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STATEMENT OF SENATOR DOLE ON EXPANDED RECONCILIATION BILL

MR. PRESIDENT:

WE CONTINUE TO HEAR A LOT OF RHETORIC IN THIS BODY, AND ON THE CAMPAIGN TRAIL, ABOUT THE PROBLEM OF THE DEFICIT. IT IS EASY TO GET AGREEMENT THAT WE NEED A SERIOUS EFFORT TO BEGIN CLOSING THE BUDGET GAP. BUT, AS THE MEMBERS OF THE FINANCE COMMITTEE HAVE FOUND OVER THE PAST FEW MONTHS, IT IS NOT SO EASY WHEN YOU GET DOWN TO SPECIFIC POLICIES AND PROGRAMS. SPEECHES LAMENTING OUR BUDGET PROBLEM MAY BE FASHIONABLE, BUT THEY DO NOT TAKE ONE DIME OFF THE DEFICIT.

THE FACT IS THAT IT IS EASY TO VOTE FOR RESOLUTIONS AND ISSUE PRESS RELEASES. BUT NEITHER OF THOSE THINGS FORCE THE KIND OF TOUGH DECISIONS NEEDED TO CUT SPENDING AND RAISE REVENUE. BUT WITH THE LEGISLATION NOW BEFORE US, WE FINALLY FIND OURSELVES IN A POSITION TO DO SOMETHING ABOUT THOSE DEFICITS WE REGULARLY DECRY.

I WON'T RECITE THE FAMILIAR REASONS WHY WE MUST GET CONTROL OF THE BUDGET. SENATORS ARE BY NOW PAINFULLY AWARE OF THE DAMAGE THAT YEARLY \$200 BILLION DEFICITS WOULD INFLICT ON OUR RECOVERING ECONOMY. INSTEAD, I WOULD POSE JUST ONE QUESTION: IS THERE A SENATOR, CONGRESSMAN, BUSINESS OR LABOR LEADER, ECONOMIST, OR PRESIDENT WHO WOULD NOT FEEL BETTER ABOUT OUR ECONOMIC FUTURE IF THE DEFICIT WAS LOWER?

THE ANSWER IS OBVIOUS. THE MOST THREATENING CLOUD ON THE ECONOMIC HORIZON IS THE DEFICIT. ENACTING A SIGNIFICANT DEFICIT-REDUCTION PACKAGE WOULD CAUSE CONSUMER AND BUSINESS CONFIDENCE TO SOAR. I OFFER AS PROOF THE TREMENDOUS RESPONSE TO THE PASSAGE OF TEFRA IN 1982. THIS DISPLAY OF CONGRESSIONAL RESPONSIBILITY CAUSED INTEREST RATES TO TUMBLE AND SET OFF A STOCK MARKET RALLY THAT PUSHED UP EQUITY VALUES NEARLY 60 PERCENT IN A YEAR. TEFRA HELPED SET THE STAGE FOR A VIGOROUS ECONOMIC EXPANSION THAT HAS BROUGHT THE UNEMPLOYMENT RATE DOWN BY 2.9 PERCENTAGE POINTS: THE STRONGEST LABOR MARKET RECOVERY SINCE 1948.

THE STAKES THIS YEAR ARE DIFFERENT, BUT NO LESS IMPORTANT. TEFRA HELPED TO KICK THE ECONOMY OFF DEAD CENTER; THIS YEAR OUR GOAL IS TO REMOVE THE MAJOR IMPEDIMENT TO A PROLONGED, BALANCED, NONINFLATIONARY RECOVERY.

NO ONE IN THIS CHAMBER NEEDS CONVINCING: WE ALL ARE FOR LOWER DEFICITS. THE QUESTION IS HOW TO GET THERE. TO BRING IT OFF WILL REQUIRE COURAGE, SKILL, AND COMPROMISE.

WE NOW HAVE A CHANCE TO ENACT A PACKAGE THAT IS BALANCED AND FAIR. THE GOAL--SLICING \$150 BILLION OFF THE CUMULATIVE DEFICIT OF \$500-\$600 BILLION WE ANTICIPATE OVER THE NEXT 3 YEARS--MAY IN FACT BE TOO MODEST. BUT IT IS A GOAL WE CAN REACH, AND IT IS FAR MORE THAN MANY BELIEVED WE WOULD DO JUST A FEW MONTHS AGO. EVEN IF WE DON'T TOUCH OFF A TICKER-TAPE PARADE DOWN WALL STREET, AT LEAST WE CAN DISPEL SOME OF THE GLOOM THAT HAS BEEN PLAGUING THE FINANCIAL MARKETS.

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MAKE NO MISTAKE, THIS IS ONLY A DOWNPAYMENT ON FUTURE DEFICIT REDUCTION. BY ENACTING THIS PACKAGE IN AN ELECTION YEAR, CONGRESS AND THE ADMINISTRATION WILL BE MAKING A GOOD FAITH COMMITMENT THAT WE WILL DO WHATEVER IS NECESSARY TO CUT DEFICITS AND KEEP THE RECOVERY ALIVE IN 1985.

