

## STATEMENT OF SENATOR DOLE

TAX EQUITY AND FISCAL RESPONSIBILITY ACT  
OF 1982

MR. PRESIDENT--

THE LEGISLATION WE ARE NOW TAKING UP ALREADY HAS GENERATED SOME CONTROVERSY. IT IS NOT CLEAR WHY THAT IS SO, SINCE THIS BILL IS A DIRECT AND NECESSARY RESULT OF OUR ADOPTION OF THE FIRST BUDGET RESOLUTION FOR FY 1983. THAT BUDGET RESOLUTION RECEIVED STRONG SUPPORT IN THE SENATE, SO I HAVE EVERY EXPECTATION THAT THE SENATE WILL FOLLOW THROUGH ON THE BUDGET AND GIVE EQUALLY STRONG SUPPORT TO THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT.

THIS IS A GOOD BILL AND A FAIR BILL. CONTRARY TO SOME REPORTS, THIS IS NOT JUST A TAX BILL. IT IS A RECONCILIATION BILL, CONTAINING PROGRAM AND POLICY CHANGES ON BOTH THE SPENDING AND TAX SIDES OF THE LEDGER. IN EACH CASE OUR COMMITTEE HAS MADE EVERY EFFORT TO CHOOSE MODIFICATIONS IN LAW THAT MAKE GOOD POLICY SENSE AND ALLOCATE COSTS AND BURDENS IN AN EQUITABLE MANNER, AS WELL AS REDUCE THE DEFICIT. AS EVERYONE KNOWS, THIS IS NOT ALWAYS AN EASY TASK. IN A FEW INSTANCES I AM PREPARED TO OFFER TECHNICAL MODIFICATIONS THAT WILL CLARIFY OUR INTENT AND, I BELIEVE, MAKE CERTAIN THAT THERE IS NO UNINTENDED IMPACT ON THE AVERAGE CITIZEN OF MODEST MEANS.

MR. PRESIDENT, LAST WEEK OTHER COMMITTEES ALSO UNDERTOOK THE TASK OF MEETING RECONCILIATION TARGETS. I KNOW THAT THE MAJORITY LEADER AND THE CHAIRMAN OF THE BUDGET COMMITTEE, SENATOR DOMENICI, FEEL THAT IT IS ABSOLUTELY ESSENTIAL THAT WE DO EVERYTHING POSSIBLE TO MEET OUR RECONCILIATION INSTRUCTIONS AND TO ADHERE TO THE SCHEDULE SET FORTH IN THE BUDGET RESOLUTION. I AGREE WITH THEM. CONGRESS GENERALLY HAS A POOR RECORD ON CONTROLLING THE BUDGET. WE HAVE A BIG JOB TO DO IN PERSUADING THE PUBLIC AND THE FINANCIAL MARKETS THAT WE ARE DEAD SERIOUS THIS TIME AROUND, AND WE CANNOT AFFORD ANY SLIPPAGE. THAT IS WHY I HOPE AND EXPECT THAT THE SENATE WILL RESIST ANY EFFORTS TO DELAY ACTION ON THIS BILL OR MODIFY IT IN A SIGNIFICANT WAY. IF THE CONSENSUS IN SUPPORT OF THIS PACKAGE UNRAVELS, I AM AFRAID THAT OUR CHANCE TO TAKE REAL ACTION ON THE DEFICIT THIS YEAR WILL SLIP AWAY VERY RAPIDLY.

#### THEORY OF THE BILL

BEFORE GOING INTO SOME OF THE SPECIFIC PROVISIONS OF THIS BILL I WOULD LIKE TO SET OUT FOR THE MEMBERS THE BASIC RATIONALE BEHIND THE DECISIONS OUR COMMITTEE MADE, THE RESULTS OF WHICH ARE INCORPORATED IN THIS LEGISLATION. OUR TOP PRIORITY, OF COURSE, WAS TO REDUCE THE DEFICIT IN COMPLIANCE WITH OUR RECONCILIATION INSTRUCTION. BUT WE BELIEVE THAT THERE ARE GOOD WAYS AND BAD WAYS TO REDUCE THE DEFICIT. I HOPE THAT THE SENATE WILL AGREE THAT OUR WAY IS THE RIGHT WAY.

