



NEWS from U.S. Senator Bob Dole

(R.-Kans.)

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DOLE TO INTRODUCE TAX INDEXING PROPOSAL

WASHINGTON -- Sen. Bob Dole (R-Kan.) will introduce a method for indexing tax rates to compensate for the effects of inflation, when the Senate Finance Committee meets tomorrow.

The proposal, which would amend the tax bill currently before the committee, would call for a periodic inflation adjustment, affecting the personal tax rate brackets, the personal exemptions and the zero bracket amount, to minimize the effect of inflation and increased taxes as a result of salary increases.

The Dole proposal recommends that the inflation adjustments be made for a period of two years, beginning in 1980.

"Because of the phenomenon that I call taxflation, Americans have experienced a decline in their real standard of living, even though incomes continue to soar upward," Dole said.

"Taxflation is easy to understand, and I believe easy to stop. As taxpayers receive more income to keep up with the cost of inflation, the same taxpayers are pushed into higher tax brackets. Because a person is elevated into a higher tax bracket, a greater proportion of their income must be paid in taxes."

"Inflation has a double impact. First, there is the hardship imposed by increasing costs because of inflation. Secondly, taxpayers are confronted with paying a greater percentage and dollar amount in income taxes."

"The average family of four earned \$15,000 last year. The effective tax rate on that income is about 9 percent, or \$1,400. Assuming the inflation rate is at 7 percent and the family keeps up by a cost-of-living increase, the family next year will earn \$16,050. The family, of course, has not increased its spending power of the previous year. However, the family is now confronted with an 11 percent effective tax rate and a new tax bill that is nearly \$1,600. The compounding effects of inflation are even greater."

"Taxflation is our number one tax problem. It is effectively an unlegislated tax hike that cheats the American worker."

"Although tax indexing will not solve our underlying inflation problem, it is an uncomplicated restraint on federal spending. The time to enact tax indexing has come. We must act to help, not hinder, the American taxpayer."