WE ALL WISH THIS PACKAGE WERE LARGER. BUT WE HAVE TO BE REALISTIC. ANY AMENDMENT TO INCREASE REVENUES SIGNIFICANTLY ABOVE THE LEVEL THAT THE FINANCE AND WAYS AND MEANS COMMITTEES HAVE REPORTED LIKELY WOULD ATTRACT A VETO. AND WHILE I WOULD FAVOR DEEPER SPENDING CUTS, THE VOTES JUST AREN'T THERE IN THIS ELECTION YEAR.

SO THIS IS A BALANCED, BUT FRAGILE PACKAGE. THE FINANCE COMMITTEE PROVISIONS WOULD SHAVE \$72.5 BILLION FROM DEFICITS THROUGH FISCAL YEAR 1987, INCLUDING \$24.5 BILLION IN OUTLAY SAVINGS AND \$48 BILLION IN REVENUE GAINS. IN ADDITION, THE WORK OF OTHER COMMITTEES CONTAINED IN THIS BILL WOULD REDUCE OUTLAYS BY ANOTHER \$9.8 BILLION.

IT SEEMS TO THIS SENATOR THAT IS WORTH THE EFFORT. AND ONCE THIS BILL IS ENACTED, I AM WILLING TO SUPPORT ANY RESPONSIBLE EFFORT TO DO MORE TO LOWER DEFICITS.

HEALTH PROGRAMS

MR. PRESIDENT, THE SPENDING REDUCTIONS PROPOSED BY THE COMMITTEE INCLUDE MEASURES ALREADY PENDING IN S. 2062, WITH SOME MODIFICATIONS AGREED TO THIS YEAR, PLUS SOME NEW PROPOSALS. FOR THE MOST PART, THEY AFFECT MEDICARE, THE LARGEST HEALTH PROGRAM UNDER THE JURISDICTION OF THE COMMITTEE. IN CONSIDERING SPENDING REDUCTIONS THE COMMITTEE WAS CONCERNED WITH THE RATE OF GROWTH IN THE MEDICARE PROGRAM.

THE ADMINISTRATION ESTIMATES THAT CURRENT LAW BENEFIT AND ADMINISTRATIVE OUTLAYS UNDER MEDICARE WILL BE \$76.8 BILLION IN FISCAL YEAR 1985. OF THIS AMOUNT, BENEFIT PAYMENTS WILL ACCOUNT FOR \$74.8 BILLION. THIS REPRESENTS AN INCREASE OF 15.9 OVER FISCAL YEAR 1984 BENEFIT PAYMENTS OF \$64.6 BILLION.

BOTH IN TERMS OF TOTAL OUTLAYS AND TOTAL BENEFITS PER ENROLLEE RECEIVING REIMBURSEMENT, THE RATE OF GROWTH FOR PART B OF MEDICARE, THE "SUPPLEMENTARY MEDICAL INSURANCE PROGRAM," CONTINUES TO EXCEED THAT FOR PART A, THE HOSPITAL INSURANCE PROGRAM. THE INCREASE IN PART A BENEFITS PER ENROLLEE RECEIVING CARE ARE 58 PERCENT HIGHER THAN THE PROJECTED FISCAL YEAR 1985 MEDICAL CARE COMPONENT OF THE CPI, BUT THE INCREASE IN PART B BENEFITS ARE 100 PERCENT HIGHER.

IN MEDICARE THE SPENDING PROVISIONS PRIMARILY ADDRESS PART B, THE SUPPLEMENTARY MEDICAL INSURANCE (SMI) PROGRAM. IN FISCAL YEAR 1984, THE GENERAL FUND OF THE U.S. TREASURY WILL HAVE TO CONTRIBUTE AN ESTIMATED \$16.8 BILLION TO THE SMI TRUST FUND IN ORDER TO KEEP IT SOLVENT. THAT GENERAL FUND OBLIGATION IS EXPECTED TO GROW BY 13.3 PERCENT TO \$19 BILLION IN FISCAL YEAR 1985.

THE MAJOR PROVISION AFFECTING SMI WOULD HOLD REASONABLE CHARGES OF ALL PHYSICIANS TO PRIOR YEAR LEVELS FOR A 12-MONTH PERIOD, FOLLOWED BY A LIMITED FEE FREEZE IMPOSED ON THOSE PHYSICIANS WHO DO NOT ACCEPT ASSIGNMENT OVER THE NEXT 12 MONTHS.

