

News from Senator

BOB DOLE



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DOLE SAYS IRS REACHES REASONABLE RESULT IN ALL SAVERS RULING

WASHINGTON -- Senate Finance Committee Chairman Bob Dole (R.-Kan.) announced today his belief that the IRS seems to have reached a reasonable result in its ruling on tax-exempt savings certificates linked to high interest rate bonuses. Dole added, however, that he will carefully review the IRS implementation of the ruling and will be prepared to offer legislation if the ruling does not adequately protect savers who have already invested in short-term investments linked to All Savers certificates.

"I have been particularly concerned about people who have already invested in these short-term, high interest investments and have let the Internal Revenue Service and the Treasury Department know of my views," Dole said. "IRS Commissioner Egger announced today that so-called "All Savers" certificates would not be disqualified from tax-exempt treatment if the saver has an opportunity to obtain his principle and interest at the maturity of the initial short-term investment instead of being forced to buy an All Savers certificate. This seems to protect individuals who have relied on financial institution advertisements while also following Congressional intent as to the features of the tax-exempt certificate program."

Financial institutions have been offering temporary, high interest "repurchase agreements" which would be rolled over into tax-exempt All-Savers certificates. Today's IRS announcement provides that these agreements generally would disqualify All Savers certificates from tax exempt status if an individual were forced to invest in an All Savers certificate in order to get the high, temporary, taxable interest.

The All Savers certificates are one-year certificates which can be offered after September 30 and will have an interest rate set at 70 percent of the yield on 52-week Treasury bills. Individuals will be able to exclude up to \$1,000 in interest on the certificates and couples filing joint returns will have an exclusion of up to \$2,000.