

NEWS RELEASE!

Senator Bob Dole

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KANSAS INCOME TAXES WILL RISE EXTRA \$208 MILLION BECAUSE OF JUMP IN INFLATION

DIGHTON, Kan. -- Kansas taxpayers will pay an additional \$208 million in income taxes this year as the result of recent rises in the rate of inflation, Senator Bob Dole (R-Kan.) said here today. Dole spoke at a reception as part of a campaign tour.

Dole cited the September rise in the Consumer Price Index, which showed that consumer prices had risen that month at a 12.6 percent annualized rate. According to Dole, this translates into an annual increase in nationwide income taxes in excess of \$20 billion this year.

"The latest consumer price statistics prove we are right back where we were at the beginning of 1980," Dole said. "Prices rose by about 13 percent in 1979, and inflation is now raging at about the same rate. The only difference is that the American people have undergone -- and are still feeling -- the wrenching experience of a recession, and interest rates remain higher than they were a year ago. President Carter's costly experiment in 'instant austerity' has achieved nothing more than to increase the cost of money, which is a major contributor to inflation."

With inflation unchecked, according to Dole, federal tax receipts continue to rise automatically, faster than the so-called "uncontrollable" expenditures in the budget.

"Despite this fact, President Carter has failed to give more than lip service to the cause of fiscal restraint," he said. "It is increasingly clear that the automatic revenue bonus from inflation is a major contributor to our fiscal and economic crisis. This is because Congress can vote for politically unpopular taxes to fund them."

Dole pointed to the consumer price rise as dramatic proof of why Congress must act to index the federal income tax to inflation. Under tax indexing, as proposed by Dole in his Tax Equalization Act, S. 12, automatic tax increases from inflation would be stopped by adjusting the tax tables each year to reflect the most recent annual increase in inflation. In this way, a rise in nominal income due solely to inflation would not push the taxpayer into a higher rate bracket. Tax rates for individuals would increase only when real income -- real purchasing power -- rose. Of course, Congress could always raise rates on its own initiative.

"With taxes due to raise some \$86 billion in 1981 without action by Congress, the time to change the system is overdue," Dole said. "If higher taxes are truly needed to finance the higher spending levels, Congress should have the courage to vote for them. Congress must reduce tax rates and spending levels, then set a date for implementing tax indexing to prevent future automatic tax increases. There is no more urgent item on the unfinished agenda of the 96th Congress."

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