ALONG WITH THE FREEZE, A VOLUNTARY PARTICIPATING SYSTEM WOULD BE ESTABLISHED FOR MEDICARE. BY AGREEING TO ACCEPT ASSIGNMENT IN ADVANCE FOR ALL SERVICES FOR ALL MEDICARE PATIENTS, PARTICIPATING PHYSICIANS WOULD AGREE TO ACCEPT THE MEDICARE DETERMINED ALLOWANCE AS PAYMENT IN FULL EXCEPT FOR COST-SHARING AMOUNTS. NONPARTICIPATING PHYSICIANS COULD CONTINUE TO ACCEPT OR REJECT ASSIGNMENT ON A CLAIM-BY-CLAIM BASIS.

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THIS LIMIT ON PHYSICIAN PAYMENTS UNDER PART B IS DESIGNED TO MODERATE THE DOUBLE DIGIT GROWTH THAT HAS OCCURRED IN PHYSICIAN FEES. WHILE SOME PHYSICIANS MAY WANT TO ACCEPT FEWER MEDICARE ASSIGNMENTS AS A RESULT OF THIS PROPOSAL, THE COMMITTEE HAS INCLUDED PROVISIONS TO OFFER INCENTIVES FOR PHYSICIANS TO TAKE ASSIGNMENT AND BETTER INFORM BENEFICIARIES AS TO WHICH PHYSICIANS DO SO.

FOR EXAMPLE, THE SECRETARY WOULD ESTABLISH ELECTRONIC BILLING TRANSMISSION LINES AND SIMPLIFIED BILLING PROCEDURES FOR BENEFICIARIES WITH APPROVED MEDIGAP OR GROUP HEALTH INSURANCE COVERAGE. IN ADDITION, THE SECRETARY WOULD BE REQUIRED TO PUBLISH LISTS INDICATING THE ASSIGNMENT EXPERIENCE FOR EACH PHYSICIAN AND ESTABLISH TOLL-FREE HOT LINES FOR THE SAME PURPOSE. THIS SHOULD HELP BENEFICIARIES TO BETTER SELECT PHYSICIANS WHO TAKE ASSIGNMENT.

THE AMERICAN MEDICAL ASSOCIATION HAS COMMITTED ITSELF TO WORKING WITH ITS MEMBERS TO DISSUADE THEM FROM SIMPLY PASSING COSTS ON TO PROGRAM BENEFICIARIES, AS WHEN THE CHARGE BY A PHYSICIAN REFUSING ASSIGNMENT IS MORE THAN THE REASONABLE COST OF SERVICES AS DETERMINED BY MEDICARE.

MR. PRESIDENT, WE WOULD LIKE TO KNOW THAT OUR ACTIONS EFFECTIVELY LIMIT ANY SHIFTING OF COST SAVINGS INTENDED FOR PHYSICIANS ONTO BENEFICIARIES. WHILE THIS SENATOR UNDERSTANDS THAT IT IS NOT FEASIBLE TO MONITOR EACH INDIVIDUAL PHYSICIAN'S RESPONSE, WE DO EXPECT THE SECRETARY TO VERY CLOSELY MONITOR AND PERIODICALLY REPORT TO THE CONGRESS THE EFFECTS OF OUR LEGISLATION AND THE AMA'S VOLUNTARY FREEZE.

THE COMMITTEE PROPOSALS TO INCREASE THE FINANCIAL STAKE OF BENEFICIARIES SHOULD HELP BRING COST SHARING MORE IN LINE WITH THE COST OF THE BENEFITS PROVIDED UNDER PART B. IN FISCAL YEAR 1984 EACH PREMIUM DOLLAR BEING PAID BY BENEFICIARIES IS BEING MATCHED BY \$3.40 FROM THE U.S. TREASURY TO KEEP THE SMI PROGRAM SOLVENT. WITHOUT THE COMMITTEE'S PREMIUM PROVISION, BY FISCAL YEAR 1990 THE U.S. TREASURY WILL HAVE TO MATCH EACH BENEFICIARY DOLLAR WITH \$4.60 TO MAINTAIN SMI TRUST FUND SOLVENCY.

MR. PRESIDENT, WE ARE AWARE OF THE PENDING INSOLVENCY IN THE HOSPITAL INSURANCE TRUST FUND, PART A OF MEDICARE. CONGRESS HAS ACTED TO RESTRAIN GROWTH OF HOSPITAL COSTS, THE LARGEST SINGLE COMPONENT OF PART A'S COST, BUT THAT WILL NOT BE ENOUGH. TO BRING THE PART A TRUST FUND INTO ACTUARIAL BALANCE WILL REQUIRE A GREAT DEAL MORE EFFORT BY THE COMMITTEE: OUR PROPOSALS CANNOT RESTORE THE PART A TRUST FUND TO SOLVENCY, BUT THEY ARE A NECESSARY FIRST STEP.

HOSPITAL INSURANCE, PART A, BENEFITS FOR FISCAL YEAR 1985 ARE PROJECTED TO BE \$50.7 BILLION, \$6.6 BILLION OR 15 PERCENT HIGHER THAN FISCAL YEAR 1984. INPATIENT HOSPITAL SERVICES WILL ACCOUNT FOR 95 PERCENT OF PART A BENEFIT PAYMENTS.

