

S 3488

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

the years. I think it is an example of a Government program that has worked and fulfilled its original promise.

From a simple premise of assuring our citizens that old age would be free of financial anxiety to a complex program of this very hour that provides grants of millions of Americans with monthly retirement checks as well as health care. Approximately 36 million Americans are now receiving, as we know, monthly checks.

Mr. President, I recall for our colleagues a statement I made on April 15, 1935, during the debate which perhaps is pertinent as I speak today:

We have passed through the worst, and we now have it behind us; but there are millions of worthy older people in this country who now and in the future will face a real cause of fear a hundred times greater than the fear of depressed business.

Ingratitude is among the more reprehensible of human vices!

Let us not be ungrateful for our delivery from the fear of poverty, and let us demonstrate our gratitude for this blessing by helping to provide protection to those who are not in position to provide it for themselves.

It is a great blessing to possess riches, but it is a greater blessing to possess, also, a heart that is willing to use riches in behalf of those who are helpless.

Mr. President, in 1935 one-third of all elderly Americans were impoverished. Let us not forget that fact. People do not like to look back and talk about the situation then. There are some parallels even today. Let us think of today.

Today, less than 15 percent have poverty-level incomes. The social security program has proved that America can, at times, be at its best helping others to help themselves. Since the inception of social security, many significant changes have reshaped America and the program. I quote now from President Jefferson, who said:

As new discoveries are made, new truths discovered and opinions change with the change of circumstances, institutions must advance also, and keep pace with the times.

Mr. President, the social security program has been expanded through 13 expansionary laws and seven automatic benefit increases since 1935. In the beginning—I think this is an important fact to state—men dominated the work force. Now, almost half our work force is women. There was a difference then in the work force from the work force now.

In the beginning, there was no Federal minimum wage. It was thought that if we enacted social security, we could partially replace earnings lost through retirement or death.

At the time of the passage of this legislation in 1935, only 5 out of 10 jobs in America were eligible for benefits at age 65. Today 9 out of 10 jobs are included in social security.

In 1940, there were 16 workers supporting each beneficiary. Today, as I speak, there are 3 workers to every 11 who is a recipient.

There has been a lifespan increase of 20 percent over the last 40 years.

All of this leads to a present rather complex, confused, and troubled situation. Congress is reacting to the problems, frankly, and that is understandable, of this system. We need to provide and we will provide a strong answer to the financing concerns of not only the present but the future. I have no doubt that the membership of Congress, regardless of party, regardless of the occupant of the White House, that all of us working on Capitol Hill and downtown can plan for social security—that, in fact, we may clarify many of the situations which are very, very troublesome at this hour.

Mr. President, what we are doing today will go a long way toward correcting the present financing of the program. There is much remaining to do. I know Senator DOLE and Senator LONG, the two managers of this important legislation, are in a position to improve and can improve it, with their expert handling of measures of this kind over the years. I think that Congress will not renege on its basic promise of 48 years ago. Changes, yes, will be made. Provisions will be modified.

Mr. President, I am gratified to have voted for the original legislation. I believe that it has served the country well. I am sure that out of the work on Capitol Hill now, in both bodies, we shall be able to make necessary improvements. I think, however, we have to come to grips with the financing changes which are necessary in the bill that is before us. We cannot pass them by.

The package that will come out, I say to the managers of the bill, will not be a perfect package. The compromises have already been made, in part, and on subsequent votes will, perhaps, be further made. I am not encouraging my colleagues one way or another on a pending amendment or amendments. I am only saying that, in my opinion, it is absolutely necessary for the Congress to pass a measure coping with the problems of social security as it exists today and that the President of the United States be in a position to sign the measure that comes to him from Capitol Hill.

Mr. DOLE. Mr. President, I thank the distinguished senior Senator from West Virginia (Mr. RANDOLPH). I think it is remarkable that he is standing here today, reciting personal experience with reference to the first Social Security Act. It is another indication of the Senator's commitment and dedication.

I advise the Senator that we are going to do our best to keep our commitment, without getting into the merits or demerits of the pending amendment, as the Senator from West Virginia stated. I deeply appreciate the Senator's statement. It should demonstrate to all of us the seriousness of what we are about and what we should do—hopefully before this coming Friday.

I thank the Senator very much for his eloquence.

Mr. RANDOLPH. I thank the distinguished Senator from Kansas.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas has the floor.

Mr. DOLE. I am happy to yield to the Senator from New York.

Mr. MOYNIHAN. I thank the Senator.

Mr. President, I, too, should like to join in expressing the gratitude of this body and, if we can be surrogates of the people we represent, of the people of the United States for the role the Senator from West Virginia (Mr. RANDOLPH) played in enactment of this legislation and that he plays in its preservation today. Fifty years ago, almost, he helped enact it. Today, he has spoken to the urgency of the legislation before us.

Mr. President, there are not a great many Members of the Senate in the Chamber. Some will be listening on our radio system. I should like to call attention, if I may, to the urgency here, first having said, as I said some weeks ago, I guess, in the jobs bills, that I am committed—it is a commitment from last year—to vote against the repeal of withholding as it is called. I voted against it in committee 1 year ago; I voted against it on the floor. It is a matter of concern to the savings institutions of New York, but the commitment I made I shall keep. But we now have a time on which it can be kept. Whether it will prevail or not, I do not know, but April 15 is set for that debate to begin.

What I would like to call to the attention of the Senate is a detail, one might say, of the arrangements that have been put in place to do what the Senator from West Virginia has said, which is to preserve the social security System and to try to make clear how precarious they are.

It is not just that so many different groups have had to make concessions which they have not wanted to do but did in the public interest as they judged, but with the understanding that others would make concessions and if any try to withdraw, the whole is risked, but there is a matter of time. Senators know that the authority for interfund borrowing expired on December 31. Prior to that date, the trustees borrowed enough funds to bring the system through July 1. The first actual change in outgo in this system takes place in effect on July 1, July 2, or July 3, when the checks go out. That is when the 37 million checks—36.4; it changes hourly—go out. The provisions of the bill provide for a 6-month delay in the cost-of-living allowances from July 1.

That delay is necessary because the funds will not be there to meet the obligations otherwise.

In terms of the enormous task involved in the Social Security Administration adjusting the retirement benefits of 36 million-plus Americans, the

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3489

absolute last minute they can have this statute on the books such that they have the authority to make the changes is May 7.

We are recessing this week. We will come back on April 5. There are 4 short weeks, as I count them, during that 26-29 days in which this legislation has to become statute. If anything lets it slip by today or, at the very most, noon tomorrow, prospects of getting a conference with the House, of getting a final bill—it is a large bill; it is not as long as many, but it is a bill filled with details, not just dealing with social security—and getting it to the President, who now expects to sign the legislation as it has passed the House and comes out of the Finance Committee, that is, nonetheless, fraught with the kinds of delays that are natural to the legislative process—if we delay by an extended debate on any extraneous issue, we are putting in peril this entire enterprise.

I do not want to exaggerate, but I do not think what has been done here can be done a second time. Already the strains on the alliances are showing, and to give up that opportunity to show that we can govern, that what we have created we can preserve, seems to me reckless and not in the public interest. In order that I not urge that we speed along, it seems to me I ought not to talk at too great length myself, but I wanted to make clear that we have a deadline and we can meet it, but we are beginning to fritter away that opportunity.

I hope Senators will understand what could be the consequences. It would be ruinous of our reputation and it would be detrimental to the stability of our people, and their confidence in us would be gone.

Mr. DOLE. Mr. President, I thank the distinguished Senator from New York. I certainly share the views expressed by the Senator.

We have agreed on a date to debate withholding. It is difficult to be restrained in talking about this lobbying campaign by the ABA, particularly when you read yesterday's Washington Post. I hope we can finally determine the full truth of how this campaign originated and how they picked those who were engaged in this campaign. But I understand that the American Bankers Association—borrowed a technique commonly used by marketing departments and conducted "focus-group" sessions with customers.

They discovered that once people were made aware of the new law they were "af-fronted" by it. That, the lobbyists admit, is just what they were hoping to discover.

Then they took that latent anger and molded it into an outpouring of public wrath that buried Congress beneath a mountain of mail, gummed up the floor of the Senate for a week, generated a flash of temper from President Reagan and provoked threats of retaliation from Treasury Secretary Donald T. Regan and Senate Finance Committee Chairman Robert J. Dole.

The whole effort also touched off an argument over what the boundaries of fair play are when an interest group sets out to mobi-

lize—critics would say inflame—public opinion.

This is how they did it:

In the focus-group sessions in Chicago, put together by the American Bankers Association diverse people were assembled around a table and probed for their attitudes toward government, taxes, savings and banks. They were paid \$25 apiece for 90 minutes of their time and thoughts. They were not told who paid the.

We want them to tell what come out of the focus groups. What we do not have—and I hope that somebody will now tell us—is what these people were told. We have been saying for days on this floor that this was an underhanded campaign—

Mr. MELCHER. Will the Senator yield?

Mr. DOLE. Later, because I want to keep my thoughts here—that this was an underhanded, heavyhanded campaign by the American Bankers Association. I hope that we will now have from the American Bankers Association, whoever might have conducted this "focus group," where you put people in a room and you use two-way mirrors to get their reaction, what questions they were asked about withholding, what they were told about withholding. I just assume from the ads that I have read from the American Bankers Association they were probably told it was a new tax. That is what the credit unions told everybody: "We are against this withholding tax." People were told by the American Bankers Association that we were going to loot the savings accounts of their depositors, we were going to pick the pockets of their customers, and that their savings were going to disappear.

And now the truth is starting to come out. That is why this Senator believes this deserves a long discussion.

I did not realize that they had really gone quite that far, using a two-way mirror system to probe and to feed people propaganda, and then get the proper answer, decide what to put in their advertisement and then flood this country with ads and the Congress with mail.

