

News from Senator

BOB DOLE



(R - Kansas)

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'TAXFLATION' WILL COST NEW HAMPSHIRE TAXPAYERS \$59.3 MILLION IN 1980 TAX YEAR

CONCORD, N.H. -- Taxflation, a process which pushes taxpayers into higher tax brackets due to inflation, will cost New Hampshire taxpayers \$59,280,000 in 1980, according to Sen. Bob Dole (R-Kan.).

Dole, who is ranking Republican member of the Senate Finance Committee and a member of the congressional Joint Committee on Taxation, said tonight that the federal income tax code should be indexed to reduce the impact of taxflation.

"Indexing is a simple concept," Dole said. "As inflation increases, the tax system is adjusted to prevent individuals from being pushed into higher tax brackets. Workers are given cost-of-living raises, or merit raises, or they change jobs in order to obtain a better wage, thinking they'll come out ahead. But for too many Americans these raises are illusory, for when they are jumped into higher tax brackets, they end up losing ground in terms of real dollars.

"In New Hampshire, inflation will affect more than 395,000 taxpayers when it comes time to figure their federal income tax, and the average increase will be \$149.97 per taxpayer."

WASHINGTON'S WINDFALL PROFIT

Dole calls the hidden taxes "Washington's Windfall Profit," and has introduced legislation that would end it.

"Six states in the United States have indexed their income taxes to rises in the Consumer Price Index, and I see no reason why the federal government can't do the same," Dole said.

"The figures for New Hampshire demonstrate that periodic tax cuts do not compensate sufficiently for taxflation. The effective tax rate on a family of four earning \$17,105 in 1978 has increased from 8.1 percent in 1964 to a projected 10.3 percent in 1980, despite the numerous tax cuts made over the period. Only indexing can reform the tax structure to compensate in an equitable manner for the effects of inflation on tax liabilities.

"Our unindexed tax system was developed in a world of stable prices, but the spiraling inflation of the last decade has made clear the bias in our system that enables the government to first reap windfall profits from the taxpayer and then turn around and pass a phony tax cut bill prior to elections."

(note: The above figures assume an inflation rate of 9.3 percent in 1980.)