THE MAJOR PROVISION IN OUR BILL WHICH REDUCES HI SPENDING LIMITS THE RATE OF INCREASE IN PAYMENTS TO HOSPITALS. WE RECOGNIZE THE TREMENDOUS IMPROVEMENT THAT HAS BEEN MADE IN THE HEALTH STATUS OF THE ELDERLY BY MEDICARE, AND IN CONSIDERING SPENDING REDUCTIONS WE SOUGHT TO PROTECT ONE OF THE MOST IMPORTANT PROGRAMS THE NATION OFFERS ITS CITIZENS.

OUR BILL ALSO MAKES A FEW CHANGES IN THE MEDICAID PROGRAM. THE ADMINISTRATION PROJECTS TOTAL FEDERAL-STATE MEDICAID COSTS FOR FISCAL YEAR 1985 AT A \$41.4 BILLION: THE FEDERAL SHARE IS \$23.2 BILLION. THIS IS A 14.5 PERCENT INCREASE OVER FISCAL YEAR 1984, ATTRIBUTABLE IN PART TO THE DISCONTINUATION OF THE CURRENT 4.5 PERCENT REDUCTION IN FEDERAL PAYMENTS.

THE PRINCIPAL MEDICAID CHANGE IS TO EXTEND THE CURRENT REDUCTION IN FEDERAL MATCHING PAYMENTS TO THE STATES FOR 3 MORE YEARS. THE REDUCTION WOULD BE SET AT 3 RATHER THAN 4.5 PERCENT,

BUT OFFSETS WHICH ALLOW THE STATES TO DECREASE THE FEDERAL REDUCTION WOULD BE PERMITTED AS UNDER CURRENT LAW. THE COMMITTEE ALSO RECOMMENDS OUTLAY INCREASES FOR CHILDREN AND PREGNANT WOMEN THROUGH THE MEDICAID PROGRAM AND MATERNAL AND CHILD HEALTH BLOCK GRANT, AS WELL AS INCREASED MEDICAID SPENDING CEILINGS FOR PUERTO RICO AND THE TERRITORIES.

MR. PRESIDENT, GIVEN THE SIZE OF THE FEDERAL DEFICIT, THE HEALTH PROGRAM PROPOSALS RECOMMENDED BY THE COMMITTEE DO MAKE SENSIBLE SPENDING REDUCTIONS BUT THEY ALSO REFLECT THE COMMITTEE'S CONCERN FOR DIRECTING SPENDING TO WHERE IT IS MOST NEEDED, INCLUDING MODEST INCREASES WHERE APPROPRIATE.

INCOME MAINTENANCE PROGRAMS

THE FINANCE COMMITTEE CAREFULLY REVIEWED THE ENTITLEMENT PROGRAMS WHICH FALL WITHIN THE INCOME MAINTENANCE AREA. A LIMITED NUMBER OF PROVISIONS WERE ADOPTED BY THE COMMITTEE DEALING WITH THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM AND THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM. THE PROVISIONS APPROVED GENERALLY DEAL WITH OVERLAPPING BENEFITS AND ADMINISTRATIVE SIMPLIFICATION AND EFFICIENCY.

THE TWO AFDC PROVISIONS WITH THE GREATEST BUDGET IMPACT ARE THE REQUIREMENT FOR A STANDARD AFDC ASSISTANCE FILING UNITY AND THE REQUIREMENT THAT A MINOR AFDC PARENT MUST LIVE WITH HER OWN PARENTS WHEN POSSIBLE. BOTH OF THESE PROVISIONS WERE ADOPTED BY THE FINANCE COMMITTEE AND THE SENATE LAST YEAR, BUT WERE DROPPED IN CONFERENCE WITH THE HOUSE. THE CHANGES ARE SUPPORTED BY THE AMERICAN PUBLIC WELFARE ASSOCIATION AND WERE ADOPTED BY THE COMMITTEE WITHOUT DISAGREEMENT.

THE OTHER AFDC PROVISIONS AND THE SINGLE SSI PROVISION ARE BASICALLY TECHNICAL IN NATURE, CLARIFYING PROVISIONS IN THE LAW DEALING WITH THE EARNED INCOME DISREGARDS THE USE OF COMMUNITY WORK EXPERIENCE PROGRAMS BY FEDERAL AGENCIES AND, IN THE SSI PROGRAM, A CLARIFICATION OF THE PROCEDURES TO BE USED TO RECOUP OVERPAYMENTS UNDER THAT PROGRAM. AN AMENDMENT WAS ADOPTED BY THE COMMITTEE WHICH WOULD PROVIDE THAT THE EARNINGS OF A FULL-TIME STUDENT WOULD BE EXCLUDED FROM CONSIDERATION WHEN DETERMINING A FAMILY'S ELIGIBILITY FOR AFDC BENEFITS. THIS AMENDMENT HAS A NEGLIGIBLE COST AND CONFORMS THE TREATMENT OF STUDENT EARNINGS WITH THAT ESTABLISHED FOR EARNINGS UNDER THE JOB TRAINING PARTNERSHIP ACT OF 1982.

