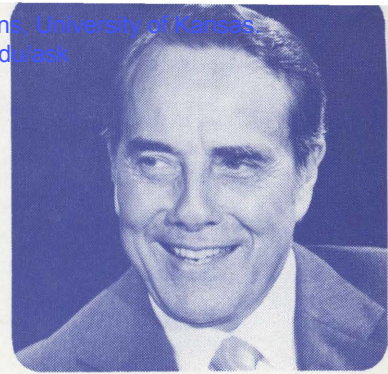


BOB DOLE



(R - Kansas)

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FOR IMMEDIATE RELEASE
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NO DEAL YET!

MISSING SPENDING CUTS SHOULD BE BALANCED WITH TAX CUTS

WASHINGTON - SENATE REPUBLICAN LEADER BOB DOLE (R-KS) MADE THE FOLLOWING STATEMENT THIS MORNING ON THE SENATE FLOOR REGARDING THE BUDGET:

THE BUDGET PROCESS IS STILL CREEPING ALONG. I THINK IT IS FAIR TO SAY THERE IS NO AGREEMENT AS FAR AS THIS SENATOR KNOWS. NO ONE HAS AGREED TO A TOTAL PACKAGE.

THERE HAS BEEN SORT OF A LOOSE AGREEMENT IN PRINCIPAL, BUT THERE ARE A NUMBER OF ISSUES THAT ARE YET TO BE RESOLVED, MAJOR ISSUES; NOT ISSUES THAT MIGHT AFFECT ONE STATE OR ONE COMMUNITY BUT MAJOR ISSUES THAT AFFECT, SAY, TAX POLICY OR OTHER POLICY. THESE ISSUES HAVE NOT YET BEEN RESOLVED AS FAR AS THIS SENATOR UNDERSTANDS, THOUGH I KNOW THAT THERE WAS A MEETING THAT LASTED FOR A NUMBER OF HOURS BETWEEN THE DISTINGUISHED CHAIRMAN OF THE FINANCE COMMITTEE AND THE CHAIRMAN OF THE WAYS AND MEANS COMMITTEE, CONGRESSMAN ROSTENKOWSKI.

ONE POINT THAT, IN MY UNDERSTANDING, HAS NOT BEEN RESOLVED, IS WE HAVE HEARD A LOT OF TALK ABOUT THE BUBBLE. THERE HAS BEEN A LOT OF DISINFORMATION ABOUT THE BUBBLE. THERE HAS BEEN A LOT OF DISCUSSION ABOUT HOW IT SOMEHOW ADVANTAGES THE RICH. WE WILL FLATTEN OUT THAT BUBBLE NOW.

THAT NEVER WAS THE CASE. IN FACT, IT WAS ONE OF THE PILLARS OF THE TAX REFORM BILL OF 1986. BUT, IN THE PROCESS, WHILE YOU WERE IN THE BUBBLE YOU WERE LOSING CERTAIN BENEFITS AND PERSONAL EXEMPTIONS. BUT IN ANY EVENT, IT WAS DETERMINED BY, I THINK, MEMBERS ON BOTH SIDES THAT, RATHER THAN TRY TO EXPLAIN THE BUBBLE, WHY NOT JUST FLATTEN THE BUBBLE?

SO, WHEN WE FLATTENED THE BUBBLE, THE RATE WENT UP TO 31%. SOME PEOPLE WILL GET A TAX CUT, OTHERS WILL GET A TAX INCREASE. BUT IN THE FINAL EFFORTS TO COMPROMISE ON HOW WE REACH MORE UPPER-INCOME AMERICANS, HOW WE HAVE THEM PAY A LARGER SHARE OF THE TAX BURDEN, ANOTHER BUBBLE WAS CREATED; WHAT WE CALL THE PERSONAL EXEMPTION PHASE OUT, "PEP" FOR SHORT.

NOW WE HAVE A "PEP" BUBBLE IN THE NEGOTIATIONS THAT HAS NOT BEEN RESOLVED, AS I UNDERSTAND IT. WE OUGHT TO FLATTEN THIS BUBBLE BEFORE WE HAVE THE SAME KIND OF DISCUSSION, THE SAME KIND OF TROUBLE THAT WE HAVE HAD OVER THE PAST COUPLE OF YEARS. BECAUSE BUBBLE PHASEOUTS ARE TRANSLATED INTO MARGINAL RATES BY COMMENTATORS, IT IS IMPORTANT TO KEEP THIS NEW BUBBLE AS FLAT AS YOU CAN TO AVOID THE PERCEPTION THAT THE RICH HAVE A SIGNIFICANTLY LOWER RATE THAN THOSE WITH LESS INCOME. I MEAN IT IS A PERCEPTION PROBLEM, BUT TO SOME IT IS A REALITY.

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