Now, I will say, to his credit that the Senator from Montana said very clearly "This is not a new tax." It is not a new tax, but I must say that I begin to wonder just how far the banks may have gone because today I received a letter from a man in Chicago. Of course, I guess that is where all these shenanigans started. But he said, "Attached is a copy of a letter to Congressman SIDNEY YATES which I thought might be of interest to you." This is addressed to Congressman YATES, a good friend of mine on the House side who happens to be a prominent Democrat.

He said:

DEAR CONGRESSMAN YATES: This week I received a card from you acknowledging receipt of a letter from me opposing the withholding of 10 percent of interest and dividend income.

You may have such a letter bearing my name and address but let me assure you that neither my wife nor I wrote or sent it. Does this not lend credence to Senator Dole's contention that the purported massive public opposition to this measure is not truly public but a strong initiative on the part of service interests, such as the banking lobby?

That is only one letter, but I am wondering how many thousands of letters have been mailed to Senators saying that they have been signed by some of our constituents. This was another part of the bankers' heavyhanded campaign to mail in fictitious letters, or take the list of their depositors and flood us with mail and say, "All these people are opposed to withholding."

To me, I think it is disgraceful. Here we are, having just passed the jobs bill—we have not even finished it yet—and the social security bill should have been finished last week, had it not been for the American Bankers Association gearing up the Senate and trying to repeal withholding.

The so-called Easter recess starts on Friday or Thursday of this week, and now we have another effort. I assume the American Bankers Association is geared up again because now they have the old people hostage. Now they want them to wait while they tie up the Senate.

The social security system is about to go bankrupt. We are talking about \$165 billion that we need to infuse into this system in the next several years.

But some seem to be saying, oh, no, we cannot do that. We cannot worry about the senior citizens in America. We first have to take care of the American Bankers Association and their interests. They almost beat the bill to relieve the homeless and the jobless, and now they are after relief for the senior citizens. I wonder to what lengths the American Bankers Association; yes, the Savings and Loan League; yes, the credit unions, will go.

We set a time for debate on withholding, April 15, and we said we will have a full and complete debate. I thought they would be satisfied with that. But it seems to me that there is no way to satisfy the American Bankers Association lobby.

I wonder how long some of the bankers in my State and other States will put up with this kind of campaign. The American Bankers Association position does not reflect the view of the bankers in my State or in the State of Montana. This is a shameful campaign, carried on in an unfair way, by a lobbying group known as the American Bankers Association.

I thought it was rather interesting that Time magazine, on this week's cover, should have highlighted "Tax Cheating—Bad and Getting Worse." That is what we are suggesting is the problem.

Does somebody want to stand up and support tax cheating? It is said, "How are we going to pay for eliminating

S 3490

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

withholding? We will take it away from the third year of the tax cut, take it away from the working people instead of those who are paying their taxes."

If we have to debate withholding on social security, we will debate withholding on social security.

I will suggest later that we table this amendment and get on, because I share the view of the Senator from New York. There are a lot of other things to concern us around here rather than a mail campaign that has many Senators quaking in their boots. I believe that once we have the full story of how this campaign was started and generated and how it was sustained, many Senators who now have the pro-bank position will suggest that maybe you cannot really support a campaign of that kind.

A lot of my friends say, "Bob, you can't take on the bankers." The Senator from Kansas is not taking on anyone. The Senator from Kansas is supporting the President of the United States, who in his 1983 budget said we should have better collection of taxes so that the system is fair. It is not a new tax. It is a collection of tax.

There are 20 million Americans who do not report all their interest and dividend income. That is a substantial number. I do not suggest for one moment that it is because they are dishonest. Much of it is inadvertent and honest mistakes. But what is wrong with collecting taxes that are due? I think that is the issue.

There was another story that appeared in the Washington Post this morning by Jane Bryant Quinn captioned "The Truth About Withholding, Minus Tall Tales From Banks," which I ask unanimous consent to have printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

**THE TRUTH ABOUT WITHHOLDING, MINUS TALL TALES FROM BANKS**

**NEW YORK.**—You may have been misled by the widespread disinformation campaign that the banking industry is conducting against the new tax withholding system on interest and dividend income.

Big headlines in ads are scaring savers, by saying that "Congress wants a piece of your savings," or that "10 percent of the money you earn in interest is going to disappear."

Those headlines mean only that most Americans owe taxes on their interest income, and the government will be trying harder to collect the legal taxes due. But the ads have frightened many savers, especially the elderly, into thinking that the government is grabbing something extra. Even President Reagan criticized the banking industry last week for the sound and fury of its campaign.

Congress created the new tax-collecting system during its desperate search for revenues last summer, when it became apparent that the budget deficits were getting much worse. An estimated 10 percent of the people who owe taxes on their interest income don't pay—either because they cheat or because they forget. Taxes are also evaded by an estimated 18 percent of the people who earn dividends.

The most efficient way to collect income taxes is to withhold them automatically at the source. That is what's done for the taxes due on wages; they are deducted from every paycheck you get. Automatic tax withholding on pensions and annuities began this year. And starting July 1, there will be automatic withholding on the income you earn from your savings.

Banks, savings and loan associations and credit unions have been trying to repeal this new law. They stacked protest postcards on their counters, and urged their customers to mail them to congressmen and senators. Some of the banks collected signatures and mailed the cards themselves. Some provided stamps. Altogether, they generated more mail on a single issue than most legislators can remember. Cards have been pouring into the Senate Finance Committee at the rate of 30,000 a week.

The banking institutions object to the cost of tax withholding, which will be paid either by their customers (in higher fees) or by their shareholders (in lower profits).

A majority in the Senate and House of Representatives now backs a bill to repeal tax withholding on interest and dividends. But the leadership of both Houses opposes repeal, as does the public official with the biggest vote of all. Reagan announced last week that he would veto the jobs bill if it came to him with a rider repealing interest and dividend withholding. [The Senate finally passed the jobs bill Thursday after the withholding amendment's sponsor was persuaded to withdraw in return for its consideration on the floor April 15.] The government estimates that automatic tax withholding will pick up an extra \$4 billion in taxes next year.

To straighten out the disinformation you have been getting, here is what's scheduled to happen July 1:

Ten percent of your interest and dividend income will be withheld toward your income taxes due. This is not a new tax. It is simply a new way of collecting the present tax.

The government is not withholding 10 percent of your total savings, as some people believe. It is withholding 10 percent of the interest earned on your savings which, for most taxpayers, is less than the actual tax due.

When taxes are withheld monthly from your savings account, you will have a little less money earning compound interest. The banks have been making a great deal of this, claiming that the government is "looting" your savings. But the cost is small. At 9 percent interest, tax withholding will cost you 50 cents a year on each \$1,000 in savings. And you need not even lose that. Banks are allowed to withhold taxes all at once, at the end of the year, which would leave all your money free to compound all year.

All low-income people and most of the elderly can exempt themselves from tax withholding. You are exempt if you paid no more than \$600 in federal income taxes last year (\$1,000 on a joint return); or if you are 65 or older and paid no more than \$1,500 in federal taxes last year (\$2,500 on a joint return). The Treasury estimates that 87 percent of the elderly will not be subject to tax withholding.

But to get your exemption, you must file a new withholding form (Form W-6) with the companies that pay you dividends and with each banking institution where you keep interest-paying accounts. That won't be hard. When July 1 rolls around, there will be plenty of information about where those forms can be found.

**MR. DOLE.** Mr. President, I think that once the people understand that this is not a new tax, they are going to

support what we are trying to do. Does anyone want to stand on this floor and say that you should not pay your taxes; that we are going to make certain you do not pay your taxes; that we have to make up for what you do not pay, so we are going to take it away from the working people?

The Senator from Kansas had a note last Friday from Mortimer Caplin, the IRS Commissioner under President Kennedy. Among other things, he thought we were doing the right thing. However, he said:

Withholding is the backbone of our self-assessment system and represents almost half of what the IRS collected in 1982. Yet it has been under frequent attack throughout our tax history. At the same time, its soundness has been proven by the long experience both in England and in this country dating back to the 19th Century. It is hard to conceive of a sound income tax system that does not have the backing of a reasonable withholding procedure.

Tax withholding on dividends and interest was first introduced in the United States by the Revenue Act of July 1, 1862. It applied at an initial 3 percent rate to interest and dividends paid by all railroads, banks, trust companies, fire, marine, life inland, stock and mutual companies. In 1864, the withholding rate was increased from 3 percent to 5 percent and was extended to include interest and dividends of canal, turnpike and canal navigation companies. Only the salaries of government employees were also subject to withholding during the period, as it evidently was regarded as too difficult to extend withholding to the salaries of outside employees. In short, withholding on dividends and interest was workable, but withholding on salaries of non-governmental employees was not.

I have a very extensive history of what happened from 1862 to 1962, 100 years, when we have had withholding in this country. It is not just in this country. Other countries have tried withholding successfully. In Belgium, they have a withholding rate on interest and dividends of 20 percent; in France, 10 percent; in Germany, 25 percent on corporate bonds and dividends. We do not have the information for Italy. In Japan, it is 20 percent on interest and dividend. We do not have the precise percentage in the United Kingdom.

It seems to this Senator, to the President of the United States, to the Speaker of the House of Representatives, and the chairman of the House Ways and Means Committee that we should take a very careful look at withholding. This Senator believes he has an obligation to do so. I cannot expect my colleagues on the House side to defend withholding if we are not willing to defend withholding on this side.

If there is some reason why it is not defensible, or if the President suggests we are going to drop withholding, that we are getting too much heat from the bankers, or if the Senator from Montana can agree that the bankers will start withholding on June 1, 1984, then maybe we will have something to discuss. But until that happens, I

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3491

think all we can do is discuss withholding.

It would be a budget loss. The amendment is subject to a point of order under the Budget Act, because the loss in 1983 is \$1.1 billion, and in 1984 it would be about \$0.3 billion. So there is a point of order to be made under the Budget Act.