MR. PRESIDENT, THE PROPOSALS APPROVED BY THE FINANCE COMMITTEE IN THE INCOME MAINTENANCE AREA WERE APPROVED BASICALLY BECAUSE THEY REPRESENTED GOOD POLICY. SOME HAVE DEFICIT REDUCTION IMPACT, OTHERS HAVE NO IMPACT OR A NEGLIGIBLE IMPACT. WE BELIEVE THEY REPRESENT WORTHWHILE REFORMS IN THESE IMPORTANT SOCIAL WELFARE PROGRAMS.

SOCIAL SECURITY PROVISIONS

THE COMMITTEE BILL INCLUDES SEVERAL CHANGES IN SOCIAL SECURITY, MOST OF WHICH ARE OF A TECHNICAL NATURE. THE ONE IMPORTANT EXCEPTION IS A PROVISION WHICH MODIFIES THE COVERAGE OF CERTAIN RELIGIOUS ORGANIZATIONS UNDER SOCIAL SECURITY. AS MY COLLEAGUES WILL RECALL, THE 1983 SOCIAL SECURITY AMENDMENTS EXTENDED MANDATORY SOCIAL SECURITY COVERAGE TO THE EMPLOYEES OF ALL NONPROFIT ORGANIZATIONS--INCLUDING CHURCHES AND OTHER RELIGIOUS ORGANIZATIONS. RATHER THAN ALLOWING VOLUNTARY PARTICIPATION, AS UNDER PRIOR LAW, SUCH ORGANIZATIONS ARE NOW REQUIRED TO WITHHOLD THE SOCIAL SECURITY (FICA) TAX FROM EACH EMPLOYEE AND ALSO PAY THE EMPLOYER SHARE OF THE TAX. THIS PROVISION HAS CREATED A GREAT DEAL OF CONFUSION AND CONCERN AMONG MEMBERS OF THE RELIGIOUS COMMUNITY, WHO SAW THIS AS A SERIOUS VIOLATION OF THE SEPARATION OF CHURCH AND STATE.

AT THE URGING OF SENATOR JEPSEN, THE FINANCE COMMITTEE HELD A PUBLIC HEARING ON THIS ISSUE IN DECEMBER. AS HE CORRECTLY

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POINTED OUT, THE MERITS OF ALTERING THE LAW WITH REGARD TO RELIGIOUS ORGANIZATIONS WAS NOT SERIOUSLY DEBATED AS AN ISSUE DISTINCT FROM THE COVERAGE OF ALL OTHER NONPROFITS. I WAS SYMPATHETIC TO THE CONCERNS RAISED AT THIS HEARING AND SET UP AN INFORMAL WORKING GROUP OF PASTORS AND REPRESENTATIVES TO WORK OUT A COMPROMISE. THE AMENDMENT APPROVED BY THE COMMITTEE IS THE BY-PRODUCT OF THOSE EFFORTS.

UNDER THE COMMITTEE AMENDMENT, CERTAIN CHURCHES AND CHURCH-CONTROLLED ORGANIZATIONS, OPPOSED FOR RELIGIOUS REASONS TO THE PAYMENT OF SOCIAL SECURITY TAXES, WOULD BE PERMITTED TO TREAT THEIR EMPLOYEES SIMILARLY TO THE SELF-EMPLOYED FOR PURPOSES OF SOCIAL SECURITY. THE CHURCH OR OTHER ORGANIZATIONS WOULD THEREBY BE RELIEVED OF BOTH THE OBLIGATION TO PAY THE EMPLOYER FICA TAX AND ALSO THE OBLIGATION TO WITHHOLD THE EMPLOYEES' FICA TAX. WHILE NOT EVERYONE IS SATISFIED, I BELIEVE THIS IS A GOOD PROVISION WHICH MEETS THE CHIEF OBJECTIONS OF THE CHURCHES WHILE MAINTAINING COVERAGE FOR EMPLOYEES. EMPLOYEES WILL THUS BE ASSURED PROTECTION UNDER THE RETIREMENT, DISABILITY, AND HOSPITAL INSURANCE PROGRAMS OF SOCIAL SECURITY.

MODIFYING THE SOCIAL SECURITY FINANCING PACKAGE APPROVED LAST YEAR IS A DIFFICULT TASK, AND ONE THAT MUST BE APPROACHED WITH GREAT CAUTION. I BELIEVE THE MERITS OF THE CASE FOR CHANGE HERE ARE STRONG.

GRACE COMMISSION SAVINGS

THE FINANCE COMMITTEE IS INDEBTED TO THE GRACE COMMISSION FOR POINTING THE WAY FOR US TO ACHIEVE SAVINGS OF \$3.1 BILLION OVER THE NEXT 3 YEARS. THE COMMITTEE ACCEPTED THREE GRACE RECOMMENDATIONS FOR REDUCING FRAUD AND ABUSE, AND INCREASING THE EFFICIENCY OF GOVERNMENT.

