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NEWS from U.S. Senator Bob Dole

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DOLE TO INTRODUCE SECOND TAX INDEXING BILL -- RELIEF FROM NIGHTMARE OF TAX INFLATION

WASHINGTON, D.C. -- Calling tax inflation an "eternal nightmare...for which Congress offers only periodic relief," Senator Bob Dole today will introduce a bill to expand areas covered in tax indexing legislation he introduced several weeks ago. Under Dole's legislation, tax rates and exemptions are automatically altered to compensate for increased inflation, thereby preventing new, unintentional tax increases due to tax inflation.

"The Administration's tax plan is designed to perpetuate the seesaw tax increase-tax cut syndrome... Within less than two years, even if the proposed tax cuts are approved, a vast majority of people will be paying more taxes than they are now," Dole pointed out in a statement prepared for delivery on the Senate floor.

Senator Dole, a member of the Senate Finance Committee, has requested hearings on his tax indexing legislation, and he expects a schedule to be announced in the near future.

Following is the text of introductory remarks Senator Dole will make today:

Mr. President, the American taxpayer is experiencing an eternal nightmare. It is a nightmare for which Congress offers only periodic token relief. The nightmare is caused by tax inflation -- our single biggest tax problem.

Mr. President, I am today introducing further legislation to reduce the tax burden of every American caused by inflation. Through tax indexing, we can purge our tax system of the hardships and inequities created by inexorable price increases. The Tax Indexation Act of 1978 provides for adjustments to the tax rate tables, the zero bracketing amount, the personal exemption, the corporate surtax exemption, individual retirement accounts and KEOGH contributions, the gift exclusion. the unified estate credit, the general tax credit, the earned income tax credit, tax credit for the elderly, the child care tax credit, the limitations on investment tax credit, the minimum tax threshold, the current exempt amount for the exchange of personal residence by individuals over age 65, and the basis of assets.

The inflation adjustment would be made annually for 5 years at a rate equal to two-thirds of the increase in the Consumer Price Index as compiled by the Bureau of Labor Statistics. The adjustments that I proposed present no insurmountable technical problems. The increases would be automatic. However, subject to a one-house veto by Congress, the President could by Executive order stop the increases.

TAX INFLATION

Mr. President, for the past three years, Congress has enacted yearly tax reductions. However, because of tax inflation, the taxes of millions of Americans have not decreased at all -- they have increased.

The rising rate of inflation continues to haunt our economy. The latest figures indicate t consumer prices are rising at an annual rate of 8.4%. The Wholesale Price Index rose 1.1% last month. Unfortunately, there is no relief in sight. As prices and income rise, taxes rise as individuals are pushed into higher and higher tax brackets. In fact, during the last 15 years, the number of taxpayers forced into the 30% or higher income tax bracket has increased six times.

SEESAW SYNDROME

According to the Joint Committee on Taxation, Americans can look forward to $215.5 billion in new taxes in the next five years. The Congressional Budget Office projects that tax inflation will increase federal revenues by $45 billion in 1983. The Administration's tax bill will not reduce the already gargantuan tax bite faced by our citizens. The Administration's tax plan is designed to perpetuate the seesaw tax increase-tax cut syndrome. The modest tax cut proposed by the Administration -- one that will not even offset the increased Social Security taxes and the inflation induced taxes -- is inadequate. Within less than 2 years, even if the proposed tax cuts are approved, a vast majority of people will be paying more taxes than they are now.

Mr. President, an average four person family earns about $15,000 per year. The income tax on that level of income is nearly $1,400 a year, or roughly a tax rate of 9%. Assuming a 7% price and wage increase, the family maintains on the surface its economic condition. However, their tax liability increases from $1,400 to $1,600 and the tax rate increases to nearly 11%. Under my bill the taxpayer because of the increased levels of the personal exemption tax, the rate schedule, the zero bracket amounts and the general tax credit, would not be subjected to the tax increase.

TAX REVOLT

The Congress has taxed the American people enough. This is evidenced by the current tax revolt movement in California. In that state, angry Americans are seeking to cut property taxes by $7 billion and to, essentially, prohibit any new tax increases from taking place. The proposition, put on the ballot by virtue of over 1 million signatures, has a better than even chance for voter approval this summer.

7 PERCENT DILEMMA

Mr. President, when the tax rate brackets were established in 1964, the inflation rate was only one percent a year. In the past 14 years, prices have doubled and since 1970 inflation has averaged nearly seven percent a year. To fully understand the problem I wish to point out that a seven percent inflation rate doubles prices every ten years. Better translated, an individual earning $20,000 today must earn $160,000 thirty years from now to have the same amount of real income.

Indexing is sensible. It is equitable. It is needed to end the deception and hardship of tax inflation. I believe the time has come to provide some positive action for the American taxpayer. I am hopeful that the Senate Finance Committee will hold public hearings on indexing and that this concept will replace the worn out policies of the past.

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