. 2521, that would exempt small royalty owners from the tax. That is the least we can do to mitigate the effects of this gargantuan tax.

This senator believes that the windfall profits tax will retard this nation's effort to achieve energy independence. It is bad energy policy because it reduces incentives to discover new oil in this country when they need to be increased. The tax is bad economic policy because it will hit American consumers at a time when serious efforts to reduce taxes are needed. Let us not deceive ourselves into believing that the impact of this tax will be confined to the oil industry. It is an excise tax -- it is part of the cost of doing business. One way or another, American consumers will pay for the imposition of the windfall tax. A tax increase of \$227 billion over 10 years is not a minor matter.

TAXPAYERS WILL DEMAND A FAIR HEARING

The windfall profits tax, the oil import fee, and the withholding on interest income are completely characteristic of the Carter Administration's economic policy. Tax whatever you can, as much as you can, without causing people to scream too loudly. The American people ought to be protesting these taxes -- we are hearing from them already, and I expect we will be hearing from them much more after everyone has paid their taxes. That is why today has been designated to take account of the tremendous tax increases imposed by the Carter Administration, a day to recognize the need to reverse the direction tax policy has taken in recent years. I hope that this day will prove to be a watershed, a day when we acknowledge the urgent need to rein in taxes, to free more of the resources of the private sector from taxation, and to stop the growth of government at the expense of the free market economy and the taxpaying citizens who make it a success.