

News from Senator

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6/11/85

## STATEMENT OF SENATOR DOLE

### FINANCE COMMITTEE HEARINGS ON MAJOR TAX REFORMS

TODAY THE FINANCE COMMITTEE BEGINS A REVIEW OF THE ISSUES RAISED BY PRESIDENT REAGAN'S PROPOSALS TO OVERHAUL OUR TAX SYSTEM. THESE HEARINGS ARE INTENDED TO GIVE US A BETTER UNDERSTANDING OF THE IMPLICATIONS OF MAJOR REFORMS FROM THE STANDPOINT OF TAX, SOCIAL, AND ECONOMIC POLICY. THIS IS ONLY A BEGINNING: THERE ARE MANY INDIVIDUALS AND ORGANIZATIONS WHO WOULD LIKE TO BE HEARD ON THIS SUBJECT, AND I KNOW CHAIRMAN PACKWOOD WILL DO HIS BEST TO HEAR EVERYONE-- WE NEED TO HEAR AS WIDE AS POSSIBLE A RANGE OF OPINIONS AND PERSPECTIVES ON THIS SUBJECT, BECAUSE WE ARE TALKING ABOUT FUNDAMENTAL CHANGES.

I HOPE THESE HEARINGS ESTABLISH A FRAMEWORK TO GUIDE OUR DELIBERATIONS ON RESTRUCTURING THE TAX SYSTEM. WE CAN DO THAT BY CLEARLY FORMULATING THE BASIC OPTIONS, BY DEVELOPING THE FACTS AND FIGURES NECESSARY TO INFORMED DECISIONS, AND TO PINPOINT THE TECHNICAL AND PRACTICAL PROBLEMS THAT WILL HAVE TO BE DEALT WITH IF WE WANT TO MODIFY THE TAX SYSTEM IN A MAJOR WAY. I KNOW THE WITNESSES ARE PREPARED TO HELP US DO ALL OF THAT, SECRETARY BAKER MOST OF ALL.

#### REAGAN PROPOSAL

LET ME SAY THAT IN MY VIEW, PRESIDENT REAGAN'S TAX REFORM PLAN IS A COURAGEOUS AND HISTORIC INITIATIVE THAT WOULD VASTLY IMPROVE THE FEDERAL INCOME TAX SYSTEM.

THERE IS NO QUESTION TAXPAYERS HAVE BECOME INCREASINGLY DISSATISFIED WITH OUR OVERLY COMPLEX INCOME TAX SYSTEM. WHEN I WAS CHAIRMAN OF THIS COMMITTEE, WE IDENTIFIED SCORES OF TAX ABUSES AND UNJUSTIFIED LOOPHOLES AND MOVED TO CLOSE QUITE A FEW OF THEM. BUT MUCH, MUCH MORE MUST BE DONE TO RESTORE OUR PEOPLE'S BELIEF IN THE FAIRNESS OF THE INTERNAL REVENUE CODE. THE PRESIDENT'S PLAN IS A HUGE ADVANCE IN THE DIRECTION OF GREATER FAIRNESS FOR ALL TAXPAYERS AND GREATER ECONOMIC EFFICIENCY.

EVERYONE WANTS GREATER EQUITY IN THE TAX CODE, AND A SIMPLER SYSTEM, AND A TAX SYSTEM THAT PROMOTES--OR AT LEAST DOES NOT INHIBIT--ECONOMIC ACTIVITY. CHOOSING THE SYSTEM THAT BEST BALANCES EACH OF THESE GOALS IS NOT EASY, HOWEVER: AND DECIDING HOW TO MOVE TOWARD A BETTER SYSTEM MAY BE THE MOST DIFFICULT CHOICE OF ALL. THERE IS NO POINT IN MAKING A CHANGE UNLESS WE MAKE A BIG IMPROVEMENT. I THINK PRESIDENT REAGAN'S PLAN IS A BIG IMPROVEMENT, BUT WE HAVE TO MAKE SURE ITS VIRTUES ARE NOT ERODED IN THE LEGISLATIVE PROCESS.

#### HOW TO PROCEED

AGREEING ON A MAJOR REVISION OF THE TAX SYSTEM IN THE DIRECTION OF LOWER RATES AND A BROADER BASE MEANS A DIFFICULT PERIOD OF TRANSITION TO RECONCILE THE NEW SYSTEM WITH THE OLD WHILE SAFEGUARDING THE ECONOMIC INTERESTS OF THOSE WHO HAVE MADE FINANCIAL DECISIONS BASED ON THE PRESENT SYSTEM. THE POTENTIAL PITFALLS WITH THIS APPROACH ARE THAT IT REQUIRES LONG-RANGE PLANNING AND IMPLEMENTATION, AND THERE IS THE RISK THAT THE CONSENSUS BEHIND THE NEW SYSTEM COULD ERODE DURING THE LENGTHY COURSE OF IMPLEMENTATION. THAT COULD LEAVE US WITH A SYSTEM NO BETTER, OR EVEN WORSE, THAN PRESENT LAW.

SO WE HAVE A BIG JOB AHEAD: NOT JUST TO HELP THE PRESIDENT BUILD A CONSENSUS FOR TAX REFORM, BUT TO SUSTAIN THAT CONSENSUS THROUGH A DIFFICULT LEGISLATIVE PROCESS AND IN THE YEARS AHEAD. LET THERE BE NO DOUBT, EVERYONE WITH AN INTEREST IN THE TAX CODE AS IT IS NOW WILL BE VERY, VERY BUSY IN THE MONTHS AHEAD.

#### MUCH TO BE DONE

JUST OUTLINING THE POLICY OPTIONS AND PROCEDURAL OPTIONS MAKES CLEAR HOW MUCH THERE IS TO BE DONE IF WE WANT TO REBUILD OUR TAX SYSTEM IN A WAY THAT IS FAIRER, SIMPLER, AND BETTER FOR THE ECONOMY. NO SYSTEM CAN BE SUSTAINED WITHOUT A STRONG POPULAR CONSENSUS: INDEED, A MAJOR REASON WE ARE CONSIDERING FUNDAMENTAL REFORMS IS THE INDICATION OF WEAKENING CONSENSUS BEHIND OUR PRESENT SYSTEM, AS DEMONSTRATED BY THE GROWING COMPLIANCE PROBLEM. WE DO NOT WANT TO HASTILY ADOPT A SYSTEM THAT CANNOT BE SUSTAINED OVER TIME, EITHER BECAUSE OF TECHNICAL FLAWS OR LACK OF POPULAR SUPPORT.

AS WE WORK FOR THE CONSENSUS NEEDED TO SUPPORT ANY FAR-REACHING CHANGE IN TAX POLICY, WE SHOULD REMEMBER THE DIRECTION SET BY THE RATE REDUCTIONS ADOPTED IN 1981 AND THE BASE-BROADENING AND COMPLIANCE MEASURES WE AGREED TO IN 1982 AND AGAIN LAST YEAR. WE HAVE ALREADY MOVED TOWARD LOWER RATES AND A BROADER BASE, AND HAVE PUT THE PRESSURE ON TO REEXAMINE THE TAX SYSTEM BY INDEXING INDIVIDUAL RATES TO END BRACKET CREEP. THERE DOES SEEM TO BE A CONSENSUS FOR FURTHER REDUCTION OF RATES AND BROADENING OF THE TAX BASE. WITH THE PRESIDENT'S TREMENDOUS COMMITMENT TO TAX REFORM, THAT CONSENSUS SHOULD CONTINUE TO GROW.

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