IN REDUCING SPENDING THE FINANCE COMMITTEE SOUGHT TO IMPROVE

ADMINISTRATION OF PROGRAMS AND FOCUS ASSISTANCE MORE PRECISELY ON THOSE WHO ARE MOST IN NEED. THIS MEANS THAT WE HAVE EMPHASIZED CHANGES REGARDING PROVIDERS OF SERVICES -- AND PRACTITIONERS, IN THE HEALTH AREA -- AS WELL AS BENEFICIARIES. THERE HAS BEEN AN EXPLICIT EFFORT TO AVOID UNWARRANTED CUTS IN PROGRAMS THAT AID LOW-INCOME AMERICANS.

SIMILARLY, CONFRONTED WITH THE NEED TO RAISE REVENUES, OUR COMMITTEE SOUGHT TO EMPHASIZE ELIMINATING OR CUTTING BACK UNJUSTIFIED PREFERENCES IN THE TAX CODE, AND IMPROVING COMPLIANCE TO ENSURE THAT EVERYONE PAYS A FAIR SHARE OF TAX. THESE ARE ALL GOALS WORTH PURSUING EVEN IN THE ABSENCE OF A MANDATE TO REDUCE THE DEFICIT. THESE ARE THE KINDS OF CHANGES THAT MAKE THE MOST SENSE WHEN THE PRESSURE IS ON TO REEXAMINE ALL ASPECTS OF THE BUDGET AND BRING DOWN INTEREST RATES TO ENSURE A STABLE RECOVERY.

ALTOGETHER, THE CHANGES IN THIS BILL WOULD RESULT IN BUDGET SAVINGS OF ABOUT \$17.5 BILLION OVER THE NEXT THREE FISCAL YEARS, AND REVENUE INCREASES OF ABOUT \$99 BILLION OVER THE SAME PERIOD.

AT THIS POINT I WOULD LIKE TO SUMMARIZE FOR THE MEMBERS THE PROVISIONS OF THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982.

## THE IMPORTANCE OF SUBSTANTIVE ACTION

PRESIDENT, I REALIZE THAT THERE ARE MANY PROVISIONS TO  
AND THAT THERE IS SOME COMPLEXITY INVOLVED WITH A  
THEM. WE HAVE DONE OUR BEST TO EDUCATE MEMBERS AND  
THE PAST SEVERAL WEEKS AS TO THE CONTENTS OF THE  
BILL, AND I BELIEVE WE HAVE BEEN SUCCESSFUL. OF COURSE,  
I AM PREPARED TO ANSWER ANY QUESTION OR CLARIFY ANY MATTER  
THAT IS STILL BE OF CONCERN.

WE HAVE TO REMEMBER THAT IT IS THE DETAILED, SUBSTANTIVE  
CHANGES CONTAINED IN THIS BILL WHICH CAN MAKE ALL THE  
DIFFERENCE IN TERMS OF REAL DEFICIT REDUCTION AND SIGNIFICANT  
IMPACT ON FINANCIAL MARKETS. UNTIL NOW WE HAVE TALKED A LOT  
ABOUT THE DEFICIT AND AGREED TO A BUDGET PLAN THAT CAN REDUCE  
THE DEFICIT. THIS BILL, HOWEVER, PRESENTS OUR FIRST OPPORTUNITY  
FOR US TO ACTUALLY CUT THE DEFICIT THROUGH DIRECT LEGISLATIVE  
ACTION. FURTHERMORE, OUR BILL CONTAINS OVER 30 PERCENT OF  
THE TOTAL DEFICIT REDUCTION OVER THE NEXT THREE YEARS CALLED FOR  
IN THE BUDGET RESOLUTION. IF WE FAIL HERE, IT IS LIKELY THAT  
WE WILL BE IN A LOSING GAME-- AND THE CHANCE TO HAVE AN IMPACT ON THE DEFICIT--  
GONE FOR THIS YEAR. IF WE SUCCEED, AS I BELIEVE WE  
CAN PROVE THE SINCERITY AND DETERMINATION BEHIND CONGRESS'  
ACTION IS A COMMITMENT TO REDUCE THE DEFICIT.