I know there has been a big question about who is going to be first. There have been meetings on the Republican side of the aisle today, the Steering Committee, trying to find who is going to offer the first withholding amendment. The Senator from Kansas knows that it is popular politically and that you will get a lot of fan mail if you repeal or delay withholding. But that does not mean it is the right thing to do.

The Senator from Kansas is fairly sensible and reasonable, but I really believe there is going to be revulsion in the Senate when we finally learn how this campaign was put together and how it has been sustained.

Mr. MELCHER. Mr. President, will the Senator yield?

Mr. DOLE. I will yield for a question.

Mr. MELCHER. The Senator has asked how the campaign was put together. I wonder if he would mind my stating—before I ask my question—that in the case of one taxpayer, who happens to be the wife of the aide who sits in this chair—he is out for a cup of coffee right now—who is a schoolteacher, she received this form, notice 662-A, to which the Senator from Kansas referred, last week I believe, from the Treasury Department.

This is a form that goes out with every tax refund that is being mailed right now. It says, "Attention, recipients of interest and dividends. New withholding program begins July 1."

So far as that individual taxpayer is concerned—the wife of my aide, who is a schoolteacher—that was the first she heard of it. The first thing she did was buttonhole my aide when he got home that night, and she said to him:

Have you seen this notice? Now do you know what they are going to do to us? They are going to start withholding tax on interest and dividends. Why do you not say something to Senator MELCHER, to see whether he can do something about that, to block it?

I daresay that millions of other taxpayers are going to find out about this withholding to become effective July 1 from the explanation mailed to them either with their refund checks or, as the Senator from Kansas pointed out several days ago, in the 36 million checks which are going to be mailed out to social security recipients on April 1. They are going to learn of it for sure.

Can the Senator tell me does not the reaction of this schoolteacher wife of my aide, just learning of it through the Treasury Department, by receiving this form from the Treasury Department with the refund check point

out that there are a lot of people who are completely unaware of it and whatever this big campaign has been by the banks they do not necessarily get the word out? Is it not apparent that the IRS is doing their duty? They are now getting the word out. Would it not also be fair to say that a great number of taxpayers are going to have the same reaction as that schoolteacher did who objects to it?

Mr. DOLE. Mr. President, if the Senator will permit me to answer the question, I cannot believe the schoolteacher did not know it beforehand if she teaches in this area because it has been rather widely reported and the banking lobby has not missed many. I do not know if they have been into the schools but they have been everywhere else. I am certain if she had an account she has gotten a notice in the bank account. If you walk into the bank you are hit with one of these forms to fill out.

But I would also assume they withhold from her check, if she has withholding on her wages as a schoolteacher, and I do not know whether she is objecting to that also, but that is another matter.

Mr. MELCHER addressed the Chair.  
Mr. DOLE. I am not going to yield for more questions.

Mr. MELCHER. I think that is the point. I think the point of further withholding is what she is objecting to.

Mr. DOLE. The point the Senator from Kansas makes is why should we withhold from the working people on wages and salaries?

Mr. MELCHER. She is working. These are working people.

Mr. DOLE. I said why should we.

Mr. MELCHER. I am giving the Senator a fair reaction. I am giving him a fair reaction of a taxpayer.

Mr. DOLE. If the Senator wants to broaden the amendment and change withholding on wages and salaries, we might be able to do business. I do not know why he wants to favor the rich and keep zapping the working people.

Mr. MELCHER. This is not the rich.

Mr. DOLE. If we are going to have withholding we should have withholding. If we are going to have special exemptions because the banks are powerful, the savings and loans are powerful, and the credit unions are powerful, we should have the exemptions for the working people, the people out there working with their hands every day.

We have had withholding. Withholding has been around for a long, long time, and I know a lot of working people who would like it if we did not take it out of their checks every 2 weeks. They could put that aside and earn interest on it and do it the next 2 weeks, the next 2 weeks, the next 2 weeks. At the end of the year next April they could pay their taxes.

The banks are arguing that we are not letting people keep money there for investments.

What about the millions and millions of working people who should have the same right?

I wish to say again, just to include in the Record a few editorials—here is one from the St. Petersburg Times: "Baloney from Banks," which I thought made a lot of sense. It talks about this campaign and how they give you a little example here.

It has been 40 years since Uncle Sam started taking his piece of every pay check. Had fairness been the guide, that's how long income taxes would have been withheld from bank interest and stock dividends also. However money is earned, it ought to be treated alike.

It takes more than fairness, unfortunately, to make Washington tick; in this case, it took the lengthening shadows of \$260-billion budget deficits. The reforms that Congress passed last year, when fully effective, will mean some \$4-billion a year in new revenue—nearly all of it representing taxes that are presently being evaded by people who "forget" their dividend and interest income when filing their 1040's.

It went on to say:

The bankers, it seems, are not good losers. Sympathy would come more readily for their valid points, such as the extra paperwork they face, if they were candid about their real stake in the issue. Corporations and pension plans are also newly subject to withholding, but few are protesting. Why the banks? The conspicuous difference is that corporations are accustomed to paying out dividends quarterly while the banks are accustomed to retaining and using and interest they credit to their depositors.

Savings deposits, money market funds, time deposits and other interest-bearing accounts pay household depositors some \$220-billion a year, using the industry's own figures. Most of it is credited directly to those accounts, where it remains on deposit, enlarging the banks' own portfolios, raising their lending reserves and increasing their potential profits. At the uniform 10 percent quarterly withholding rate, that's an average of \$11-billion a year less on the banks' books, with a corresponding increase in the government's accounts. Much of that, of course, eventually would be paid by depositors who are honest with the IRS regarding their interest income. But if wage-earners have no choice in the matter of withholding, why should anyone else?

And that is the \$64 question.

I have not seen the banks up here pleading that we should repeal withholding on those who work in their banks. What about the people who work in their banks? What about all the depositors who work for a living and pay their taxes and have taxes withheld on their wages?

So if the banks want to make a uniform, balanced presentation, then we can listen to those arguments.

But there are literally dozens and dozens of editorials. Once the truth comes out, the people will understand that we had this two-way mirror set up and we had people stashed away being paid \$25 by the ABA, and then they probably fed them a lot of propaganda and said, "What do you think about that?" If you only hear one side of the argument you do not have much choice—most of us could con-

S 3492

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

vince nearly everyone with one side of the argument. If I tell 10 people in the room that this is a new tax, I assume 10 people might believe it is a new tax. If I tell 10 people that this is going to pick your savings or reduce your savings, I imagine 10 people would believe that.

That is how this campaign was generated. So we owe a debt to Paul Taylor who reported that in yesterday's Post about the bank's psychological ploys to stoke the savings rebellion. They have stoked the rebellion already. They have stoked a rebellion—no doubt about it. The genie is out of the bottle.

Now we must be treated with this issue every time a bill comes up to help someone or carry out the President's program, or to carry out the bipartisan Social Security Commission efforts, which was endorsed by the President, by the Speaker of the House of Representatives, and by a vote of 18 to 1 in the Finance Committee, Democrats and Republicans. We have to lay that aside now so we can debate this for 2 or 3 days. Social Security should have been passed last week. But no, we could not do that. We had to take care of the bank interests. We should have passed the jobs bill early last week. But no, we could not do that. We had to take care of the bank interests because they are the ones rushing into town and sending letters and calling on the telephone and flooding you with mail.

They may eventually win, but not on this bill. If we are going to have a social security bill, it is not going to have this amendment on it.

Mr. CHAFEE. Mr. President, will the Senator yield for a question?

Mr. DOLE. I yield for a question.

Mr. CHAFEE. I wish to say to the Senator from Kansas that coming into the middle of this debate after the weekend gives one a horrible feeling that it is a long day's journey into night. We were through this all last week.

Am I not correct in asking the distinguished Senator from Kansas that the Senator from Kansas and the majority leader have promised to those proponents of this legislation that in April the Senator will give these folks who desire a repeal of the withholding on interest and dividends a vehicle and a vote.

Mr. DOLE. Yes. In fact, we decided to take it up on April 15. We thought that was an appropriate date. That is the date for filing deadline for tax returns. We will not vote on April 15 because that is on a Friday. We would not want to delay anyone's travel plans on Friday. But I think within 2 or 3 weeks after that we might get to a vote.

Mr. CHAFEE. So, in effect, they are going to have their day in court sooner or later, as I understand it.

Mr. DOLE. The Senator is correct.

Mr. CHAFEE. I do not understand the reason that the proponents have

brought this legislation up now. We thrashed around, lost a whole week last week, and finally got it set aside while we went to the jobs bill, and now we are on one of the most important pieces of legislation we will consider in this Congress, namely saving of the social security trust fund. I personally believe we have to get on with this. We are running up against deadlines. Not only are we running up against deadlines, but we have a series of other serious amendments that are going to come up.

Am I correct in asking the Senator from Kansas—there are some major amendments that are going to be proposed on the floor dealing with social security; is that not correct?

Mr. DOLE. The Senator is correct.

We still have about a half dozen amendments and the distinguished Senator from Louisiana has a major amendment.

Mr. CHAFEE. I do not know whether we have reached time agreements on those amendments or not.

Mr. DOLE. No. The Senator from Kansas is not willing to give anyone a time agreement for the reason we are now here on this. Had we given a time agreement the Senator from Kansas would be locked into voting on this amendment within 30 minutes or 1 hour or 1 day or 2.

Mr. CHAFEE. So we have a real problem here in getting on with this legislation, getting it passed, and I think I would be correct in saying to the Senator from Kansas that if this social security legislation is not passed within, say, 2 or 3 days, then it has to go to conference, it has got to come back and be passed, and if that does not happen then we will move to the end of the Easter recess, which is 10 days or so away after that.

Meanwhile pressure will be building up from every group that does not want to be in it, those who do not want to postpone the COLAs, those who do not want an increase in taxes, those who do not want the Federal employees included. Am I not correct in suggesting that this very, very delicate and important compromise is liable to become unraveled the longer we wait around and deal with what I might say are extraneous amendments, not going to the substance of the Social Security Act?

