

STATEMENT OF CHAIRMAN DOLE TUITION TAX CREDITS

I AM PLEASED TO WELCOME SECRETARIES REGAN AND BELL, SENATOR HOLLINGS, AND INTERESTED MEMBERS OF THE PUBLIC, THIS MORNING TO TESTIFY ON S. 2673, THE TUITION TAX CREDIT BILL. THIS BILL IS A VERY IMPORTANT PIECE OF LEGISLATION, IMPORTANT TO THE ADMINISTRATION, IMPORTANT TO THE PARENTS OF ALL CHILDREN IN SCHOOLS, PUBLIC OR PRIVATE, AND IMPORTANT TO ME.

I HAVE BEEN A LONG TIME SUPPORTER OF PROVIDING FEDERAL INCOME TAX RELIEF FOR LOWER AND MIDDLE INCOME FAMILIES WHO CARRY THE ADDITIONAL BURDEN OF SUPPORTING THE PUBLIC SCHOOLS WHILE SENDING THEIR CHILDREN TO PRIVATE SCHOOLS. BECAUSE OF THIS DOUBLE BURDEN, AN ALTERNATIVE TO PUBLIC EDUCATION SIMPLY IS NOT AVAILABLE TO LOWER INCOME FAMILIES TODAY AND IS NOT AVAILABLE TO MIDDLE INCOME FAMILIES WITHOUT SUBSTANTIAL SACRIFICE. INFLATION IN RECENT YEARS HAS MADE MATTERS WORSE. YET ALTERNATIVES TO PUBLIC EDUCATION CONTRIBUTE TO THE PLURALISM THAT HELP MAKE OUR SOCIETY STRONG. ALTERNATIVES TO PUBLIC EDUCATION CAN ALSO HELP STIMULATE IMPROVEMENTS IN OUR PUBLIC SCHOOLS THROUGH THE COMPETITION THOSE ALTERNATIVES PRESENT. A STRONG SYSTEM OF PRIVATE SCHOOLS, AVAILABLE TO ALL INCOME CLASSES, SHOULD CONTRIBUTE TO A BETTER EDUCATION FOR ALL OF OUR CHILDREN. AND AN EDUCATED, SKILLED POPULACE IS AN ESSENTIAL INGREDIENT IN MAINTAINING AND IMPROVING THIS NATION'S TECHNOLOGICAL AND INDUSTRIAL PROMINENCE.

PRESIDENT REAGAN MADE A CAMPAIGN PROMISE TO PROVIDE RELIEF TO THESE FAMILIES WHO CARRY A DOUBLE BURDEN BY PROVIDING A TAX CREDIT FOR A PORTION OF THE TUITION THEY PAY FOR THEIR CHILDREN'S EDUCATION. TODAY, I AM PLEASED TO ASSIST THE PRESIDENT IN TAKING THE SECOND STEP DOWN THE PATH OF FULFILLING THAT PROMISE BY HOLDING THIS HEARING.

FOR THOSE WHO MAINTAIN THAT WE ARE NOT SERIOUS ABOUT THIS LEGISLATION, I NOTE THAT THIS BILL WAS INTRODUCED JUST OVER THREE WEEKS AGO AND THAT THIS HEARING WAS ANNOUNCED BARELY A WEEK AFTER THE BILL WAS INTRODUCED. WHILE THAT MAY NOT BE ABSOLUTELY BLINDING SPEED, I THINK IT IS FAIR TO STATE THAT THIS SCHEDULE SHOWS NO ONE IS DRAGGING HIS FEET.

THE IDEA OF PROVIDING TAX CREDITS FOR TUITION, WE MUST REMEMBER, IS A CONTROVERSIAL PROPOSAL. WE MUST BE CERTAIN TO GIVE IT A FAIR AND FULL EXPOSURE TO THE SHARP SCRUTINY OF ITS OPPONENTS AS WELL AS ITS DEFENDERS. THE IDEA ALSO RAISES INTRICATE QUESTIONS REGARDING SCHOOLS THAT DISCRIMINATE ON THE BASIS OF RACE, THE SEPARATION OF CHURCH AND STATE, AND EQUITY. IF THE BILL AS PRESENTLY DRAFTED DOES NOT ADEQUATELY ADDRESS THESE QUESTIONS, WE MUST FIND WAYS TO CHANGE IT. NONE OF THESE PROBLEMS, IF PRESENT IN THE BILL, ARE INSOLUBLE. WE MUST BE CONFIDENT, HOWEVER, THAT THESE SERIOUS QUESTIONS ARE ADDRESSED.