## EMPHASIS STILL ON SPENDING

PRESIDENT, I HAVE SAID THAT THIS IS NOT JUST A REVENUE  
BILL. IT IS ALSO A SPENDING REDUCTION BILL, AND IT  
SHOULD BE CONSIDERED IN THE CONTEXT OF THE BUDGET MANDATE TO

ALL COMMITTEES OF THE SENATE TO REDUCE SPENDING IN THEIR RESPECTIVE AREAS. THE NEW REVENUES RAISED UNDER THIS BILL ACCOUNT FOR ONLY ABOUT 26 PERCENT OF THE TOTAL OF \$378 BILLION IN DEFICIT REDUCTION CALLED FOR BY THE BUDGET RESOLUTION. MOST OF THAT DEFICIT REDUCTION COMES FROM CONTROLLING AUTHORIZATIONS AND APPROPRIATIONS AND FROM THE FAVORABLE ECONOMIC CONSEQUENCES THAT WE EXPECT WILL FLOW FROM FIRM CONGRESSIONAL ACTION TO MAKE THESE CHANGES. IT WILL BE A LONG, TOUGH BATTLE TO ADHERE TO THESE BUDGET TOTALS, COMPLETE THE RECONCILIATION PROCESS, AND FOLLOW THROUGH IN THE APPROPRIATIONS PROCESS. BUT WE WILL NEVER GET THERE AT ALL UNLESS WE TAKE THE FIRST STEP. THE FIRST STEP TOWARD GETTING SPENDING UNDER CONTROL IS TO APPROVE THE LEGISLATION NOW BEFORE US.

#### WHY WE NEED REVENUES

IT SHOULD BE MADE CLEAR AT THE OUTSET THAT OUR PROPOSALS TO RAISE REVENUE ARE IN NO WAY A CONTRADICTION OF LAST YEAR'S TAX CUT. TO THE CONTRARY, THEY PRESERVE LAST YEAR'S TAX CUT: A FACT ACKNOWLEDGED, WITH APPRECIATION, BY PRESIDENT REAGAN IN HIS STATEMENTS OF SUPPORT FOR THIS BILL. FURTHERMORE, THESE TAX CHANGES ARE THE SECOND PHASE OF A NECESSARY RECKONING IN TAX POLICY THAT BEGAN LAST YEAR, AND THE FIRST STEP TOWARDS A SIMPLIFIED AND MORE EQUITABLE TAX SYSTEM. WE HAVE ABANDONED THE UNJUST, DECEPTIVE PRACTICE OF ALLOW TAX RATES TO RISE FROM INFLATION WHILE THE INCOME TAX BASE WAS ERODED BY THE PROLIFERATION OF SPECIAL PREFERENCES, DEDUCTIONS, AND CREDITS. WE HAVE HALTED THE STEADY RISE IN THE TAX BURDEN THAT WOULD HAVE BROUGHT US TO A LEVEL OF 24% OF GNP BY 1987. UNDER PRESENT LAW REVENUES WOULD BE 18% OF GNP BY 1987, AND WITH THIS BILL

THEY WOULD INCREASE TO 19.4 % OF GNP IN THAT YEAR. THIS IS A MODEST INCREASE: WE WOULD ALL RATHER HAVE THEM AT A LOWER LEVEL, BUT IN CONJUNCTION WITH MAJOR SPENDING REDUCTIONS TO CONFRONT AN UNPRECEDENT DEFICIT PROBLEM, THIS DOES NOT SEEM AN UNREASONABLE CHANGE IN THE TAX BURDEN. THE REAGAN ADMINISTRATION PLANNED FOR A RECEIPTS LEVEL OF 18.7% OF GNP BY 1987.