Mr. DOLE. There is no doubt about it. This amendment plays right into the hands of the Federal employees who do not want the bill to pass in the first place, do not want to come under the bill. I find this rather strange, the ABA and the Federal employees unions working together. But you come to learn in this area, and I am not unsympathetic to the Federal employees, do not misunderstand me. I am not particularly sympathetic to the ABA.

Mr. CHAFEE. Am I not correct in saying that we have a jobs bill conference report to come back here?

Mr. DOLE. We cannot rush to these things. We have to take care of the banks. We cannot worry about the homeless and the jobless. The banks are the ones with the power, and all the mail in our office comes from them.

Mr. CHAFEE. This legislation helps the crippled and the blind.

Mr. DOLE. I think some in the ABA have a problem, but I am not going to get into that. Yes, it does.

Mr. CHAFEE. I think my real question to the Senator from Kansas is, as I see it: There is a sense of urgency about this matter because we have got to pass it, the conference has to pass it, we have a conference on the jobs bill to wrestle with, and we have a good-sized menu before we get out of here for the Easter recess, if we do get out, and I would presume—well, I think the House is going to go anyway—so the longer we take here the greater it seems to me we endanger the prospects of these two very important bills.

Would the Senator agree with me on that?

Mr. DOLE. The Senator does agree.

The thing that concerns this Senator is we are not going to finish the debate on this amendment in time to take up the one on April 15. We have been tugging and hauling. If we do not finish the bill this week, and we come back on April 6 or 7, we are still on this amendment which, I assume, we will still be on, then we have to debate that for the next 8 or 10 days, and how are we going to accommodate the distinguished Senator from Wisconsin? I would not want him to feel left out of this. I know there is a rush to get in on this. It is a horse, a nice horse to ride, it is popular. Everybody wants to get on it. But we cannot accommodate the Senator from Montana and the Senator from Wisconsin, if we never finish the debate on this, but I am sure the Senator from Wisconsin understands these technical things will happen.

I thank the Senator from Rhode Island.

It seems to me—and I do not quarrel with the Senator's right to offer his amendment. I think he made an objective statement, one of the first I have heard in opposition to withholding on the Senate floor, and so I commend the Senator from Montana for that. He did not call it a new tax. He indicated what he thought it was, what he thought it was not, and I do not quarrel with anything he said except I hope he will let us move on with social security, that he will withdraw his amendment. He understands that there is some concern about it.

Certainly the Senator has the right to be concerned about it, every Senator on this floor has the right to be concerned about it. But I hope he understands our position. There is not a single so-called nongermane amendment—I know they say it is a revenue

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3493

bill, so that is not the issue—but there is not a nongermane amendment in it since we tried to limit this bill to social security, unemployment, and medicare, and there has not been a single amendment brought to my attention that would violate the spirit of that. At least I hope we can get through this Chamber of the Senate without offering any amendment that did not affect either unemployment, medicare, prospective payment, or social security.

This is one of those, too, but that again does not mean that the Senator cannot offer it. As I have indicated, this is subject to a point of order under the Budget Act, and as to that we are expecting the Senator from New Mexico to arrive at any moment. I think he is still in Chicago. They have had a bad storm there, but at least he is on his way.

I ask unanimous consent to have printed in the RECORD a column by James J. Kilpatrick which appeared in the Kansas City Star on March 1, 1983, "Bankers Shortsighted on Tax Withholding"; an editorial in Newsday, Long Island, N.Y., "An Unconvincing Case Against Withholding Taxes"; "Interest Withholding Not 'Subversive'" from the State Journal Register, Springfield; "Those 'Untold Billions,'" from the Washington Post; "Let's Give It a Chance," from the Los Angeles Times; "Poison Pens and a Sensible Tax," from the New York Times; "Bank Smokescreen," from the Charleston Gazette, Charleston, W. Va.; "Alarm Over Withholding," from the Baltimore Sun; "Bankers' Clout," from the Cincinnati Post; and "A Message From the Banks," in the Washington Post.

There are others that we will need in the next debate, and perhaps need these again, too.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

**BANKERS SHORTSIGHTED ON TAX WITHHOLDING**

(By James J. Kilpatrick)

**WASHINGTON.**—When it was all over at Actium, back in 779 B.C., and the sun was setting on the battlefield, an aide came up to General Pyrrhus. "Well," said the aide, "we whipped the Romans this time."

Pyrrhus looked at the bloody field. He had lost two-thirds of his army. He looked at his aide and uttered the sentence that made him immortal: "One more such victory," said Pyrrhus, "and we are lost."

It is an old story, but it is a story that American bankers might want to think about. The bankers have mounted a massive lobbying campaign to repeal the tax withholding law that Congress approved last year. The campaign has produced the heaviest mail on Capitol Hill since the 1975 fight over the Panama Canal. Says Carroll Hubbard, who represents the First District of Kentucky, "It's awesome."

But in the process, the bankers have taken on (1) the chairman of the Senate Finance Committee, (2) the chairman of House Ways and Means, (3) the speaker of the House and (4) the president of the United States. At the moment, because they have rounded up more than half of each

chamber in support of their repeal bill, it looks as if the bankers may win. If they attach their bill as a rider to some other legislation the White House sorely wants, such as Social Security, they may even push the president into a corner where he has to sign the measure willy-nilly. Victory! They will have whupped the Romans.

Under the withholding law, scheduled to become effective in July, banks and corporations would be required to treat the payment of interest and dividends in somewhat the same fashion that all employers treat wages and salaries. Periodically, 10 percent would be withheld as income tax and paid over to the Treasury. This is not a new tax in any sense. Subject to certain exemptions, income from dividends and interest is taxable income.

The trouble is, according to Sen. Bob Dole, Republican of Kansas, that about 11 percent of interest payments and 15 percent of dividends never are reported on individual tax returns. The withholding law, he says, "will cut these non-compliance rates in half, and raise almost \$4 billion each year."

I may be in a small minority, but I see nothing wrong with the act. On the contrary, I see much that is right. To listen to the bankers propaganda campaign, you might suppose that the idea is to penalize millions of little old ladies in tennis shoes. Baloney! The act provides a simple mechanism by which old folks in low-income brackets may exempt themselves from the law.

The bankers also are cultivating the impression that the act will cost them "untold billions" in paperwork. This too is baloney. Banks and corporations already are required to compile and report their payments of interest and dividends. In all but the smallest banks, the transfer of withheld taxes can be accomplished in the flicker of a computer's eye.

The repeal campaign has put some odd fellows in bed together. In the House, such conservatives as Kemp of New York, Paul of Texas and Edwards of Oklahoma are co-sponsors with such liberals as Mikulski of Maryland, Simon of Illinois and Conyers of Michigan. In the Senate, Helms of North Carolina and Tsongas of Massachusetts are walking hand in hand for repeal. Both Republicans and Democrats see an opportunity to put themselves on the side of the little old ladies, which politically speaking, is a nice side to be on.

But the act is not aimed at the little old ladies. It is aimed at the fat cats who have large incomes from dividends and interest and cheat on their income tax returns. Once this truth is grasped, the political advantage will shift.

In a speech to the American Bankers Association on Feb. 17, Senator Dole denounced the bankers' advertising campaign as false and irresponsible. He gave them a pointed warning: If the bankers succeed in knocking out the \$4 billion in estimated revenues from withholding, the bankers had better prepare themselves for alternative measures they will find even more distasteful. For Pyrrhic victories, one pays a heavy price.

[From the Newsday, Long Island, N.Y., Jan. 25, 1983]

**AN UNCONVINCING CASE AGAINST WITHHOLDING TAXES**

The way bankers all across the country are howling about the prospective withholding tax on interest and dividends, it might appear that they and their customers are soon to be subjected to some exotic torture.

But withholding a portion of income for taxes is hardly new, as every wage earner

knows. Federal, state and even some local governments take a bite out of every paycheck. So does the Social Security system. And as taxpayers also understand, if they owe any additional tax beyond what was withheld, it has to be paid by April 15; if the government has withheld more than they owe, they get a refund after filing a return.

So why should interest or dividends be treated any differently?

In its big tax reform legislation last August, Congress wisely decided that they shouldn't be. Beginning July 1, banks, savings and loan associations and corporations will be required to withhold as federal income tax 10 percent of the interest and dividends on accounts yielding more than \$150 a year.

Bankers all around the country, led by the American Bankers Association, are leaning on their senators and representatives to repeal this withholding requirement. The banks are also trying to generate opposition to it among their customers, warning that the new rule will allow the government to "stand over your bank teller so it can reach directly into your bank account." Aside from the financial loss involved, the bankers are saying, the new rule will tarnish the confidential relationship between a bank and its customers.

That reasoning argues not only for the abolition of the new requirement but for the elimination of the entire tax withholding system. After all, if the bankers are right, presumably the government is now standing over every payroll clerk each time a paycheck is issued.

Yet there's no reason to suspect that the relationship between wage earners and their employers has been adversely affected by the payroll withholding system. The bankers have failed to make a convincing case against the new withholding tax and neither the public nor Congress should be swayed by their arguments.

[From the State Journal-Register, Springfield, Feb. 1, 1983]

**INTEREST WITHHOLDING NOT "SUBVERSIVE"**

The banks in town have done a good job of getting people all wound up about interest withholding.

It's a master stroke. You can't walk into a bank lobby in Springfield without seeing the little petition cards to sign and send to your congressman or senators urging repeal of withholding.

And their customers are obediently filling out the forms so the banks can send them in.

These are the same banks that charge you when you give them your money to use. As far as I'm concerned, when the banks say they're looking out for me, I start checking my pockets.

The interest and dividend withholding idea was part of the tax bill suggested last year by President Reagan and adopted by Congress. The whole package, which included tax increases and efforts to improve compliance, was an attempt to close the federal budget gap, something the banks said they wanted.

The provisions require banks and others to withhold 10 percent of the interest earned in accounts that generate at least \$151 in annual interest.

Realize this: withholding is not a tax increase for you and me.

