News from Senator

BOB DOLE

(R - Kansas) SH 141 Hart Building, Washington, D.C. 20510

THE TRUTH ABOUT WITHHOLDING

March, 1983

Dear Friend:

I write to you concerning the recent campaign by the American Bankers Association to repeal President Reagan's plan to withhold taxes on interest and dividend income. As a public servant, I value greatly the right of any citizen to communicate with his or her elected representative and will always encourage the same. However, after reviewing countless letters, coupons and postcards urging the repeal of withholding, I have concluded that many of my constituents have been seriously misinformed on this subject. Because this new law goes into effect on July 1, 1983, you deserve to know all the facts about it, and when you do, I feel confident you will wonder what all the noise was about.

Sincerely,

Bob Dole

PRESIDENT CALLS FOR TAX COMPLIANCE

Dear Bob:

I am deeply disappointed that some have chosen to mislead the public on this issue, and to create the impression that some individuals would be unfairly treated by this new provision.

As you know, equity for all American taxpayers was of prime concern to us in developing this legislation, and the provision itself was crafted carefully to provide generous exemptions for nearly all senior citizens, lower income individuals, and small savings accounts. In addition, the Treasury Department is making considerable effort to minimize the impact on financial institutions.

Rather than raising taxes on the already overburdened taxpayer, I believe we must collect the taxes which are owed, but not being paid. I would vigorously oppose enactment of any legislation to repeal the withholding provision. I assure you that I am determined to protect the withholding provision.

Sincerely,

Ronald Reagan

WITHHOLDING: FACT AND FICTION

FACT

- It is a simple tax compliance measure - it is not a tax.
- The law exempts almost all elderly and low income Americans.
- Withholding will have at best an insignificant effect on earnings
- Adjustments will be minor; costs have been greatly exaggerated.
- Exemption involves no red tape - forms are simple.
- Unless you cheat on taxes, you have nothing to worry about.

FICTION

- Withholding is "unnecessary government intrusion."
- Everyone's savings accounts will be "reduced."
- 10% of your money will simply "disappear."
- "Added costs to the financial industry will be passed on to the public."
- Exemptions are "complex."
- Withholding will "penalize the great majority of savers and investors."

EXEMPTIONS

The splashy, anti-withholding ads you've seen probably haven't bothered to tell you that you might very well be exempt from withholding. If they do tell you, it's said the exemptions are so complicated you won't be able to figure them out. I'll let you decide:

Single family, age 65 -	Tax liability of less than $1,500
Joint filing, one, or both, is age 65 -	Tax liability of less than $2,500
Single, low income -	Tax liability of less than $600
Married, low income -	Tax liability of less than $1,000
Small accounts -	$150 or less of annual interest

You also may have been told that exemption forms are equally baffling. Well, below is that "complex" form.

1. Fill in your name, address, Social Security number and bank account number.
2. Check the box which says, "To claim exemption from withholding...check here."
3. Sign your name and fill in the date.

Complicated red tape? Not exactly.

Form **W-6** (November 1982) Department of the Treasury Internal Revenue Service

Individual Certificate of Exemption
(from Withholding on Interest and Dividends)
Also Use to Revoke a Previously Filed Exemption

File this Form With the Payer of the Interest or Dividends

Please print or type

Name as shown on account (if joint account also give joint owner's name) | Your social security number

Address

City, State, and ZIP code

List account number(s) here (See Instructions) ▶

Part I To claim **exemption** from withholding on the account(s) shown above, check here ▶ ☐

I (we) qualify for exemption from withholding on interest and dividends for one or more of the following reasons:
- My tax liability for last year was $600 or less; or
- I am 65 or older, and my tax liability for last year was $1,500 or less; or
- My spouse and I filed a joint income tax return last year, and our tax liability was $1,000 or less; or
- I or my spouse or both are 65 or older, we filed a joint income tax return last year, and our tax liability was $2,500 or less; or
- I was (we were) not required to file an income tax return last year.

Part II **Revocation** — To **cancel** the exemption from withholding on the account(s) shown above, check here ▶ ☐

If you check this box, withholding will begin on the account(s) listed.

Please Sign Here Under penalties of perjury, I certify that I am entitled to the exemption from withholding shown above (does not apply if you are revoking an exemption in Part II above).

Your signature | Date

WHAT THEY SAY ABOUT WITHHOLDING

KANSAS CITY TIMES: "The banks are wrong on this one."

NEW YORK TIMES: "The case in favor of withholding is overwhelming."

HUTCHINSON NEWS: "The 10 percent withholding tax on interest and dividends is reasonable. It does not deserve the hysteria that has been thrown up against it."

WASHINGTON POST: "The bankers know full well that the new law will put no burden on any honest taxpayer."

PARSONS SUN: "Banks pay about 0.3 percent in an effective tax rate while a typical four-member family with a $20,000 income pays about 10 percent. There's something haywire here."

