

News from Senator

BOB DOLE



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GOVERNMENT WILL OBTAIN INCREASED PROFIT FROM CONTINUED CONSUMER PRICE RISES, DOLE SAYS

WASHINGTON -- Sen. Bob Dole (R-Kan.), ranking Republican on the Senate Finance Committee, said today that continued rises in the Consumer Price Index like the 1 percent increase for July announced today would serve to increase the federal government's revenue due to unlegislated tax increases in 1980.

Dole estimated that the government would receive more than \$19 billion next year because of "taxflation" -- the increased taxes Americans pay when they are pushed into higher tax brackets by inflation.

Latest government estimates indicate that the latest CPI increase will push the inflation rate to approximately 13 percent. Dole said today that the Senate Finance Committee found that taxpayers will pay \$19.2 billion in taxes on that inflation as a result of "bracket creep."

Earlier this week, Dole cited Joint Committee on Taxation data showing that the federal government benefited from taxflation by \$9 billion in 1978 and will receive an estimated \$11.5 billion in additional revenue in 1979. (note: the figure for 1979 is exclusive of the \$12.4-billion tax cut which went into effect earlier this year)

"Last year the 'tax cut' that Americans received did little more than keep them even with inflation," Dole said. "So, in effect, it was not a tax cut at all. Workers are given cost-of-living raises, or merit raises, or they change jobs in order to obtain a better wage, thinking they'll come out ahead. But for too many Americans these raises are illusionary, for when they are jumped into higher tax brackets, they end up losing ground in terms of real dollars."

Dole and Rep. Bill Gradison (R-Ohio) have introduced legislation aimed at rectifying this situation.

The bill, called the Tax Equalization Act of 1979, would index the personal income tax rates and personal exemptions, using the Consumer Price Index as the measure of inflation for a given year. Indexing automatically adjusts tax liabilities each year to reflect increases in the cost of living, establishing a procedure that widens all tax brackets by a proportion equal to the rate of inflation.

"Our unindexed tax system was developed in a world of stable prices," Dole said. "But the spiraling inflation of the past decade has made clear the bias in our system that enables the government to first reap windfall profits from the taxpayer and then turn around and pass a phony tax cut bill prior to elections."