

News from Senator

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## SENATE ADOPTS DOLE-BENTSEN AMENDMENT TO ENCOURAGE SAVINGS, CAPITAL FORMATION

WASHINGTON -- The Senate today agreed to a Dole-Bentsen amendment to the wind-fall profits tax bill to provide a tax incentive to encourage savings by individual Americans.

The amendment provides a \$200 tax exclusion for the first \$200 of combined interest and dividends received during the taxable year. Those filing joint tax returns would be eligible for up to \$400 exclusion, beginning in 1980.

All types of interest and dividends would qualify, including savings accounts, money market instruments and bonds.

"This is an important step toward restoring faith in savings, which for some time now has been eroded by the disincentives of inflation and taxes," Dole said. "Since 1975, the savings rate has dropped from 7.7 percent to 4.1 percent in the third quarter of 1979. For most people, interest on savings simply does not keep pace with inflation, and this interest is taxed away, besides. It is no wonder that people see little advantage in saving or investing.

"New incentives for consumers to save and re-invest can help break the inflationary 'buy now' psychology, thereby reducing pressure on prices. Additionally, when the supply of savings declines as a result, less funds are available for lending, thus causing borrowers to bid up interest rates. An increased savings base would moderate these inflationary pressures.

"I hope this will provide an attractive means to stimulate individual savings, and also, through the dividend exclusion, provide an important spur for business investment. The latter is especially important in light of our recent declining productivity. Without new capital investment, we cannot hope to have healthy economic growth and the kind of technological innovation that can lead to increased productivity."