We have been taxed on our interest earnings for a long time. But what Congress found was that 11 percent of the people failed to report interest income, and 15 percent failed to report dividend income. And

you can bet the non-reporters weren't the ones with just meager savings.

Because it takes the tax money up front, interest withholding is aimed at those who have not paid their fair share. What we keep hearing from the banks, however, is that withholding is something subversive.

Withholding taxes from or savings interest robs us of some of the benefit of compound interest, the banks warn us. Defiled by the government again.

I won't claim to be an average saver—I don't know what the average saver is—but I do have interest-bearing accounts with a money market and with a local savings institution. And I'll tell you what effect withholding would have had on me last year.

About \$1.70 in lost earnings.

Those who have a tidy nest egg and are earning \$10,000 a year in interest on a \$100,000 account may face a more significant loss. But I can't feel particularly sorry for them. And I have better ways to spend my time than petitioning Congress to get an extra \$1.70 a year.

Yet Congress is listening. There already are several bills in Congress this year to repeal the provisions, including one introduced by Springfield's new congressman, Dick Durbin. In fact, withholding is the only subject about which Durbin has felt so strongly that he's introduced his own bill.

Durbin's spokesman says the congressman is for repeal because he believes the withholding provisions run counter to economic recovery. They're a disincentive for saving or investing, Durbin says.

Well, I'm sure not going to pull my money out of an account because I'm not getting an extra \$1.70. What's my alternative? Spend it all and lose all the interest? Put it in a mattress?

I think the real reason we're being asked by the banks to get all upset about this is because the banks don't want to have to deal with it.

They claim the program is onerous and will increase their costs. The provisions of the act, however, allow the banks to invest the funds themselves for a month, keeping the interest, before sending it on to the IRS. Over the long term, that will more than cover the cost of setting up a withholding system.

The banks say they want to protect my right to control my money. I don't think they're concerned about me at all—because I'd rather pay the IRS a little at a time than in one lump-sum next April 15.

[From the Washington Post, Feb. 21, 1983]  
THOSE "UNTOLD BILLIONS"

What's so wrong with asking people to pay their taxes? Senate Finance Committee Chairman Robert Dole posed that question the other day to leaders of the American Bankers Association. It's a question that needs a much better response than the campaign of obfuscation and hysteria launched by the bankers in opposition to the new law requiring partial withholding of taxes on interest and dividends.

The bankers know full well that the new law will put no burden on any honest taxpayer. No one is being asked to pay anything he does not already owe. People who are elderly or have modest incomes are exempt. The interest lost from quarterly withholding of taxes would amount to a maximum of 50 cents a year on a deposit of \$1,000. Would that bank service charges were so low.

But protesting bankers also know that it is easy to confuse people about tax law changes. So instead of preparing to put the law into effect, they have bought ads, given speeches alleging that Congress is "looting"

savings, and mailed misleading fliers to their depositors with form letters to congressmen enclosed.

Like most such tactics launched upon an uninformed and frequently elderly public, these have had their effect. The form letters have poured into Congress. A substantial number of senators and representatives—who, alas, are frequently no better informed than their constituents—are said to be considering repealing the withholding provision.

What prompts this disingenuous behavior? Surely no real concern for the convenience of depositors. As a matter of fact, bankers opposed the exemption provisions for elderly and low-income people when the law was being drafted. What they really appear to be worried about is their own convenience—and the prospect that withholding might scare off depositors with an inclination to tax evasion.

Banks already send quarterly information forms to the IRS on all dividends and interest. Accompanying them with a 10 percent fund credit would amount to no more than the electronic equivalent of the flicker of an eyelash. The cost would be minuscule compared with the cost of having the IRS track down and collect from each of the distressingly large number of tax evaders. But the banks would still have you believe that this new chore would cost them and their depositors, as it is regularly said, "untold billions."

But the thing about untold billions is that the usual reason they are untold is that telling them would require using numbers with several zeros immediately to the right of the decimal point. Somehow a number like \$.001 billion has a lot less impact. But speaking of untold billions, you might want to remember that these bankers who now claim to be so concerned about prudent operation are the same ones who have been recklessly investing overseas and who would now like to have government protection from the consequences of their folly. Here the billions involved are more unspeakable than untold—and certainly uncollectable.

You might also remember, as Sen. Dole has done, that banks now pay notoriously low taxes. If Congress unwisely decides to repeal the withholding provision, one very good way to replace the \$22 billion in unpaid taxes that will be lost over the next five years would be to repeal some of the provisions that now favor banks over other taxpayers.

[From the Los Angeles Times, Feb. 27, 1983]  
LET'S GIVE IT A CHANCE

The U.S. government does better than most when it comes to collecting taxes owed it, thanks largely to the payroll-withholding tax introduced 40 years ago. But not all income is subject to withholding. Dividend and interest payments, which last year amounted to about \$525 billion, have up to now been exempt. The Internal Revenue Service estimates that evasion of taxes due on these earnings cost the Treasury \$8.2 billion in 1981. In last year's tax bill, Congress moved to round up some of that missing revenue by subjecting interest and dividends to 10% withholding, beginning July 1.

At the same time, Congress provided certain exemptions so as not to impose hardship on small investors. Taxpayers over 65 can avoid withholding if their 1982 income was under \$14,450 for an individual or \$22,214 for a couple. Those under 65 can qualify for exemption if their 1982 income was less than \$8,000 for an individual or \$15,300 for a couple. There will be no taxes withheld on accounts paying dividends or interest below \$150 a year. Finally, em-

ployed persons who face dividend and interest withholding can offset the new deductions by having less withheld from their paychecks.

These exemptions, the Treasury says, will exclude from withholding provisions fully 60% of those who receive interest and dividend payments. They can also be expected to reduce by about half what the Treasury says it would be getting if it could be sure that all taxes due on interest and dividends were paid. Still, \$4 billion in hitherto uncollected taxes due is a worthwhile start.

Lending institutions have been lobbying vigorously to get the withholding provision repealed. They argue that the paperwork costs for banks and corporations could run as high as \$1.5 billion a year, with those costs passed on to investors in the form of service charges and lower yields. The Treasury responds that the real cost of withholding would in fact be only about one-tenth that figure, meaning a highly favorable revenue-to-cost ratio—\$4 billion raised on \$150 million spent—of 25 to 1. Further, the Treasury says, the interest lost by investors on withheld money would be very small.

Equity pretty clearly requires giving the new withholding plan a chance. Payroll tax withholding is a proven means for assuring that taxes due are paid. The same rule ought to be applied to dividend and interest income to narrow the opportunities for tax evasion. If experience shows that the costs of complying with the new law are excessive, then revision or repeal should be considered. Until that can be demonstrated, Congress should stick with the decision that it made last year.

[From the New York Times, Feb. 24, 1983]

#### POISON PENS AND A SENSIBLE TAX

There's no precedent for the deluge of Congressional mail that the banks have stirred up against the new tax withholding from interest and dividends. There's also no sound reason for it; it should all be forwarded to the dead letter office.

The campaign is financed and orchestrated by the American Bankers Association. It is flooding its thousands of members with propaganda to feed to their millions of depositors. For instance, along with their January statements some customers received printed postcards addressed to their two Senators, ready to sign and send. Anyone needing a stamp was invited to "bring this card to the bank."

Withholding on interest and dividend payments was part of last year's \$99 billion tax bill. Effective July 1, 10 percent will be withheld from each payment. This is not a new tax; interest and dividends are already taxable as ordinary income. Neither is it a gross imposition on the banking system, or an unfair penalty on honest taxpayers, as some insinuate. It is simply an effort to catch the cheaters who now escape paying tax on \$30 billion of legitimately taxable income.

The banks are understandably agitated because the voluminous paperwork falls to them, along with all the grief they will get from grumbling taxpayers. But this burden has its reward. The banks get free use of the withheld funds for a month before they must turn them over to the Treasury.

There are two other anti-withholding arguments that appear to make sense, but neither bears scrutiny. First, it is said that withholding deprives taxpayers of earnings that they would be saving or investing to earn more money. That's true, but the loss is small. An example: the annual compound interest on a \$1,000 savings account paying, say, 9 percent is little more than \$90. In the

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3495

course of a year, withholding would take about \$9. If the withheld funds were left on deposit, they would earn less than 50 cents. That's not much of a loss. Moreover, most elderly and low-income taxpayers are exempted.

The second argument is that withholding is unnecessary; the Internal Revenue Service already gets reports on dividends and interest from the corporations and financial institutions that pay them. That's true for securities and bank accounts with the owner's name on them, but not for "bearer" securities registered in no name. In any case, it's impossible for the I.R.S. to match each dividend or interest report with each taxpayer's return. Withholding what's owed currently is surer, swifter and easier than trying to track it down afterward.

The case in favor of withholding is overwhelming. The Government, faced with gaping deficits far into the future, needs more revenue. Withholding will yield revenue that is already owed. Without it, some other tax would be necessary. Senator Dele, the wily chairman of the Finance Committee, suggests it might even be a tax on banks. Now isn't that an interesting thought?

[From the Charleston Gazette, Charleston, W. Va., Feb. 3, 1983]

## BANK SMOKE SCREEN

The Nation's financial institutions have initiated a mammoth campaign to influence Congress to repeal, before it ever takes effect July 1, the withholding on interest and dividend income law enacted last year.

Members of the House of Representatives and Senate are being swamped with letters and postcards from irate depositors and investors. Some lawmakers are receiving as many as 1,000 pieces of mail a day requesting rescission of the withholding law, if news reports are correct.

Congress commits untold follies, but surely it will have the sense not to annul, less than a year after passage, legislation that has never been given a chance to prove itself.

Contrary to claims from bankers, it wasn't to hurt small investors and small depositors—to take away from them an opportunity to earn interest—that the withholding plan was adopted. Indeed, depositors making less than \$100 annually in interest won't have the 10 percent withheld from their account, if they choose to apply for an exemption from the plan.

