News from Senator

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FOR IMMEDIATE RELEASE
WEDNESDAY, MAY 13, 1981

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DOLE PREDICTS SPIRITED COMMITTEE DEBATE ON TAX PROPOSALS

WASHINGTON -- Senator Bob Dole (R-Kan.), chairman of the Senate Finance Committee, today predicted spirited committee debate on the tax portion of President Reagan's economic package. The committee opened its first day of hearings today with testimony from Treasury Secretary Donald Regan.

"This is the first opportunity the Finance Committee has had to formally review the Administration tax plan," Dole said in his opening statement. "I believe we are all familiar with the arguments the Administration has made for its proposal, but there may be some disagreement on just how we ought to proceed.

"The first thing we all must acknowledge is the unprecedented growth of the tax burden in recent years: a growth trend that will continue unless we act promptly to cut taxes at all income levels for both individuals and businesses. Even making optimistic inflation assumptions, this tax burden will rise to 23 percent of the Gross National Product by 1984. The economy cannot tolerate such a high level of taxation and still sustain a reasonable level of growth. It is our job to make certain that taxes never rise to that level -- and I believe we will do so.

"To its credit, the Reagan Administration seeks to tackle these problems head-on. The President proposes significant individual rate reductions in his proposal, in addition to changes in the capital gains rate, the maximum tax on unearned income, and a broad accelerated cost recovery system for businesses. I believe there is a consensus on the committee that significant individual rate reductions are needed. The President proposes them, and House Ways and Means Committee Chairman Rostenkowski includes them in his own tax proposal. Last year, the Finance Committee approved a major tax reduction bill that would have made substantial reductions in marginal tax rates. So there is basic agreement on this issue.

"Secondly, there is a consensus on the need to drastically change depreciation schedules for tax purposes. We will have to work out the details of how different classes of investment are treated and how to phase in the changes, but we will be working from substantial areas of agreement, both in the Finance Committee and in the House Ways and Means Committee. There are other changes that could be cited where there appears to be widespread agreement, including cutting capital gains rates and reducing the maximum tax rate on unearned income. But the conclusion is inescapable that there is now more agreement than disagreement over the direction tax policy must take.

"Of course. substantial points of dispute remain. Among other things, we have to determine how much tax reduction we ought to commit ourselves to now for future years. The Administration wants three consecutive years of individual rate reductions, while at last report Chairman Rostenkowski was holding firm for a one-year cut only. The advantage of a multi-year cut is that it provides individuals with greater certainty of their prospective tax liabilities, and makes it less likely that taxflation will obliterate the effects of whatever tax reduction we enact. A one-year cut, of course, is the way we have proceeded in the past, and it would leave us more options in the next two years. Maybe it is time we agreed to so limit some of our options -- that is a major question we will have to decide. Further tax changes over the next few years would then require some offsetting revenue-raising measures and some restructuring of the tax code. Maybe that is what we need, and I look forward to hearing in detail the Administration's views on this question.

"As we proceed with these hearings and subsequent mark-up of a tax bill, we should at least resolve that the tax burden will not again be allowed to rise to such unprecedented levels. The President has stated his commitment to stability in the tax burden -- it is a key element of his economic program. The President is also committed to bringing down the rate of inflation as swiftly as possible. Whatever action we take this year with respect to out-year tax reduction, we must understand that we will have to follow through in future years to maintain restraint over both taxes and spending. The problems of our economy were not generated overnight, and they will demand perseverence if they are to be resolved. The American people have made it clear that a new approach is needed and the President has responded in helping set the terms for the debate on tax policy. Soon we will get down to specifics."

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