NO CREDITS FOR DISCRIMINATORY SCHOOLS

WHILE I WHOLEHEARTEDLY SUPPORT TUITION TAX CREDITS IN PRINCIPLE, I CANNOT SUPPORT ANY BILL WITHOUT ADEQUATE SAFEGUARDS INSURING THAT TAX CREDITS WOULD NOT BE ALLOWED FOR PAYMENTS TO PRIVATE SCHOOLS WITH RACIALLY DISCRIMINATORY POLICIES OR PRACTICES. EARLIER THIS YEAR, THE FINANCE COMMITTEE HAD OCCASION TO REVIEW THE CONTROVERSY SURROUNDING THE GRANTING OF TAX-EXEMPTION TO SCHOOLS WITH RACIALLY DISCRIMINATORY POLICIES. IT IS CLEAR FROM THIS EXPERIENCE THAT WE MUST BE CAREFUL IN CONSIDERING ANY NEW TAX PROVISION THAT MIGHT PROVIDE EVEN INDIRECT ASSISTANCE FOR RACIALLY DISCRIMINATORY PRIVATE SCHOOLS. THIS BILL CONTAINS SEVERAL PROVISIONS INTENDED TO DISALLOW TAX CREDITS FOR TUITION PAYMENTS TO RACIALLY DISCRIMINATORY SCHOOLS. THE FINANCE COMMITTEE, TODAY AND IN FURTHER CONSIDERATION OF THIS BILL, MUST CAREFULLY REVIEW THESE PROVISIONS TO ENSURE THAT THE ALLOWANCE OF TUITION TAX CREDITS WILL NOT IN ANY WAY FRUSTRATE OUR FUNDAMENTAL NATIONAL POLICY AGAINST RACIAL DISCRIMINATION IN EDUCATION.

THE BILL HAS A THREE-PRONGED APPROACH TO THIS PROBLEM. IN THE FIRST PLACE, A SCHOOL CANNOT QUALIFY TO RECEIVE TAX-CREDITABLE TUITION PAYMENTS UNDER THIS BILL UNLESS IT IS A TAX-EXEMPT EDUCATIONAL INSTITUTION UNDER CODE SECTION 501(c)(3). THE SUPREME COURT SOON WILL BE CONSIDERING THE NONDISCRIMINATION STANDARDS THAT MUST BE MET IN ORDER TO ENJOY FEDERAL TAX EXEMPTION.

A SCHOOL'S FAILURE TO SATISFY THOSE STANDARDS WILL AUTOMATICALLY DISQUALIFY IT FROM RECEIVING TAX-CREDITABLE TUITION PAYMENTS. THIS BILL, OF COURSE, WOULD NOT AFFECT THE QUESTION OF WHAT NONDISCRIMINATION STANDARDS ARE APPLICABLE, UNDER SECTIONS 501(c)(3) AND 170 OF THE INTERNAL REVENUE CODE, TO TAX-EXEMPT PRIVATE SCHOOLS GENERALLY. THAT DECISION REMAINS WITH THE COURT.

THIS BILL GOES FARTHER, HOWEVER, AND ADDS TWO ADDITIONAL PROVISIONS DESIGNED TO DISALLOW TAX CREDITS FOR TUITION PAYMENTS TO DISCRIMINATORY PRIVATE SCHOOLS. AT THE END OF A CALENDAR YEAR FOR WHICH TUITION TAX CREDITS MAY BE CLAIMED, THE SCHOOL WOULD BE REQUIRED TO SUBMIT TO THE IRS A STATEMENT, SUBJECT TO PENALTIES FOR PERJURY, CERTIFYING THAT THE SCHOOL HAS NOT FOLLOWED A RACIALLY DISCRIMINATORY POLICY DURING THE CALENDAR YEAR.

IN ADDITION, IF THE ATTORNEY GENERAL RECEIVED A COMPLAINT THAT THE SCHOOL HAD DISCRIMINATED AGAINST AN INDIVIDUAL, THE ATTORNEY GENERAL WOULD BE AUTHORIZED TO BRING A DECLARATORY JUDGMENT PROCEEDING IN DISTRICT COURT TO ESTABLISH THAT A SCHOOL, IN FACT, MAINTAINED A RACIALLY DISCRIMINATORY POLICY. IF THE ATTORNEY GENERAL PREVAILED IN SUCH A SUIT, CREDITS WOULD BE DISALLOWED FOR TUITION PAYMENTS TO THE SCHOOL FOR 3 YEARS.

THE PROVISIONS APPEAR TOUGH, AND RIGHTFULLY SO. TODAY'S HEARING AND FUTURE CONSIDERATION OF THIS BILL WILL ALLOW US TO ANALYZE THE NONDISCRIMINATION STANDARDS AND PROCEDURES SET FORTH IN THIS BILL WITH THE ABLE ASSISTANCE AND COUNSEL OF EXPERTS AND INTERESTED LAYMEN IN THE FIELDS OF EDUCATION, CIVIL RIGHTS, AND LAW.