MR. PRESIDENT, I WOULD ALSO POINT OUT TO THE MEMBERS THAT, AS OUR COMMITTEE REPORT INDICATES, THESE REVENUE INCREASES ARE MODEST COMPARED WITH LAST YEAR'S TAX REDUCTIONS OVER THE SAME PERIOD. ERTA CUT TAXES BY \$88 BILLION IN 1983, \$140 BILLION IN 1984, AND \$190 BILLION IN 1985. BY COMPARISON, THE PRESENT BILL WOULD RAISE REVENUES BY \$20.9 BILLION IN 1983, \$36 BILLION IN 1984, AND \$41.4 BILLION IN 1985. THAT IS NOT A DRASTIC OFFSET RELATIVE TO THE TAX CUT, EVEN WITHOUT TAKING INTO ACCOUNT THE SIGNIFICANT 10 PERCENT RATE REDUCTION AND BUSINESS TAX RELIEF THAT ARE ALREADY IN EFFECT THIS YEAR.

IT IS ALSO IMPORTANT TO REMEMBER WHERE WE ARE RAISING THE REVENUES: AS PRESIDENT REAGAN POINTED OUT IN A LETTER ADDRESSED TO ME, DATED JULY 17, MORE THAN THREE-FOURTHS OF THE INCREASED REVENUES COME FROM IMPROVED COMPLIANCE AND MEASURES TO BROADEN THE TAX BASE. ABOUT 85 PERCENT COME FROM PROVISIONS THAT WILL NOT AFFECT THE TAX BURDEN OF THE AVERAGE TAXPAYER. IN FACT, THIS BILL IS A MAJOR ASSAULT ON THE PROBLEM OF "SPECIAL TAX RELIEF AT THE EXPENSE OF THE GENERAL" WHICH HAS BECOME INCREASINGLY TROUBLESOME IN RECENT YEARS. THE BILL CAN HELP ELIMINATE MUCH TAXPAYER RESENTMENT OVER THE PERCEIVED UNFAIRNESS OF OUR TAX SYSTEM BY CUTTING BACK ON TAX SHELTERS THAT BENEFIT THE WEALTHY, WHO CAN AFFORD SOPHISTICATED TAX PLANNING. WE CANNOT FORGET THAT

HIGH TAX RATES ARE EASY FOR THE WELL-TO-DO TO AVOID, AND THAT THEY ARE PERPETUATED BY THE PROFUSION OF SPECIAL TAX BREAKS. THIS LEGISLATION GIVES US A CHANCE TO BREAK THAT CYCLE OF HIGHER RATES AND SPECIAL PRIVILEGE, WITH THE GOAL OF BRINGING DOWN RATES AND SIMPLIFYING THE SYSTEM IN THE YEARS AHEAD. I HOPE THAT OTHER ADVOCATES OF A SIMPLER AND FAIRER TAX WILL JOIN IN THIS EFFORT TO BEGIN BROADENING THE TAX BASE SO THAT WE CAN FACILITATE LOWER TAX RATES AND EASIER COMPLIANCE.

### THE PROBLEM OF ACCOUNTABILITY

FINALLY, MR. PRESIDENT, LET ME TRY TO PUT THE ACTION OF THE FINANCE COMMITTEE ON THIS BILL IN THE CONTEXT OF THE BUDGET PROBLEM AND WHERE THE BUDGET PROCESS IS HEADED. LAST WEEK WE BEGAN DEBATE ON S.J. RES. 58, A PROPOSED CONSTITUTIONAL AMENDMENT TO REFORM OUR FISCAL POLICY-MAKING PROCEDURES IN THE INTEREST OF GREATER RESTRAINT, AND CLEARER ACCOUNTABILITY TO THE AMERICAN PEOPLE FOR OUR DECISIONS. I AM, AS I SAID IN DEBATE ON S.J. RES. 58, A STRONG AND ENTHUSIASTIC ADVOCATE OF THIS CONSTITUTIONAL CHANGE, AND OF THE PARTICULAR AMENDMENT THAT IS BEFORE THE SENATE. THIS IS A DISCIPLINE WE VERY MUCH NEED, AS IS DEMONSTRATED BY THE TRIPLE-DIGIT DEFICITS WE ARE NOW CONFRONTING. THE POINT OF THIS CONSTITUTIONAL AMENDMENT IS TO CHANGE PROCEDURES SO THAT WE MAKE SPECIFIC CHOICES ON THE LEVEL OF REVENUES, ON OUTLAYS, AND ON WHETHER A DEFICIT IS APPROPRIATE. THEN WE WILL BE OBLIGED TO MAKE CHOICES AND TRADE-OFFS AMONG COMPETING CLAIMS ON THE BUDGET.