THE FIRST OF THESE PROVISIONS WOULD YIELD SAVINGS IN MEANS-TESTED BENEFIT PROGRAMS BY MAKING TAX RETURN INFORMATION ON UNEARNED INCOME AVAILABLE TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR USE IN VERIFYING ELIGIBILITY FOR THE SSI, AFDC, AND MEDICAID PROGRAMS. CONFIDENTIALITY OF THE INFORMATION WOULD BE PROTECTED BY THE SAME SANCTIONS THAT APPLY TO UNAUTHORIZED DISCLOSURE OF EARNED INCOME DATA, WHICH CURRENTLY IS MADE AVAILABLE TO THE SOCIAL SECURITY ADMINISTRATION. THE PROVISION ALSO WOULD REQUIRE STATES TO USE BOTH EARNED AND UNEARNED INCOME DATA TO POLICE THEIR PROGRAMS, AND TO MAINTAIN A SOURCE OF QUARTERLY WAGE INFORMATION. CBO ESTIMATES SAVINGS FROM THE AFDC, SSI, AND MEDICAID, AND UNEMPLOYMENT INSURANCE PROGRAMS OF \$660 MILLION OVER THE NEXT 3 FISCAL YEARS.

THE SECOND PROVISION WOULD REQUIRE THE SECRETARY OF THE TREASURY TO IMPLEMENT METHODS FOR ACCELERATING THE COLLECTION AND DEPOSIT OF FEDERAL NONTAX RECEIPTS. SUCH METHODS MAY INCLUDE ELECTRONIC FUNDS TRANSFERS, AUTOMATIC ACCOUNT WITHDRAWALS, AND THE USE OF LOCKBOXES. CBO ESTIMATES SAVINGS OF \$1.6 BILLION OVER 3 YEARS WOULD BE ACHIEVED.

THE FINAL GRACE PROPOSAL WOULD AUTHORIZE THE INTERNAL REVENUE SERVICE TO OFFSET NONTAX DELINQUENT DEBT OWED TO THE FEDERAL GOVERNMENT AGAINST TAX REFUNDS. SUCH DEBT WOULD HAVE TO BE CERTIFIED AS DELINQUENT BY THE FEDERAL AGENCIES, AND IT MUST BE SHOWN THAT THE DEBTOR DOES NOT CONTEST THE DEBT BEFORE THE OFFSET COULD BE APPLIED. ESTIMATED SAVINGS FROM THIS PROVISION ARE \$800 MILLION OVER 3 YEARS.

REVENUE PROVISIONS

S. 2062

MR. PRESIDENT, THE REVENUE PROVISIONS OF THIS EXPANDED RECONCILIATION PACKAGE ADDRESS A WIDE RANGE OF PROBLEMS IN THE TAX LAWS WITH THE GOAL OF RAISING REVENUE BY CORRECTING ABUSES AND ADVANCING THE CAUSE OF TAX EQUITY AND GREATER ADMINISTRATIVE

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EFFICIENCY. WE HAVE PUT THE PRIMARY EMPHASIS ON TAX REFORM, AND HAVE DONE OUR BEST TO MINIMIZE THE IMPACT ON THE AVERAGE TAXPAYER.

OF THE MEASURES AGREED TO LAST FALL AND PENDING IN S. 2062, PROBABLY THE MOST IMPORTANT IS THE PROVISION LIMITING TAX BENEFITS AVAILABLE FOR PROPERTY LEASED TO OR OTHERWISE USED BY TAX-EXEMPT ENTITIES, INCLUDING THE U.S. GOVERNMENT. THE BILL WOULD REDUCE DEPRECIATION BENEFITS FOR SUCH PROPERTY, PUT LIMITATIONS ON INVESTMENT TAX CREDITS IN CERTAIN INSTANCES, AND SET FORTH CRITERIA FOR DETERMINING WHEN AN ARRANGEMENT SHOULD BE TREATED AS A LEASE FOR FEDERAL INCOME TAX PURPOSES. TOGETHER THESE CHANGES SHOULD PREVENT ABUSE OF THE TAX LAWS TO PROVIDE BACK-DOOR FINANCING FOR GOVERNMENT PROJECTS. THE PENDING HOUSE TAX BILL, H.R. 4170, CONTAINS A SIMILAR PROVISION.

