



NEWS from U.S. Senator Bob Dole

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DOLE INTRODUCES TAX INDEXING BILL

WASHINGTON, D.C. -- Senator Bob Dole today introduced a bill that an adjustment equal to 2/3 of the increase in inflation be made annually to major provisions of the Internal Revenue Code. Dole said that by automatically indexing such items as zero bracketing, the personal exemption and the basis of assets, compensation for America's number one tax problem could be accomplished. The proposal uses the Consumer Price Index to measure price increases. The indexing is automatic unless the President, subject to a one house veto, takes action.

Following is the text of Dole's introductory statement:

TAX INFLATION

Mr. President, inflation comes in many forms and from many causes. There is double digit inflation, demand pull, and cost-push inflation. There is stagflation and hyperinflation. Inflation erodes expectations, causes unemployment and distorts our economy. Unfortunately, inflation has become an expected fact of life.

From 1949 to 1973, the Consumer Price Index rose steadily, varying from 1% to 6.8% per year. In 1974, we endured an 11% jump in prices and a 9% increase in 1975. In the first year of the Carter Administration, consumer prices grew 6.8% compared with 4.8% in 1976. Current economic policies dictate inflation. In fact, most economists foresee a 6% inflation rate for the remainder of the 1970's.

TAX INDEXING PLAN

Inflation is a disease which inflicts a hardship on every American. Today, I am introducing a bill to purge our tax system of the evils of inflation.

An increase in the price level significantly increases the tax rate. The principle reason for this phenomenon is that fixed dollar amounts, such as tax rate boundaries, personal exemptions and credits, enter into the computation of tax liability. When a family earns just enough money to offset the increase in inflation, the real income standard stays the same. However, as income increases a taxpayer is pushed into a higher tax bracket and the fixed dollar amounts fail to compensate for the rise, resulting in a tax liability that is increasing faster than inflation.

Mr. President, the Joint Tax Committee, in a 1976 report, states that a 10% inflation rate increases federal revenues by 12.5% so that the net real tax burden is 2.5%

The Congressional Budget Office predicts tax inflation will generate \$6 billion for the federal government in 1979 and \$14 billion in 1980. However, the figures sharply rise from that point to \$22.0 billion in 1981, \$33.0 billion in 1982, and a whopping \$45 billion for 1983

DECEPTION

In recent years, Congress has cut taxes to compensate for inflation. However, the Congress is really engaging in a political exercise while the American people see their standard of living decline. My bill would end this deception and would bring stability to our tax system. It would allow Americans a chance to get ahead rather than just stay even.

The President, in unveiling his tax proposals, led the American people to believe that they could expect a generous tax cut. He stated that the cuts will "more than offset the recent increases in Social Security taxes." However, what the President didn't explain was that his tax cut will only keep many Americans even and only for a very short time.

According to C.B.O., by 1981, higher taxes resulting from inflation and social security taxes are expected to exceed the Carter tax cuts by \$2.7 billion and by 1983 the figures climbs to \$22.7 billion.

For many taxpayers, the affects of inflation and increased social security taxes will more than offset the Carter tax cuts even before 1981. For example, a family of four with a 1979 income of \$30,000, Social Security and inflation tax increases would exceed the Carter tax cuts by \$224 in 1980. For families with higher incomes, the tax increase comes much sooner. Families with lower incomes would do slightly better. However, the agony of tax inflation soon catches up with them.

CHANCE FOR RELIEF

Mr. President, my proposal seeks to wring-out tax inflation from our economy. By indexing the Internal Revenue Code, we can bring stability and honesty to our tax system. The bill indexes zero bracketing, the personal exemption, the corporate surtax exemption, individual retirement accounts and KEOGH contributions, the gift exclusion, the unified estate credit, and the basis of assets. I have chosen not to include the indexing of debt instruments and certain types of inventory. However, certainly these issues are relevant and should be addressed. The adjustment would be made annually at a rate equal to two-thirds of the increase in the Consumer Price index as compiled by the Bureau of Labor Statistics. Indexing has been criticized as being too complicated. The adjustments that I propose present no insurmountable technical problems. The increases are automatic. However, in order to obtain the maximum flexibility, the President could, by executive order, stop the increases subject to a one-House veto by Congress.

Mr. President, indexing does not preclude the Congress from making needed tax changes. Indeed, there are many important social and financial problems which will remain. It will stop the roller coaster effect of tax inflation and relieve millions of Americans from the burdens of inflation.

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