MR. PRESIDENT, IT SEEMS TO ME THAT THIS IS PRECISELY WHAT WE ARE GOING ABOUT TODAY. WE ARE TRYING TO SET A REVENUE LEVEL OPENLY

AND HONESTLY, WITHOUT THE DECEPTION OF BRACKET CREEP. WE ARE DOING THE SAME ON OUTLAYS, AND ON THE LEVEL OF SPENDING IN DIFFERENT PROGRAM AREAS. THESE ARE THE EXPLICIT CHOICES WE WOULD BE MAKING UNDER S.J. RES. 58 IF, AS I HOPE AND EXPECT, IT BECOMES PART OF THE CONSTITUTION. I URGE MEMBERS TO VOTE FOR THIS CONSTITUTIONAL CHANGE. I ALSO URGE THEM TO VOTE FOR OUR RECONCILIATION BILL, BECAUSE IT IS THE EXACT KIND OF OPEN-AND-ABOVE-BOARD LEGISLATING WE OUGHT TO DO, AND WHICH WE WOULD BE REQUIRED TO DO UNDER S.J. RES. 58. YOU CAN NOT RESPONSIBLY VOTE FOR THE ONE MEASURE AND NOT THE OTHER. BOTH ARE DIRECTED TO THE SAME PROBLEM, AND DEAL WITH IT IN THE SAME WAY: BY INCREASING OUR ACCOUNTABILITY AND REQUIRING THAT WE MAKE EXPLICIT CHOICES. THE DIFFERENCE IS THAT OUR TAX AND SPENDING BILL IS DIRECTED TO THE IMMEDIATE, AND ACUTE, DEFICIT PROBLEM. S.J. RES. 58 IS DIRECTED TO THE LONG TERM PROBLEM. BUT CLEARLY WE NEED BOTH.

I HOPE WE WILL FOLLOW THROUGH ON THESE MEASURES AND SWIFTLY COMPLETE THE RECONCILIATION PROCESS. THAT IS THE ONLY GUARANTEE OF LONG-TERM ECONOMIC STABILITY. BUT I ALSO HOPE THAT, AS WE PROCEED, WE WILL CONTINUE TO MAKE HONEST AND OPEN DECISIONS CONSISTENT WITH OUR BUDGET MANDATE. WE CANNOT BEGIN RESORTING TO DEVICES SUCH AS COUNTING REVENUE INCREASES AS SPENDING CUTS OR TAKING CREDIT FOR REGULATORY CHANGES THAT ARE NOT THE RESULT OF OUR ACTIONS. I KNOW THIS IS A DIFFICULT PROCESS--NO ONE KNOWS IT BETTER THAN THE MEMBERS OF THE FINANCE COMMITTEE-- BUT WE DO HAVE A RESPONSIBILITY TO MEET. I SAY THIS BECAUSE THERE HAVE BEEN SOME SIGNS OF SLIPPAGE ALONG THESE LINES ON THE HOUSE SIDE. OUR TWO TAX-WRITING COMMITTEES HAVE A GOOD WORKING



RELATIONSHIP, AND I TRUST THAT WILL ALWAYS BE SO. BUT WE CANNOT EVADE THE FACT THAT OUR GOAL UNDER THE BUDGET RESOLUTION IS TO REACH A CONFERENCE AGREEMENT THAT MEETS THE BUDGET TOTALS ON SPENDING AND REVENUES. IF TOO MANY DEVICES FOR AVOIDING MAKING REAL SAVINGS ARE USED, OUR CHANCES OF REACHING A CONFERENCE AGREEMENT ARE CONSIDERABLY DIMINISHED. THESE ARE MATTERS THAT CAN BE WORKED OUT, AND I EXPECT THAT THEY WILL BE.

MR. PRESIDENT, I URGE PROMPT APPROVAL OF H.R. 4961.