The letter was authorized to make it more difficult for tax scofflaws to evade their civic responsibility. The Internal Revenue Service is convinced that today huge sums—billions of dollars—owed the government aren't paid.

Sponsors of repeal say that the law will penalize the law-abiding and that the federal government currently receives sufficient information to prevent Americans from cheating on their income tax. Sponsors imply that only the investors with small savings or holdings will suffer, since they won't be able to put all their money to work earning compounded interest.

When bankers begin braying about the little depositor are the lion and the lamb living together or is history being stood on its head? History, we may be certain, is being stood on its head. Bankers don't worry about the little depositor nearly so much as they worry about the sums which for the bank are earning considerably more money than they're earning interest for small depositors and which, once the withholding law is effective, will be forked over to the I.R.S.

The withholding law should be permitted to prove itself. Are vast amounts of taxes on

interest and dividends owed to the federal government not being collected? The withholding law ought to answer that question and ought to remain in force until the question is answered.

[From The Baltimore Sun, Feb. 11, 1983]

## ALARM OVER WITHHOLDING

A great alarm has been sounded over the law enacted last year requiring banks and other financial institutions to withhold taxes on interest and dividends owed to the government by their customers. The banks say it will be a nightmare to administer (mostly because of exemptions that protect old and poor people). They say their computers will have to be reprogrammed and that their employees will be forced to use expensive time explaining this whole business to savers. Some individual taxpayers complain that the law is unfair and it will cost them money to have their taxes withheld. Much of the alarm, we suspect, is exaggerated.

Those people who think it is wrong for banks to act as tax collectors need look no further than the millions of employers who withhold taxes for the government. Or, the gas stations that collect taxes on gasoline, or the retail stores that collect sales taxes. That's been going on for decades, and it has proved an efficient method of making sure the taxes are paid.

Some people are afraid they will be deprived of interest earnings by paying the government quarterly rather than at the end of the tax year. The Treasury Department has prepared a chart showing exactly how much a citizen might lose. If he has \$10,000 in a savings account earning 12 percent interest on December 31, 1983, he would lose a little over \$5 in compounded interest by the end of 1984. That's a loss of 50 cents on every thousand. Treasury Secretary Donald Regan says that 85 percent of the elderly will be exempt, and won't even lose the 50 cents. They just have to fill out a simple form.

The banking industry has a different complaint. It is true the banks must program their computers to withhold the 10 percent; they will also have to modify their computers to exempt certain people. But a computer firm in Pikesville says the software is available that will allow banks to perform this function with no great difficulty. That firm, DISC, Inc. is already selling the stuff, and it says banks could pay for it in a couple of months with the earnings they will make on a special provision included in last year's law. The provision allows them to hold on to the withheld taxes for 19 business days, and invest it to pay for their trouble. Employers can't do that.

The issue underlying this law is that of noncompliance with the tax laws. Having studied the question for a decade or more, the IRS says the problem is sufficient to require a change. It estimates that the government, over the next five years, will retrieve up to \$200 billion that would be lost without this measure. And, the more the government retrieves in taxes (not new taxes but taxes already owed), the less it will turn to massive borrowing that crowds out important private investments in the national economy.

[From the Cincinnati (Ohio) Post, Feb. 3, 1983]

## BANKER'S CLOUT

A useful and important tax reform, requested by President Reagan and passed by Congress last summer, is in danger of getting torpedoed by a powerful special-interest lobby.

The measure, if it survives, will require banks and corporations on July 1 to start

withholding 10 percent of most interest and dividend payments. It is designed to lift government revenue by discouraging tax evasion.

The Treasury estimates that 15 percent of taxpayers "forgot" to declare what they owe on dividends and interest, costing the government an estimated \$3 billion a year.

Claiming that it would be burdened by paperwork, the banking industry fought the bill from the start. Even when it was given free use of the withheld money for 30 days to cover costs, it remained opposed.

The American Bankers Association has urged its 12,000 members to get customers and stockholders to "set up a clamor." Letters are pouring into congressional offices, and 220 representatives and 24 senators have sponsored a repeal bill.

Unless honest citizens who pay their correct taxes let Congress know their views, the bank lobby will win, withholding will be repealed and an opportunity for the selfish to cheat on taxes will continue.

Since 1943 employers have had to withhold taxes from the wages they pay their workers. It is the height of unfairness to treat dividend and interest income more favorably than work income and shield it from taxation.

[From the Washington Post, Feb. 8, 1983]

## A MESSAGE FROM THE BANKS

Chances are that the statement you received last month from your bank or savings institution brought with it a special message of concern. The filer suggests that you, the customer, may wish to write your elected representative expressing your opposition to the new requirement that, starting next July, financial institutions withhold part of the taxes owed on interest and dividends.

Perhaps you overlooked this message because it arrived in an envelope stuffed with other communications trumpeting the many new services that your bank can now provide. Thanks to modern electronics, banks will now be pleased to shift your money back and forth among different types of accounts, calculate your accrued interest or account balance at a moment's notice and meet your banking needs day and night through automated tellers.

You might think that all this automation would make it easy for financial institutions to give Uncle Sam a helping hand in collecting the taxes he is owed. After all, employers have long been performing the far more complicated job of withholding taxes on wages paid, and you don't hear either companies or workers complaining. But to hear the banks tell it, this new requirement will impose a crushing burden on their operations and will discourage needed investment.

Your suspicions about these claims will be increased when you realize that, to help cover the cost of introducing withholding, banks will be allowed to retain withheld taxes for 30 days. This amounts to an interest-free loan of billions of taxpayer dollars. As for the impact on savings, most honest investors won't be affected at all.

No withholding is required on accounts earning less than \$150 in interest or on those held by elderly people without substantial taxable income. People with substantial investment income are already supposed to be filing quarterly tax returns so that the new system will simply pay part of their taxes for them. And if you hadn't been paying the taxes you owed on interest and dividends until the end of the year, gradual tax withholding will still reduce your effective annual interest yield by less than five one-hundredths of one percent.



S 3496

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

This is not a new tax. It is simply a way for the Treasury to collect taxes more promptly and more completely. It will impose no intolerable inconvenience on either you or your bank, and it will help the economy by reducing the annual budget deficit by several billion dollars.

All of this being so, you may wonder what the bank or savings institution is really saying in its message. Could it be suggesting that the only reason you entrust it with your savings is that you think you can hide that interest you earn from the tax collector? We trust that isn't so. And we hope that if you write your elected representatives it will be to say that you support this way of making sure that everyone pays his fair share of taxes.

Mr. DOLE. It is obvious that one reason for the bankers' rush to vote on withholding now is that many of them may soon be in an embarrassing position. In fact, I think that was reported today in a story in the New York Times, but they are now beginning the process of mailing exemption forms to their customers, as indicated in a recent article in the New York Times. Some bankers may be caught because they have been telling these people about all this complicated redtape, how they are going to get all this complicated redtape, and all these people are going to mail out 8 million of these W-6 forms to all their people with savings accounts, and they are going to find out it is not complicated at all.

In fact, it might be well just to read into the RECORD the comments that appeared in the New York Times on March 17 of this year. It says:

## BANK BY MAIL

The nation's banks are waging all-out war against tax withholding on interest and dividend payments. They are stuffing anti-withholding filers in their customers' monthly statements, along with postcards for them to sign and send to their senators demanding votes for repeal. Legislators are even complaining that the bank mail volume makes it impossible to locate letters about other matters.

The banks argue that withholding will create an administrative nightmare—confusing customers, intimidating the elderly and people with low incomes who qualify for exemption, forcing them to reveal personal information about themselves.

It's instructive, then, to take note of another kind of bank mailing currently going on all over the country—to stockholders of American corporations, even bank corporations. The banks that handle the corporate dividends are mailing shareholders simple forms to file if they qualify for exemption from withholding—as they are required to do by the hated law.

This is all they have to do, this is that complicated form we have been hearing about in all the bankers' ads.

One check-mark and a signature are all they require before being mailed back to the bank.

So you sign your name and make a checkmark. It might take 30 seconds if you work at it. There is nothing complicated about that. The story goes on:

Nothing complicated about that; no secrets revealed. It's almost as if the banks were trying to help make withholding work smoothly, as well they should.

That makes the point.

The W-6 form is what they are mailing out and, of course, it is not complicated. But, you see, the banks are in a bind now because they have been telling people about all this complicated redtape, all this Government redtape, Government intrusion, and all the time they have got people in their banks whose wages have been withheld for the last 40 years, 20 years or 30 years or 5 years, depending on how long they have worked there, and I do not suggest that they are telling all these people that we ought to repeal withholding on wages and salaries. I have not heard from a single banker who wants to repeal withholding on wages and salaries. That is earned income. They just do not want any withholding on unearned income.

Again I want to underscore that it is not a new tax. I notice the distinguished Senator from Wisconsin has a little maller of his own which goes on to say that we have to repeal this new tax. The Senator from Wisconsin knows it is not a new tax. The bankers know it is not a new tax. But if you write and tell them you are going to have a new tax they will say, "We are opposed to it." But if you write to somebody and say, "Do you think you ought to pay your taxes?" They answer, "Yes, we ought to pay our taxes." But somehow 20 million Americans do not, and fail to report their dividends and interest income. Some of them do not report any at all.

Some of it is because of errors and some is willful evasion. But we are not here to argue that point. We are told we can quarrel about the IRS and quarrel about Treasury figures. We are talking about \$11 billion over the next 3 years from lost revenue. Again, to the Senator from Montana's credit he recognizes that. It is one thing to stand up and say, "Repeal withholding." What do we do about the addition to the deficit?

We are told we ought to bring deficits down, bring interest rates down if we keep the deficits down. I do not want to add \$20 billion to the deficit over the next 5 years, and that is what we do if we repeal withholding unless we replace it with other revenue or some spending cuts. I have yet to hear a single proponent of repeal of withholding stand up and say:

OK, the Senator from Kansas is right. We are going to lose so many billions of dollars, and this is how I suggest we get it.