IN ADDITION, THE PROVISIONS OF S. 2062 AS NOW PENDING INCLUDE POSTPONING THE NET INTEREST EXCLUSION SCHEDULED TO TAKE EFFECT IN 1985; SCALING BACK THE BENEFITS FROM INCOME AVERAGING; REQUIRING ESTIMATED TAX PAYMENTS FOR THE ALTERNATIVE MINIMUM TAX; BRINGING STOCK OPTIONS UNDER THE TAX STRADDLE RULES; EIGHT CHANGES DESIGNED TO IMPROVE TAX COMPLIANCE IN PARTICULAR AREAS; AND SEVERAL OTHERS, AS DESCRIBED IN THE REPORT ON S. 2062. I WOULD ALSO REMIND MEMBERS THAT S. 2062 ALSO WOULD REDUCE THE HOLDING PERIOD FOR CAPITAL GAINS TO 6 MONTHS, A PROVISION THAT MANY MEMBERS ARE INTERESTED IN. THIS CHANGE WOULD BE ACCOMMODATED BY REDUCING THE ORDINARY INCOME CEILING AGAINST WHICH CAPITAL LOSSES MAY BE DEDUCTED FROM \$3,000 TO \$1,000 AND CHANGING THE TREATMENT OF LONG-TERM LOSSES REALIZED BEFORE 1970.

ADDITIONAL PROVISIONS

BEGINNING IN LATE FEBRUARY THE FINANCE COMMITTEE UNDERTOOK A REVIEW OF THE TAX CODE TO IDENTIFY FURTHER CHANGES IN THE LAW THAT, COMBINED WITH THE PROVISION OF S. 2062, COULD GENERATE \$50 BILLION OR SO OVER 3 YEARS. WE HAVE AGREED ON A NUMBER OF SIGNIFICANT TAX REFORMS, AND SOME SMALL TAX INCREASES, TO MEET THAT GOAL. IN FACT, OUR PACKAGE GENERATES ENOUGH ADDITIONAL REVENUE TO ACCOMMODATE SOME REVENUE-LOSING TAX CHANGES THAT THE PRESIDENT AND A NUMBER OF MEMBERS HAVE BEEN SEEKING FOR SOME TIME.

ON THE REVENUE-RAISING SIDE, PERHAPS THE SINGLE MOST SIGNIFICANT ITEM IS A SERIES OF NEW RULES DESIGNED TO PREVENT TAX SHELTER AND OTHER ABUSES. THESE RULES ARE BASED ON TREASURY DEPARTMENT PROPOSALS CONTAINED IN THE FY1985 BUDGET, AND ADDRESS SUCH AREAS AS PARTNERSHIP ALLOCATION OF EXPENSES AND INCOME, INTEREST DEDUCTIONS ON DISCOUNT OBLIGATIONS, TRANSACTIONS BETWEEN RELATED PARTIES, CURRENT DEDUCTIONS FOR FUTURE LIABILITIES, AND CORPORATE DEDUCTIONS FOR EXTRAORDINARY DIVIDENDS RECEIVED. A SIMILAR PACKAGE IS INCLUDED IN THE HOUSE WAYS AND MEANS COMMITTEE BILL, H.R. 4170.

OUR COMMITTEE ALSO AGREED TO CHANGES IN THE LAW THAT WILL TAKE SOME OF THE BENEFIT OUT OF TAX SHELTERS IN THE REAL ESTATE AREA. BOTH NEW AND USED STRUCTURES WOULD BE DEPRECIATED OVER 20 YEARS RATHER THAN 15 YEARS AS UNDER PRESENT LAW, AND ALL DEPRECIATION RECAPTURE INCOME REALIZED IN AN INSTALLMENT SALE OF REAL PROPERTY WOULD BE RECOGNIZED AT THE TIME OF SALE. THESE CHANGES CAN IMPROVE TAX POLICY BY MAKING IT LESS LIKELY THAT INVESTMENT DECISIONS IN THE REAL ESTATE AREA WILL BE MADE ON THE BASIS OF TAX CONSIDERATIONS, RATHER THAN THE ECONOMIC SUBSTANCE OF TRANSACTIONS.

ANOTHER CHANGE THE COMMITTEE AGREED TO REDUCES A PROFITABLE CORPORATION'S ABILITY TO PAY DIVIDENDS TAX-FREE. THIS IS ACHIEVED BY MODIFYING THE DEFINITION OF EARNINGS AND PROFITS USED FOR DETERMINING WHETHER DIVIDENDS ARE TAX-FREE, SO THAT IT MORE CLOSELY REFLECTS A CORPORATION'S ECONOMIC INCOME RATHER THAN ITS TAXABLE INCOME. THE GOAL OF THIS PROVISION IS TO PREVENT SHAREHOLDERS FROM AVOIDING TAX ON A PORTION OF DIVIDENDS IN

SITUATIONS WHERE THE CURRENT EARNINGS AND PROFITS RULES UNDERSTATE ECONOMIC INCOME.