JAMES KILPATRICK, Syndicated Columnist: "The act is not aimed at little old ladies. It is aimed at the fat cats who have large incomes from dividends and interest and cheat on their income tax returns."

NEWSWEEK: "It's not a new tax...unless you've been cheating the government by not paying it."

WHAT IT IS --- AND IS NOT

HOW WILL WITHHOLDING WORK?

Unless you qualify for exemption, financial institutions will withhold 10% of your interest and dividend income. Let's suppose you have $1000 in the bank and that your bank pays you 10% interest on your money at the end of the year. In that case, you would receive $100 interest. Your bank would withhold $10 out of your $1100 ($1000 plus $100 interest). When you complete your tax return, you may find that you don't owe the government the $10 that was withheld for taxes. In that case, the government gives you your money back. Rest assured, your money will not "disappear."

Withholding is simply a method of collecting income taxes on interest and dividend income that are already owed under existing law. As you know, withholding has been the backbone of our tax collection system since 1943. This system of wage withholding insures that the government loses less than 1% of the taxes owed on wages. In contrast, more than 11% of the tax owed on interest income and 15% of the tax due on dividend income is never paid. As a result, the government is losing about $8 billion every year because somebody's neighbors have not been paying taxes on their interest and dividend income. So who should make-up the difference? You, the honest taxpaying citizen? I don't think so.

ATTENTION: IMPROVEMENTS FOR YOUR BANK.....

AND YOU!

On March 2, the Department of Treasury issued improved guidelines for the new tax law that will further simplify withholding for you and your financial institution:

- Financial institutions who can't meet the July 1 withholding date can file for an extended grace period under "undue hardship" provision.

RESULT: No hardships for institutions sincerely doing their best to comply with the law.

- Interest payments from checking and savings accounts, money markets and super NOW accounts all qualify for end-of-the-year withholding.

RESULT: less paperwork for institutions, no loss of compound interest.

This action is in direct response to the legitimate concerns of the financial institutions. I have said all along that Congress and the Administration will listen to responsible voices on any subject. I am determined to eliminate any technical and administrative problems associated with withholding.

MORE TAXES, OR MORE COMPLIANCE?

Most citizens fairly and honestly pay their taxes, and I know you are among that group: You don't want Congress to change the tax laws so that we can collect more from you when we could avoid doing so by merely collecting the taxes that are owed under present law! Those sensational, but inaccurate, advertisements you've been reading have unfortunately been designed for one purpose: to scare you. Judging by your mail, the campaign has done just that. However, only those who don't already pay their taxes should be scared.

One of my responsibilities as Chairman of the Senate Finance Committee is to raise the revenue necessary to run the government, if such revenue increases are necessary. This unenviable task involves the raising or lowering of taxes on certain individuals or businesses. But let's not lose sight of the principle which must guide all tax writing efforts: It is wrong to even consider raising anyone's taxes until we first take every possible step to insure that citizens pay the tax they owe under existing law.

YOU WILL NOT LOSE YOUR EARNINGS

Example: For a depositor with $1000 in a 9% interest bearing account compounded quarterly, the loss of yield due to withholding is less than fifty cents per year! And don't forget your institution does not have to withhold every quarter.

According to the new Treasury guidelines I told you about on page #3, your financial institution can choose to withhold at the end-of-the-year, thus virtually eliminating the potential loss due to compounding interest.

The withholding propaganda complains that withholding will cost consumers a "loss of billions" in compound interest nationwide. This deliberate falsehood has needlessly frightened many Americans who will be exempt from withholding.

You should know that an American Bankers Association spokesman appeared recently on NBC's "Today Show" to oppose withholding, but, when pressed on the point, finally admitted that the effect of withholding on anyone's savings yield would be "really rather insignificant."

THE BIG PICTURE --

WITHHOLDING AND YOUR TAX DOLLARS

Withholding is only one part of the major tax legislation enacted as part of President Reagan's economic recovery program. As Chairman of the Senate Finance Committee, I was pleased to take a leading role in enacting both the 1981 and 1982 tax laws, which together constitute the most significant tax reduction and reform legislation in the last 20 years.

Many of you have already benefited from the tax reductions enacted in 1981, including the three year reduction in individual tax rates, and other changes such as the reduction of the marriage penalty tax, the increased limits on contributions to Individual Retirement Accounts, and reduction of the crude oil windfall profit tax for stripper wells, newly discovered oil, and royalty owners. Although these changes will spur greater productivity, the 1982 tax changes were needed, in the short run, to reduce federal deficits that threaten economic recovery.

I hope you share my view that we must ensure that dishonest and negligent taxpayers can no longer evade taxes before we consider raising the taxes of the vast majority of honest and conscientious taxpayers.

United States Senate
WASHINGTON, D.C. 20510

Bob Dole
U.S.S.

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Address Correction Requested

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POSTMASTER:
Do not mark on or above label. OCR.