We get it through new taxes. We get it through new spending. We take away the tax cuts for the working people in the third year of the tax cut. We defer indexing.

It seems to me, once we understand what the options are, unless we are going to have it both ways, as some would have it, then I think we have to be very careful in what we do.

The Senator from Kansas has talked about the W-6 form, the so-called complicated redtape that the banks and the S&L's advertise. The credit unions, I must say to their credit, make only one mistake in their little

postcard by calling it a tax. They know it is not a tax. But, beyond that, they have been fairly circumspect in their lobbying efforts as has, I might say, the savings and loans league.

But even if the banks did not fill in advance the name and address and the account number, which they do when they mail it out, you would have to fill out the name, address, city, State, ZIP code, and account number, and make one check and sign your name. And it is a permanent exemption. You just say:

My tax liability for last year was \$600 or less.

If that is the case, you are exempt.

I am 65 or older, and my tax liability for last year was \$1,500 or less.

You are exempt.

My spouse and I filed a joint income return for last year, and our tax liability was \$1,000 or less.

You are exempt.

I or my spouse or both are 65 or older, and we filed a joint income tax return last year, and our tax liability was \$2,500 or less.

You are exempt.

I was (we were) not required to file an income tax return last year.

That is all you have to check. If you fit in any of those categories, you make one check. You do not even say which one, so you do not reveal anything about yourself. You say that in one of those five instances you are exempt. You make the checkmark. That is all there is to it.

Let me say that the President of the United States is not known to be looking for more ways to interfere with the lives of the American people. I think we have had a lot of good regulatory reforms. This change was in the President's budget for 1983. The Senator from Kansas and others talked to the President directly about withholding interest and dividend income. We knew how it would create a firestorm, but never in our wildest dreams did we believe they would cook up something in a closed room and pay people \$25 to do sort of market testing on what to say to stoke a rebellion of their depositors. And they have been successful. They have been successful.

Every office in this Congress is filled with postcards. Some may not have been mailed by the people whose names appear thereon, as is evidenced by the letter I have from the gentleman from Chicago. But somehow we have a lot of mail to answer. We estimated in our office that it is going to cost the taxpayers \$300,000 just to answer all the postcards that have been sent in by banks, S&L's, and credit unions. In addition, you have to put on more personnel.

Someone said, "Don't answer your mail." If you do not, people will write back and say, "Why don't you answer your mail? If you say the banks are wrong, what is your reply?"

So we are in the process, in my office, of writing two-page letters, with

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3497

enclosures, to everyone who has written us about withholding. Right now it is about 500,000 letters. We are up to 20,000. We have answered 20,000. They are coming in, the mail has leveled off, but the rate I think is still about 2,000 a week a week ago, but it is beginning to drop off.

I know the Senator from Montana has no intention of withdrawing the amendment. I will, at the appropriate time, or the majority leader will at the appropriate time, offer to table the amendment so that we can get on with social security. I make a plea to the American Bankers Association. I know of no one in the Senate unwilling to sit down with representatives of the American Bankers Association, but I know of no one in the American Bankers Association who even wants to talk about withholding.

I hope some of the bankers across the country will take a look at some of the ads and some of the campaigns that they have been paying for; I assume they have been paying for, somebody has been paying for them. I do not know how many millions of dollars it is, when you add the cost of postage. And most banks pay the postage. Most postcards and all the mail we have received was paid for by banks and in some cases run through their meters. So I do not imagine anybody who mailed in any card is out any expense.

But when you run ads that say, "Ten percent of your money is going to disappear," which is an outright misstatement, I can understand why you might excite the fears and emotions of somebody who is 65 or 35 or 25 years of age.

I would just remind my colleagues that this is the President's budget for fiscal year 1983. This is where withholding came from. It was not plucked out of the sky.

It has been recommended by President Franklin D. Roosevelt, by President Kennedy, by President Nixon, by President Ford, by President Carter, and by President Reagan. You may not like any of them, but I have to believe that, overall, they were trying to do what they could to make certain that people who owed taxes paid their taxes. It was not in any President's interest to take on the banks of America or to take on the savings and loans, nor was it in President Reagan's interest to do that and that was not the purpose of suggesting withholding.

We are told by the IRS Commissioner that there is still \$100 billion out there in taxes not being collected, and much of it in the private sector. Yes, some is in drugs and some is in prostitution and some is in gambling, but the large part of it is in the private sector.

If we had that \$100 billion right now, we would not have the deficit we have and interest rates would be a lot lower. But we do not collect all of our taxes, and we never will.

I would again refer to the Time Magazine story today. On the cover of

Time Magazine, it says, "Tax Cheating, Bad and Getting Worse." As the article points out, it is getting worse. And why is it getting worse? Because so many people do it and they are not caught, so other people do it. I do not know where it is going to stop.

The compliance rate for people out there working for a living is 99 percent—99 percent. The compliance rate for interest and dividends is around 86 percent. Now, why should this not be 99 percent? It is not 99 percent.

Somebody was quoting a study. It was not a study based on compliance on interest and dividend income. It was only a study. If you met three conditions, the rate was 97.6 percent. I will recite that for the Record in a moment.

I do not particularly enjoy railing at the banks. I would like to pass the social security bill. The Senator from Kansas spent a year on the Social Security Commission along with the Senator from New York. We have had hearings in our committee. It has passed the committee by a vote of 18 to 1. The chairman of the House Ways and Means Committee and the chairman of the subcommittee, Congressman PICKLE, did an outstanding job, along with Congressman CONABLE and others, of getting the bill passed through the House, with the Speaker's assistance. And we had a lot of very touchy issues in social security. We have some left. The Senator from Louisiana wants to delay bringing in Federal employees a year, which is another way of not bringing in Federal employees at all. That is going to be a hotly contested amendment.

I do not know why we have to spend 2 or 3 hours or 2 or 3 days debating withholding again. As the Senator from Rhode Island just pointed out, we just finished that debate last week. I do not really believe it is in the interest of the bankers of this country to hold up every piece of legislation, to hold legislation hostage, to hold the next piece of legislation hostage until we just cave in to the bankers.

The Senator from Kansas has no intention of doing that. The Senator from Kansas may lose, but if I thought I was mistaken or if I thought this was a new tax or if I thought we were penalizing senior citizens or the handicapped or low-income Americans, then I would be on the side of the Senator from Montana.

But this may be an irritation to the banks. They do not like it. They do not have to like it. They have a right to oppose it.

But I wondered what had happened. We passed this last August. We did not hear a word in September, October, November, or December. It was not until this massive campaign of deception was unleashed, in January, that it really started to hit us in February.

This study, the IRS study, reports a high compliance rate of 97.3 percent where information returns were matched against selected individual

tax returns. That is the story we get from a lot of people. "Why don't you just match that 1099 against the taxpayers, then you don't lose any money at all?"

Believe me, if we could figure out any way to do that, the Senator from Kansas would drop this whole thing like a hot potato. But I have not been convinced, and the IRS says it is not feasible. The 97.3 percent study that has been quoted on this floor cannot be extrapolated to all interest and dividend payments because the study excludes—here is what the study excludes—the estimated 5 million to 6 million individuals who do not file individual tax returns, taxpayers who fail to supply correct identification numbers to financial institutions, and taxpayers who fail to supply correct identification numbers to the IRS.

We have a 97.3 percent compliance, excluding all these things.

This is why the Treasury and the Joint Committee on Taxation estimate that the local compliance rates of interest and dividends can only be substantially improved by the withholding system. Indeed, the joint committee estimates of revenue losses from withholding would be \$11 billion in fiscal 1984 through 1986. They take into account the improved compliance which result from the major improvements in information and reporting passed in 1982.

I would assume the amendment of the Senator from Montana does not mean we will have withholding next January. Have the bankers said, "OK, just get this amendment and we will try to help the Government collect taxes."

Mr. MELCHER. Will the Senator yield?

Mr. DOLE. Yes.

Mr. MELCHER. I think I have made it clear that it is the bankers and taxpayers in Montana who are talking to me. I would not prejudge the action of the Senate or the House, the final action of the Congress, on this proposition. I simply believe that it is really getting around to the point where people are beginning to wonder whether this is the imposition of another layer of bureaucracy or whether it is really worth it. I think the question is here in the Senate and I hope the amendment carries so that we will have time between now and the end of this session of Congress to properly debate it, the same as happened in the House.

Mr. DOLE. I might say I am waiting for the majority leader to arrive.

I would say that few of the Members of Congress who were concerned with the proposal to withhold tax on dividends, interest, and patronage refunds, contained in the Revenue Act, and this is going back to 1962, realize that their predecessors in Congress 100 years before were debating similar legislation.

Early in the Civil War, the Revenue Act of July 1, 1862, was enacted. This act for the first time in the history of the Federal Government applied the principle of tapping revenue at the source, which had first been used by the British in 1803.

The law imposed a tax of 3 percent on salaries and other income over \$600 and under \$10,000, and 5 percent on income over \$10,000. The 3 percent tax was also levied on certain corporation dividends and interest. Applying the withholding system for the first time, the bill required that the 3 percent tax on salaries received by all persons in the civil, military, and naval services of the United States—including Senators, Representatives, and Delegates in Congress—after August 1, 1862, was to be withheld by all paymasters and other Government disbursing officers at the time of paying the salaries.

The disbursing officer was also required to "make a certificate stating the name of the officer or person from whom such deduction was made, and the amount thereof, which shall be transmitted to the office of the Commissioner of Internal Revenue, and entered as part of the internal duties."

That is pretty much about the 1976 form. Maybe that is where Don Regan thought of that.

The withholding system was also applied to the tax on interest and dividends paid by all railroads, banks, trust companies, and fire, marine, life, inland, stock, and mutual insurance companies. These companies were required to withhold the tax of 3 percent on all money paid out as interest and dividends, and pay it to the Government. A \$500 penalty was provided for failure to render the return and pay taxes withheld when due.

That was 1862 when we first enacted withholding.

