

News from Senator

BOB DOLE



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FINANCE COMMITTEE PASSES EXPANDED DOLE PROPOSAL TO ENCOURAGE SAVINGS

WASHINGTON -- The Senate Finance Committee today agreed to a modification of a proposal introduced by Senator Bob Dole (R-Kan.) earlier this month to provide a tax incentive to encourage savings by individual Americans.

The proposal passed today by the committee provides a \$200 tax exclusion for the first \$200 of combined interest and dividends received during the taxable year. Those filing joint tax returns would be eligible for up to \$400 exclusion. If the Senate agrees to the measure, taxpayers can begin to take advantage of the exclusion in 1980.

All types of interest would qualify, including savings accounts, money market instruments and bonds.

"This is an important step toward restoring faith in savings, which for some time now has been eroded by the disincentives of inflation and taxes," Dole said. "Since 1975, the savings rate has dropped from 7.7 percent to 4.1 percent in the third quarter of 1979. For most people, interest on savings simply does not keep pace with inflation, and this interest is taxed away, besides. It is no wonder that people see little advantage in saving.

"New incentives for consumers to save can help break the inflationary 'buy now' psychology, thereby reducing pressure on prices. Additionally, when the supply of savings declines as a result, less funds are available for lending, thus causing borrowers to bid up interest rates. An increased savings base would moderate these inflationary pressures.

"I hope that this measure will provide an attractive means to stimulate savings. When savings go down, individuals are hurt, but, in addition, business suffers as well. When people save less, less money is available for capital formation. Without new capital investment, we cannot hope to have healthy economic growth and the kind of technological innovation that can lead to increased productivity.

"In addition to these savings incentives for individuals, I feel that the dividend exclusion should provide an important spur for business investment."