

News from Senator

BOB DOLE



(R - Kansas)

SH 141 Hart Building, Washington, D.C. 20510

FOR IMMEDIATE RELEASE:
TUESDAY, JUNE 28, 1983

CONTACT: WALT RIKER
(202) 224-6521

STATEMENT OF SENATOR BOB DOLE

SENATE FINANCE COMMITTEE HEARING ON TAX EXPENDITURES

JUNE 28, 1983

DOLE AIMS TO TIGHTEN OR CURTAIL TAX EXPENDITURES

Seventy Years ago, the sixteenth amendment to the Constitution was adopted authorizing the taxation of income "from whatever source derived". In the same year, Congress imposed a graduated individual income tax, with tax rates ranging from one percent, to seven percent. That top rate of seven percent, was reserved for those taxpayers whose income exceeded \$500,000.

Last year, the maximum federal income tax rate of 50 percent was imposed, for married couples, on income earned in excess of \$85,600. But, as everyone in this room today knows, the federal income tax was not imposed equally on all incomes "from whatever source derived", as the Constitution permits. Rather, it was imposed quite differently on different individuals, and corporations, with similar economic incomes.

The principal reason for the vast discrepancies in tax treatment experienced today under our federal income tax system are the \$295 billion of annual tax expenditures authorized by the Internal Revenue Code. Those tax expenditures, departures from a relatively strict definition of taxable income as economic income, are the subject of the hearings scheduled for today and tomorrow before the Senate Finance Committee.

TAX EXPENDITURES IN ECONOMIC PERSPECTIVE

I know that numbers like \$295 billion, are difficult to comprehend. So, I would like to try to put the tax expenditure figures in perspective. For corporations, the figures are quite dramatic. In 1983, the corporate income tax provisions are estimated to raise less than \$35.3 billion, while the corporate tax expenditures authorized by the code are more than \$56 billion for the same year. In other words, we are foregoing more corporate taxes through the tax code than corporations are paying in taxes under the tax code.

PURPOSE OF HEARINGS

Let me state that it is not my view that all tax preferences should be eliminated, or that, as a matter of principle, the tax code should be used only to tax economic income, strictly defined. My point is that we are in no imminent danger of achieving either of these goals. To the contrary, the abundance of tax expenditures have contributed to the complexity of the tax system, the perceived unfairness of the tax system, and the necessity for keeping tax rates higher than they would be if we did not provide exceptions, exclusions, and preferences almost as much as we impose taxes.

Because of the impact of tax expenditures on our tax system, I believe it is our responsibility to examine them with an eye towards curtailing or eliminating those tax subsidies that are unwarranted, or too ineffective or inefficient to be justified.