

News from Senator

BOB DOLE



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DOLE CALLS FOR ANALYSIS OF TAX EXEMPTION FOR MILITARY PAY

WASHINGTON -- Senator Bob Dole (R-Kan.), chairman of the Senate Finance Committee, today called for a Finance Committee review of a proposal by Defense Secretary Caspar Weinberger to exempt the first \$20,000 of an individual's military pay from federal income taxes.

Weinberger, in testimony Wednesday before a House committee, stated that he had made the recommendation to the White House.

"Secretary Weinberger's proposal is worthy of careful review," Dole said. "Although I have not yet been contacted on it by the Administration, as chairman of the Senate Finance Committee I will undertake a review of the proposal.

"There is no question that the United States faces a serious depletion of skilled personnel from the armed forces. Military weapons systems are increasingly more complex, and thus it is vital to our national defense that we have qualified individuals to man those weapons systems. The proposal of Secretary Weinberger's has been advanced as a means of recruiting and retaining the skilled professionals for the military services.

"While I strongly support the secretary's objectives, there are a number of concerns about the specific proposal that need to be addressed:

"First, I have considerable concern about the revenue loss of the suggested \$20,000 military pay exemption. The Joint Committee on Taxation roughly estimates that the proposal would reduce federal revenues by about \$2.5 billion per year under existing tax rates. This is quite a substantial revenue loss.

"Second, military personnel are already exempt from federal tax on housing and meal allowances and on certain combat pay. The Treasury Department estimates that the existing exclusion of benefits and allowances to armed services personnel will involve a revenue loss of approximately \$1.7 billion in fiscal year 1982. These existing tax benefits are apparently ineffective in retaining key military personnel, which raises questions about how effective the proposed additional tax benefits will be.

"Third, I have some concern about how well Secretary Weinberger's proposal is targeted to the problem it is designed to address. The across-the-board exemption for all military personnel may spread relief too broadly and may not be enough to retain those individuals with unique and highly marketable technical skills. It may be that non-tax devices such as direct pay incentives and targeted bonuses are far more effective than any tax provision. Despite the obvious attractiveness of turning to tax devices in tight budgetary times, the tax system is no panacea for all problems.

"Finally, I have some concern that this kind of exclusion might set a precedent for other groups demanding similar exclusion. Why should we not also exempt the first \$20,000 of doctors and nurses who work in economically depressed rural areas? It can be argued that all Americans, including those serving in the armed forces, should pay their fair share of federal taxes since they derive their share of benefits from the federal government.

"I look forward to working with the Administration in exploring this idea more thoroughly."