

News from Senator

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STATEMENT OF SENATOR BOB DOLE
BEFORE THE COMMITTEE ON WAYS AND MEANS

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Mr. Chairman, I appreciate the opportunity to testify before the Ways and Means Committee today to offer my perspective on the consensus recommendations of the National Commission on Social Security Reform. The speed with which this committee is moving and the comprehensive nature of these hearings demonstrate a real commitment to resolving the social security financing problem in the early months of the 98th Congress.

We also plan to move quickly in the Senate. On Wednesday, January 26, I introduced the recommendations of the National Commission as S.1, co-sponsored by a bi-partisan group including Senators Moynihan, Heinz, Baker, Stevens, Laxalt, Danforth, Kennedy, Bentsen, Murkowski and Stafford. Our hearings in the Finance Committee will begin on February 15. I hope we will be prepared to mark up this legislation early in March. In my view, there is no more pressing domestic issue than social security financing and a resolution to this problem should be our highest priority.

The consensus reached by the National Commission holds the potential for marking the end of a bitter period of political controversy. As is clear from the twelve members who supported the package, both political parties were represented as were the interests of the elderly, organized labor and business, and general taxpayers. Republicans and Democrats, the House and the Senate, Congress and the Executive all demonstrated the degree of cooperation so essential for enacting a responsible social security financing bill. In the final weeks of our deliberations, we engaged in intensive negotiations which were, to a large extent, free of the political partisanship that so seriously damaged efforts for responsible reform in 1981. In the last analysis, consensus was only made possible with the cooperation and approval of President Reagan and House Speaker O'Neill.

Certainly no one member is happy with every specific recommendation. The important fact is that consensus was reached on how to save the system. S.1 would close the short-term deficit identified by the Commission, and go a long way toward closing the long-range deficit. It would require concessions from all of the parties who have a stake in social security--current and future beneficiaries, taxpayers, and government employees who do not now contribute to the system.

Refinements May Be Necessary

As a compromise measure, S.1 contains recommendations that carefully balance many interests. To the greatest extent possible, therefore, these recommendations must be considered as a package. Commission members recognize, however, that many details remain to be worked out within the legislative process. Some of the specifics are in need of improvement; some are in need of refinement.

For example, the way benefits are taxed in the Commission package, and in S.1, would create a "notch". People with incomes below the thresholds would pay no taxes at all on their social security benefits, whereas individuals with just a dollar of income over the thresholds would pay taxes on a full 50% of their benefits. Certainly, there will be strong support for correcting this anomaly by phasing in the amount of benefits subject to taxation.

Other revenue provisions of the legislation also raise a number of practical and technical issues that will no doubt have to be addressed as we move through the legislative process. To ensure that taxes are paid on social security benefits, for example, the bill includes a provision for information reporting to the IRS and the social security beneficiary on the amount of benefits paid. It should be possible to implement this system without causing undue concern to beneficiaries, the vast majority of whom will not owe income tax on their benefits. We will want to be sure that this system is effective and fair.

Also, I am aware that there are concerns about the self-employed tax. Is a deduction or a tax credit the most appropriate offset for the higher tax? Should the self-employed receive the tax credit provided to employees in 1984? I can assure interested parties that we will receive testimony in the Finance Committee hearings, as I am sure you will in the Ways and Means Committee. These issues will be addressed when the legislation is marked up.

The delay in the social security COLA raises questions for other programs. For example, when the social security COLA is delayed, the annual increase in Supplemental Security Income (SSI) payments is also delayed. This was not recommended by the National Commission, but instead results from the way the SSI title of the Social Security Act is linked to the OASDI title. We in Congress will have to make an explicit decision in this regard. A similar problem is created in the SMI (Supplemental Medical Insurance) program. We will have to consider whether the increase in the SMI premium should continue to take place each July, as it would under this legislation, or whether it should be synchronized with the OASDI increase.

Finally, it should be noted that there were unique problems in the drafting of the equity provisions. These problems resulted from well-known gender-based distinctions now in the law. For example, the Commission agreed to allow benefits to be payable to divorced widows and widowers who remarry. Divorced widowers benefits are not now in the law, however; they are paid under a Supreme Court ruling. By liberalizing the treatment of women, therefore, the treatment of men is liberalized indirectly. This type of problem will be corrected by later legislation designed to eliminate gender-based distinctions in the Social Security Act.

I feel confident that these, and any other problems that may become apparent as the legislation is carefully considered, can be handled within the normal legislative process without jeopardizing the basic bipartisan agreement. With the essential elements of a consensus bill before us, we in Congress are in a strong position to hammer out these details and enact legislation in the early months of the 98th Congress.

Long-Term Deficit Must Be Eliminated

We have a big job ahead of us. We face many difficult decisions as to the details of the legislation, and the adequacy of the measures proposed. The balance of the long-term deficit also remains to be addressed, although I know there are some who would prefer not to deal with this problem now. But I remind my colleagues that confidence among young people in the long-term viability of the system is critically low. In my view, this is

in no small measure due to our failure to ensure that the benefits due in the future can be financed. This is why I introduced, along with Senators Armstrong, Heinz, and Danforth, Laxalt, and Wallop, S. 76, a bill to implement the majority recommendation of the National Commission. This bill would gradually raise the retirement age after the turn of the century from 65 to 66 and, beginning in 2012, gradually adjust the age to changes in longevity so as to eliminate the deficit in the cash benefit programs (OASDI).

It should be noted that neither of the bills, S.1 or S.76, deal with the very serious problem in the hospital insurance (HI) program. As my colleagues are aware, the HI trust fund is likely to be insolvent before the end of the decade and, over the long-range, the deficit in HI is even larger than projected for the retirement program. We, in the commission, were well aware of these facts. We did not make recommendations in this regard, however, for some very practical reasons. The problem in HI is less pressing; the causes of the problem are quite different than those in the cash benefit programs; and a separate advisory council has been named specifically to make recommendations on HI.

Prompt Action Essential

The American people--the 36 million people receiving benefits as well as the 116 million working people who support the system--deserve the speedy consideration of this bipartisan package of recommendations. Prompt action is essential not only for the peace of mind of beneficiaries and taxpayers, but also because of the real solvency constraint we face. As all of us are acutely aware, retirement benefits will be in jeopardy in July.

I know that Chairman Rostenkowski shares my commitment to seeing that the essential elements of this reform package--as endorsed by President Reagan, Speaker O'Neill, Majority Leader Baker and others--are adopted by the Congress and enacted into law by May. Moving quickly to shore up the nation's largest domestic program is in all of our interests.