THE BILL WOULD SCALE BACK OTHER UNWARRANTED TAX ADVANTAGES FOR BUSINESS, SUCH AS BY INCREASING THE REDUCTION IN CERTAIN CORPORATE TAX PREFERENCES FROM 15 TO 20 PERCENT, REQUIRING CAPITALIZATION OF CONSTRUCTION PERIOD INTEREST AND TAXES ON RESIDENTIAL PROPERTY (OTHER THAN LOW-INCOME HOUSING), AND REDUCING TAX BENEFITS AVAILABLE FOR BUSINESS PROPERTY IF MORE THAN 10 PERCENT OF THE PROPERTY'S USE IS FOR PERSONAL PURPOSES. WE ALSO IMPOSE SOME FAIRLY MODEST NEW RESTRICTIONS ON THE USE OF INDUSTRIAL DEVELOPMENT BONDS, DESIGNED TO HELP TARGET SUCH TAX-EXEMPT FINANCING TO AREAS OF GREATEST NEED.

BESIDES TAX REFORM AND ANTI-ABUSE MEASURES SUCH AS I HAVE DESCRIBED, THE BILL DOES PROPOSE SOME SMALL TAX INCREASES: A 3-YEAR EXTENSION OF THE TELEPHONE TAX AND A \$2 PER PROOF GALLON INCREASE IN THE DISTILLED SPIRITS TAX. WE ALSO WOULD CHANGE THE HEAVY VEHICLE USE TAX PROVISIONS OF THE 1982 SURFACE TRANSPORTATION ACT TO MORE EQUITABLY DISTRIBUTE THE BURDEN OF SUCH TAXES AMONG USERS OF THE NATION'S HIGHWAY SYSTEM, AND DELAY THE CERTAIN TAX RELIEF MEASURES SCHEDULED UNDER CURRENT LAW, SUCH AS THE FINANCE LEASE RULES AND THE INCREASE IN THE FOREIGN EARNED INCOME EXCLUSION.

TAX INCENTIVES

MR. PRESIDENT, AS I INDICATED EARLIER, THE FINANCE COMMITTEE ADOPTED ENOUGH REVENUE-RAISING MEASURES TO MAKE ROOM FOR A NUMBER OF NEW TAX INCENTIVES AND FOR THE EXTENSION OF CERTAIN EXPIRING PROVISIONS THAT HAVE STRONG SUPPORT IN THE CONGRESS. THESE INCLUDE A 3-YEAR EXTENSION OF THE TARGETED JOBS TAX CREDIT; THE NEW FSC SYSTEM OF TAXING EXPORT INCOME OF FOREIGN SALES CORPORATIONS; MAKING PERMANENT THE 25-PERCENT CREDIT FOR INCREMENTAL RESEARCH AND EXPERIMENTAL EXPENDITURES; AUTHORIZING UP TO 75 ENTERPRISE ZONES OVER 3 YEARS TO STIMULATE GROWTH IN DEPRESSED AREAS; INCREASING THE LIMIT ON CONTRIBUTIONS TO A SPOUSAL IRA, SO THAT OVER A 7-YEAR PERIOD IT WILL REACH THE LEVEL THAT APPLIES TO SPOUSES WHO WORK OUTSIDE THE HOME; AND HELPING LOW-INCOME HOUSEHOLDS BY RAISING THE PERCENTAGE AND THE PHASE-OUT LEVEL OF THE EARNED INCOME CREDIT. MAJOR REVISIONS OF THE RULES GOVERNING LIFE INSURANCE TAXATION AND PRIVATE FOUNDATIONS ARE INCLUDED. WE ALSO EXTEND THE MORTGAGE REVENUE BOND PROGRAM, IN CONJUNCTION WITH AUTHORIZING MORTGAGE CREDIT CERTIFICATES FOR FIRST-TIME HOMEBUYERS. WE BELIEVE ALL OF THESE ARE SOUND PROVISIONS THAT STRENGTHEN OUR PACKAGE WHILE REMAINING CONSISTENT WITH THE OVERRIDING GOAL OF RESTORING A MEASURE OF FISCAL SANITY TO THE FEDERAL GOVERNMENT.

IN SUM, MR. PRESIDENT, I BELIEVE WE HAVE A GOOD BILL THAT DESERVES THE ENTHUSIASTIC SUPPORT OF ALL MEMBERS. IT STRIKES AN APPROPRIATE BALANCE AMONG SPENDING REDUCTIONS, ADMINISTRATIVE REFORMS, AND CHANGES THAT IMPROVE THE EQUITY OF THE TAX LAWS. THERE IS MUCH MORE TO BE DONE ON THE DEFICIT PROBLEM THAN WHAT IS CONTAINED IN THIS BILL, INCLUDING MAJOR SAVINGS IN DEFENSE AND NON-DEFENSE APPROPRIATED FUNDS. BUT THIS BILL MAKES A VERY GOOD START, AND START WE MUST IF WE ARE TO HAVE A SIGNIFICANT IMPACT ON THE DEFICIT THIS YEAR.

MR. PRESIDENT, I ASK UNANIMOUS CONSENT THAT A SUMMARY OF THE FINANCE COMMITTEE'S PROVISIONS BE PRINTED IN THE RECORD IMMEDIATELY FOLLOWING THESE REMARKS.