

BOB DOLE
1ST DISTRICT, KANSAS

243 CANNON HOUSE OFFICE BUILDING
AREA CODE 202
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COMMITTEES:
AGRICULTURE
GOVERNMENT OPERATIONS

DISTRICT OFFICE:
101 FEDERAL BUILDING
GREAT BEND, KANSAS 67530
AREA CODE 316
SW 3-5423

Congress of the United States
House of Representatives
Washington, D.C. 20515

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JULY 3, 1967

CONGRESSMAN DOLE SPEAKS OUT ON SOCIAL SECURITY

Currently pending before the Ways and Means Committee of the House of Representatives is a bill introduced by the Johnson Administration, H. R. 5710, designed to amend the Social Security Act. This bill, introduced last February by Ways and Means Chairman Wilbur Mills, would make significant changes affecting federal old-age, survivors, and disability programs. Included in these would be a raise in Social Security benefits, an increase in earnings allowed to a beneficiary without reduction of benefits, and the extension of Medicare to disabled workers under 65. Included also in this Administration bill, however, are provisions that would raise the maximum earnings base upon which Social Security taxes may be levied, raise the Social Security tax rate, and for the first time, make Social Security benefit payments subject to federal income taxation -- the so-called liberalization of Social Security provisions by President Johnson has its price.

INCREASE NEEDED

Social Security benefits should be increased. Between 1954 and 1966 the cost of living rose about 23 percent. In that same period of time, Social Security benefits have risen about 14 percent. Certainly, to keep in step with the increase in the cost of living, benefits should be increased.

Likewise, the provision to increase the maximum earnings level for beneficiaries is certainly in line with this rise in the cost of living.

The question of the extension of Medicare benefits to disabled workers under 65 is not as easy a one to deal with. Certainly the health needs of disabled workers should be attended to. However, at the same time the new administrative difficulties that would be posed by this section and the further encroachment on the free practice of medicine make the case for this part of the measure less clear cut.

Many members of Congress have grave doubts about the wisdom and the necessity of the Johnson Administration's support of a raise in the maximum earnings base, which is simply increasing the amount of your earnings susceptible to taxation, a raise in the Social Security tax rate, or the opening up to taxation of Social Security benefits

The Administration bill calls not for the 7 to 10 percent raise in benefits which would bring increases in Social Security benefits into line with the increases in the cost of living, but for at least a 15 percent raise which would necessitate

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an extension of the tax base, a raise in the tax rate, and the taxation of Social Security benefits.

REPUBLICAN EFFORTS

Since last summer many Republicans, in the House, have been calling for revisions in the Social Security Act that would provide an immediate increase in benefits and automatic increases in benefits thereafter in accord with rises in the consumer price index without having to resort to extension of the Social Security tax base, an increase in the tax rate, the taxation of benefits, or the dipping into the general fund for revenues to finance the increased benefits. In January of 1967, even before the Administration submitted its proposals, bills were introduced in the House by various Republicans proposing an across-the-board increase of 8 percent in Social Security benefits, retroactive to January 1, 1967, and establishing provisions to make automatic increases in benefits equal in percentages to future increases in the consumer price index. Under these measures, whenever the price index has risen 3 percent above the previous level for which increases in Social Security benefits were provided, benefits would automatically be raised accordingly.

In addition, these proposed revisions in the Social Security setup would not require an increase in either Social Security tax rates or the taxable wage base against which such taxes are levied nor would they subject benefits to taxation. The chief actuary of the Social Security Administration has stated that the latest actuarial estimates of the Social Security fund show that an immediate 8 percent increase can be enacted on the basis of an existing surplus in the Treasury's accounts for financing Social Security and that no new revenues are required. Further, the chief actuary has advised that since wages are an important part of the Consumer Price Index, Social Security tax revenues increase when living costs go up and that this will account for increased revenues sufficient to finance the proposed automatic increases in Social Security benefits.

MY VIEWS

I feel very strongly that this is the correct approach to changes in the Social Security setup. In late January of this year, I introduced a bill to establish this concept of an automatic benefit increase trigger. Benefits should be increased. They should be increased an amount sufficient to bring them into line with cost-of-living increases. An 8 percent increase would do just this. Further, they should be increased not on a scatter gun basis when Congress may decide to consider them but automatically in accord with increases in the cost of living. Social Security taxes do not need to be raised nor the tax base extended because, as noted above, sufficient funds are already available.

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Let me add a few words about the proposed taxing of Social Security benefits. This scheme would establish a minimum income above which benefits would be taxable. In my opinion, this is objectionable for two different sets of reasons. On the one hand, it would cause these benefits to be taxed both coming and going, once when the money that was deducted to pay the payroll tax was taxed as part of yearly income and then again when this tax money comes back in the form of Social Security benefits. On the other hand, it strikes at the very basic theory of Social Security. A fundamental principle that sets Social Security protection apart from "relief" programs is that Social Security benefits are paid as a "matter of right" -- without any needs test. By establishing a maximum income above which benefits would be taxable, the Johnson Administration puts Social Security on the same level as the War on Poverty.

H. R. 5710

The House Ways and Means Committee has been considering H. R. 5710 since early March and has been in executive session on the bill off and on since the middle of April. It is difficult to determine what will ultimately emerge from the Committee's deliberation. Perhaps it will make changes to eliminate some of the measure's questionable features. In any event, the bill probably will not be reported out of Committee until early August, so there is still much work to be done on this most important piece of legislation.

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