CONSTITUTIONALITY

IN ADDITION TO THE DISCRIMINATION PROBLEM, MANY OPPONENTS CLAIM THAT, BECAUSE OF THE RELIGIOUS AFFILIATION OF MANY PRIVATE SCHOOLS, TAX RELIEF FOR TUITION PAYMENTS VIOLATES THE ESTABLISHMENT CLAUSE OF THE FIRST AMENDMENT. I DO NOT AGREE, BUT IT DOES NOT NECESSARILY MATTER WHAT I OR ANY OTHER SENATOR THINKS ABOUT THE CONSTITUTIONALITY OF THIS MEASURE. SO LONG AS WE ARE CONVINCED THAT THE PROVISIONS DO NOT CLEARLY VIOLATE THE FIRST AMENDMENT, AND THE COURT DECISIONS IN THIS AREA ARE ANYTHING BUT UNANIMOUS AND CLEAR, IT IS UP TO THE SUPREME COURT TO DECIDE THE CONSTITUTIONALITY OF THIS PROVISION, NOT US.

FISCAL RESTRAINT

OTHER OPPONENTS OF TUITION TAX CREDITS POINT TO THE BURGEONING DEFICITS AND THE PAINFUL PROCESS THAT CONGRESS FACES OVER THE NEXT YEAR OR TWO IN LEARNING WHAT "FISCAL RESTRAINT" MEANS AS REASONS NOT TO MOVE FORWARD. OUR EFFORT ON THE FINANCE COMMITTEE IN MAKING THE TOUGH DECISIONS ON MEDICARE, MEDICAID, WELFARE, AND ON THE REVENUE SIDE THAT ARE INCORPORATED IN OUR RECENTLY REPORTED BILL SPEAKS VOLUMES ABOUT HOW DIFFICULT THOUGH NECESSARY THIS TASK IS.

IN LIGHT OF THESE CHALLENGES, IMMEDIATE ACTION ON ANY NEW OR EXPANDED TAX EXPENDITURE WITH SIGNIFICANT REVENUE IMPACT MAY NOT BE POSSIBLE. THE ADMINISTRATION HAS RECOGNIZED THESE RESTRAINTS AND IS TO BE COMMENDED FOR SCALING BACK, ESPECIALLY IN THE EARLY YEARS, THE FISCAL IMPACT OF THE PROPOSED TUITION TAX CREDIT. WITH THE 3-YEAR PHASE IN, THE LACK OF A REFUNDABILITY PROVISION, THE LACK OF CREDITS FOR COLLEGE-LEVEL EDUCATION, AND THE HIGH-INCOME PHASE OUT, THE FISCAL 1983 COST OF THIS BILL IS ESTIMATED BY

TREASURY AT APPROXIMATELY \$100 MILLION, AND FOR FISCAL 1984, APPROXIMATELY \$600 MILLION. THE JOINT COMMITTEE ON TAXATION, I AM PLEASED TO NOTE, ESTIMATES AN EVEN LOWER REVENUE IMPACT: \$32 MILLION IN FISCAL 1983, \$373 MILLION IN 1984, AND \$854 MILLION IN 1985. WITH THE PASSAGE OF THE FINANCE COMMITTEE "TAX EQUITY AND FISCAL RESPONSIBILITY" BILL AND AN IMPROVING ECONOMY, I AM CONFIDENT THAT WE CAN MAKE PROGRESS ON MODEST VERSIONS OF IDEAS SUCH AS THIS SOONER THAN WE ANTICIPATED SOME MONTHS AGO.

NO BENEFIT FOR THE WEALTHY

I AM PARTICULARLY PLEASED THAT THIS BILL DOES NOT PROVIDE BENEFITS FOR WEALTHY FAMILIES. IN THE BILL, THE CREDIT IS PHASED OUT FOR FAMILIES WITH INCOMES BETWEEN \$50,000 AND \$75,000, AND ELIMINATED FOR THOSE WITH INCOMES OVER \$75,000. THIS SIMPLE EXPEDIENT SHOULD SILENCE THOSE CRITICS WHO CLAIM THIS BILL IS INTENDED TO BENEFIT THE ELITE AND THE WELL-TO-DO. IT WILL NOT; ITS BENEFITS, LIMITED TO THE LOWER AND MIDDLE CLASSES, AS THEY SHOULD BE. ARE

IN SHORT, TUITION TAX CREDITS FOR LOW AND MODERATE INCOME FAMILIES IS AN IDEA WHOSE TIME HAS COME. I WILL NOT DENY THAT THE PROPOSAL PRESENTS SOME THORNY ISSUES, BUT, AS I HAVE SAID, I DO NOT THINK ANY ARE INCAPABLE OF SOLUTION. I WELCOME CONSTRUCTIVE SUGGESTIONS FOR IMPROVEMENT AND HOPE WE CAN MEET ANY RESPONSIBLE CRITICISMS. I AM CONFIDENT OF THE ULTIMATE AND TIMELY SUCCESS OF THIS MEASURE.