

News from Senator

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FOR IMMEDIATE RELEASE
THURSDAY, DECEMBER 19, 1985

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STATEMENT OF SENATE MAJORITY LEADER BOB DOLE EFFECTIVE DATE OF TAX REFORM

Today I am introducing, along with a strong bipartisan group of my colleagues, a resolution expressing the sense of the Senate that the effective date of any major tax reform legislation enacted in this Congress should generally be January 1, 1987. The reason this resolution has such widespread support is simple--it is the right thing to do.

At the outset, I should acknowledge the leadership on this issue by my distinguished cosponsor from New York (Mr. D'Amato). The Senator from New York, along with the Senator from Florida (Mrs. Hawkins) and the Senator from Connecticut (Mr. Dodd) earlier introduced a resolution expressing that the effective date of tax reform legislation should be no earlier than July 1, 1986. That date was a reasonable one when the resolution was introduced, but the legislative process has taken longer than originally anticipated. The Senator from New York has continued in forcefully expressing his concern that any basic changes in tax legislation be enacted prospectively and I applaud his leadership on this issue.

SENATE SCHEDULE

Congress will not be able to complete action on tax reform before mid-1986. This is not a statement of sentiment in favor or against tax reform. It is merely a realistic estimation of how long it will take the Finance Committee and the full Senate to give fundamental tax reform the consideration it deserves.

We will not accept either the House Ways and Means Committee bill or the President's original proposal without making our independent judgment on the merits of each provision. The American people expect us to take tax reform seriously and not to treat it merely as a political issue. We will do our best to deserve their trust and meet their expectations.

But adequate consideration will take time. The Finance Committee has historically taken over a month, and sometimes substantially longer, to report major tax legislation. It will then undoubtedly require some time for drafting. Once drafting is completed, a bill of this magnitude will probably occupy the Senate floor for four to six weeks. After taking into account the need to schedule other important legislation, as well as nonlegislative periods, and the time necessary to work out differences in conference, it is highly unlikely that we will be able to get a bill to the President before next summer.

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With that reality, we need to let taxpayers know what we will try to do so that they can plan their business and personal matters while we do our job.

TAXPAYERS MUST BE ABLE TO PLAN

This Senator certainly does not oppose tax reform. I am happy to stand on my record on tax reform during the time I was chairman of the Finance Committee. However, I am also realistic. I know that it is impossible for taxpayers to plan their economic affairs when they cannot be sure what tax rules will apply.

This is not to say that everything in our economy is tax-motivated. However, we must be honest with ourselves that tax implications affect nearly all transactions and, in a substantial number of situations, may make the difference on whether a transaction will go forward or not.

Unfortunately, the bill reported by the Ways and Means Committee contains effective dates of January 1, 1986 and, in the case of some provisions, even earlier. If we in the Senate who deal with tax legislation as part of our jobs don't know at this point whether we will agree with the House on certain provisions, it should be very clear that taxpayers will have no better ability to forecast what changes will be enacted. We should not put taxpayers in the position of "second-guessing" Congress.

THE EFFECT ON A PROSPECTIVE DATE

I am sensitive to the argument that making legislation effective on some future date may have an impact on taxpayer behavior. Some taxpayers who want to take advantage of a tax benefit that will be repealed or reduced may rush to enter into a transaction that might otherwise be delayed. Others who think that they may be better off under the new law may delay decisions they otherwise may make.

However, any rush to take advantage of specific benefits in present law has been taking place at least since the Ways and Means Committee began to make preliminary decisions on tax reform. What concerns me more at this point is that, even if we enact legislation which is significantly better for our economy in the long run, uncertainty about what law will apply while we complete our deliberations could cause severe short-run economic disruption.

It seems unfair and unreasonable to me to cause prudent business people using their best judgment to decide that they should delay business investment decisions, for example, because they do not know what will happen to capital cost recovery deductions, investment tax credits, or even tax rates. It is much more reasonable to let taxpayers go about their business with some sense of certainty while we go on about ours.

A GOAL, NOT A GUARANTY

Therefore, the resolution we are now introducing today states that it is the sense of the Senate that any tax reform enacted in this Congress should generally be effective January 1, 1987. It also notes that transition from one tax system to another may necessitate special rules to protect taxpayers and the Treasury from unintended adverse impact. It also suggests that, if Congress decides to extend any provisions which will expire before January 1, 1987, those extensions should have a retroactive effective date to assure that the provisions will continue in effect without interruption.

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I should emphasize that this sense of the Senate resolution provides a goal, not a guaranty. It says that we intend to work for these results but, since we cannot bind the members of the House or the Administration, it may be that the final version of the legislation will have effective dates that differ from January 1, 1987. All we can do is say that we will do our best to pass legislation with a truly prospective effective date.

This Senator, for one, is gratified that the House has adopted a resolution proposed by their distinguished Republican Leader, Mr. Michel, instructing the chairman and ranking member of the Ways and Means Committee and Finance Committee, working with the Secretary of Treasury, to prepare a list of tax reform items which would not become effective until January 1987. However, that resolution does not obviate the need for us to express our intent. The House bill still contains effective dates that are now, or soon will be, retroactive. I hope the parties specified in the House resolution will be able to agree on what most appropriately should become effective in 1987. However, the American taxpayer deserves to know where the Senate as a whole stands on this issue.

I hope that this expression of our intent will be helpful to people who have to live with the tax code while we deliberate its future. In the final analysis, I cannot believe that Congress will decide to make fundamental changes in the tax law on a retroactive basis. We cannot promise Americans that everything in any new legislation will be prospective, but there has to be consensus that the responsible position is to make major policy changes prospective in effect.

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