The act of June 30, 1864, enacted because of the increased necessity for war revenue, increased the 3 percent tax on income up to \$5,000, and on interest and dividends paid by banks, railroads, insurance companies, and so forth, to 5 percent. Deduction of tax at the source was also extended to include a 5-percent tax on the interest and dividends of any canal, turnpike, canal navigation, or slack-water company. Paymasters were required to withhold 5 percent on salaries of Government employees over \$600.

Company engaged in slack-water navigation would dam or impede a stream by erection of dams or locks to produce stretches of deeper water for navigation, in case anybody has a deep interest in that.

The withholding of tax on salaries of Government employees, and on interest and dividends continued until the end of 1871, as the Revenue Act of 1864 expired by limitation in 1872.

This brief and very limited application of the stoppage-at-source tax principle is of great significance in the development of the present tax system, which relies heavily on tax

withholding as a means of revenue collection.

The Revenue Act of July 1, 1862, has been called the basis of the present internal revenue system, both as regards objects taxed and organizations for collecting the taxes. It is interesting to note that this act also provided the first use of tax withholding in this country, and proved the value of this method of tax collection.

I am reciting this so that we know this is not something that just happened or just been talked about. It was around long before the President put it in his 1983 budget.

#### WITHHOLDING AGAIN USED IN 1894

The act of 1894, based almost entirely on Civil War legislation with a few important exceptions, also contained provisions for withholding. Again, tax was collected at source on certain corporation dividends and on the salaries of Government employees. Students of the tax system have noted that an extension of the withholding system at this time would have been a powerful check against evasion.

#### THE 1913 INCOME TAX LAW

The 1913 Income Tax Law, enacted October 3, 1913, saw the most extensive application up to that time in this country of the collection-at-source method. The principle of stoppage at source, used so successfully in England, was applied wherever possible, to secure maximum revenue and to prevent evasion.

The normal tax on individuals was to be collected at the source as far as possible. A corporation, employer, or other source of income was required to deduct the tax and pay it to the Government, provided the income was regular, definite, and amounted to \$3,000 or more. Interest, rent, salary, or any other form of fixed annual income was covered by withholding.

I can debate this in greater detail if it would become necessary, but I would hope that now that we have an agreement to debate this fully we might get on with the business at hand. When the majority leader comes to the floor I am suggesting that we can move to table the amendment.

I yield to the Senator from Utah.

Mr. GARN. I thank the Senator from Kansas.

Mr. President, I rise in opposition to this amendment. It is not because I do not agree with the substance; I do. But I think that the patience of the Senate is worn rather thin when we continue to go over and over on amendments that are not germane to the Senate.

Last week I supported Senator KASTEN. I voted against cloture on the bill, on the jobs bill. I voted for cloture on the Kasten amendment.

I am in favor of repeal. I disagree with the Finance Committee chairman. I am in favor of repeal of withholding, totally. I will so vote when that opportunity comes up.

The reason I rise in opposition on the floor is the procedure. It is not

that the distinguished Senator from Montana is violating any procedures. He is totally within his rights to do as he is doing. But the reason I voted against the Senator from Kansas and with the Senator from Wisconsin is because we had no guarantee as to when we could fully debate this issue and come to a decision. But we got that guarantee. There is a bill that will come up on April 15. The Kasten amendment is already attached to that bill. The distinguished majority leader will facilitate that being brought up on that date. And if a cloture petition is necessary, he will make certain that the Senator from Wisconsin is able to file that cloture petition.

Those of us who are opposed to withholding will have our day in court. We will have our opportunity to say why we think it is wrong, why it should be repealed, and we shall find out who wins on the floor of the Senate—whether it is the Senator from Kansas or the Senator from Wisconsin. Again, I shall support the Senator from Wisconsin.

But, after delaying the jobs bill for 3 or 4 days last week, now to do it again, I think, is wrong. It would be different if we did not have that guarantee of this being debated on the 15th of April. Then I would be supporting the Senator from Montana. But we were able to get a cooperative agreement where we could do that.

Mr. President, I want to make it very clear on the issue: I am opposed to withholding. I shall vote for repeal when that opportunity arises. But I am opposed to once again bringing it up as a nongermane amendment on social security. We have an agreement. We ought to abide by it. We ought to be willing to debate it on April 15.

I thank the Chairman.

Mr. DOLE. Mr. President, I thank the distinguished Senator from Utah. I regret that he will support repeal. I want to assure him that it is not a contest between the Senator from Kansas and the Senator from Wisconsin. If it is a contest at all, it is a contest between the President's budget recommendation for 1983 and those who oppose it.

The Senator from Kansas feels strongly that withholding is the right way to collect tax on interest and dividend income. I do believe, as the Senator from Utah pointed out, that this would be a proper debate, had we not had an agreement, to put the repeal amendment on the reciprocity bill. There is no doubt in my mind that sooner or later, there is going to be a vote on the repeal of withholding in the Senate and in the House. I assume if the repeal of withholding gets a majority in Congress, the President will veto it and it will come back and we shall vote on whether to override the veto.

That is probably the procedure we are going to have to follow. Nevertheless it seems to me there ought to be a

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3499

full debate. Those who favor withholding, including the President of the United States, ought to have some options, either to amend or modify the simple repeal amendment or in some other way pick up the revenue or cut spending.

I do not really know what will be gained by holding up the social security bill. The critics of withholding should have had enough of trying to deceive the American people. They have been effective.

I assume there is a lot of grassroots misunderstanding. The Senator from Kansas had a lot of mail from his State indicating, "You have gone too far on this one. I do not care whether President Reagan is for it, you are for it, or TIP O'NEILL, you have gone too far." Then they want to tell me about this new tax on their interest income.

Some go so far as to say it is unconstitutional to collect taxes on interest income. Those are some of the people who have not paid their taxes on their interest income or on their dividend income.

I do not know what the answer is. If we just keep taxing the middle class, just keep taxing the workers, and do not bother anybody else, if we just keep taking it away from the workers to pay for all the extravagances and excesses in Government spending then we have reached a sorry state of tax policy.

This Senator believes if we are going to have fairness, we ought to have it up and down the line.

Mr. MELCHER. Would the Senator yield briefly?

Mr. DOLE. I just want to have printed in the RECORD a letter from the American Council of Life Insurance in which they reiterate their support for the withholding provision in the Tax Equity and Fiscal Responsibility Act. I ask unanimous consent that that be done, Mr. President.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AMERICAN COUNCIL OF LIFE INSURANCE,  
Washington, D.C., March 14, 1983

Hon. ROBERT DOLE,  
Chairman, Committee on Finance, U.S.  
Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to reiterate the support of the American Council of Life Insurance for the withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982.

The 97th Congress adopted these withholding provisions to ensure the collection of a substantial amount of taxes that might not otherwise be collected. Adequate safeguards were provided for small investors and our older citizens. The provisions dealing with withholding on interest and dividends are a key part of TEFRA and the revenues resulting from TEFRA are needed to help address the substantial budget deficits.

Earlier this week the ACLI Board of Directors reaffirmed its support for TEFRA and urged that any efforts to repeal significant portions of that law be defeated.

Sincerely,

RICHARD S. SCHWEIKER,  
President.

Mr. DOLE. I have a letter from Common Cause. I shall read just a portion of that letter and ask that it be made a part of the RECORD.

The first two months of the 98th Congress have witnessed the introduction of hundreds of bills to create new tax preferences and expand existing ones. Certainly such proposals are not unusual in the opening weeks of a session. However, they symbolize a regrettable retreat from the example set in last year's tax Act, which eliminated several tax preferences and restricted a number of others. Even worse are the powerful special interest attacks on one of the 1982 Act's most important provisions, which would improve taxpayer compliance through withholding on interest and dividend income. Common Cause strongly urges you to protect this feature of the Act, and to continue the work begun last year to reduce inequitable tax preferences.

That is the general thrust. I think it is worth noting.

The letter continues:

Common Cause is especially concerned with current efforts to repeal withholding on interest and dividend income. According to the Joint Committee on Taxation, withholding will raise nearly \$20 billion over the next five years and increase taxpayer compliance on interest and dividend income—compliance that is now less than 90 percent, compared to 99 percent for wage income.

Withholding is justified. It treats interest and dividend income in the same manner as wage income by withholding taxes at the source, as income is paid, rather than collecting them at the end of the year. It also promotes equity among income groups because those who receive substantial interest and dividend income are disproportionately upper-income taxpayers.

I might also state we now have end-of-the-year withholding on interest and dividend income.

It goes on to say, "Unfortunately"—and I think it is unfortunate—

Unfortunately, financial institutions are trying to frighten Americans into opposing this equitable instrument of compliance. Unwilling to help the government collect taxes—a responsibility most employers and retailers have shouldered for decades—financial institutions have mounted a massive campaign against withholding. Using such deceptive slogans as "ten percent of the money you earn in interest is going to disappear . . ."

I shall just put this ad in the RECORD, although it will not show up in the RECORD the way it did in all the newspapers around the country. You can read "DIS," and you can read "APP," but you cannot read "EAR."

That is going to scare anybody, to say 10 percent of their money is going to disappear. I imagine a lot of people would reach for their pens to write their Congressmen a letter. Common Cause continues:

They have implied that withholding will deprive depositors of substantial income beyond what they already owe the government, and may even drive them to financial ruin. That, of course, is not true.

It is not Senator DOLE suggesting it is not true. This is an independent, outside group saying it is not true. And it is not true.

The letter continues:

The Treasury has estimated that the actual cost of withholding to taxpayers—the loss of compounded interest—will be one-half of one percent of the interest they would otherwise have earned, or about 50 cents on a \$1,000 account.

I ask unanimous consent that the entire letter be printed in the RECORD, and the advertisement I mentioned.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

COMMON CAUSE,  
Washington, D.C., March 9, 1983.

DEAR SENATOR: The first two months of the 98th Congress have witnessed the introduction of hundreds of bills to create new tax preferences and expand existing ones. Certainly such proposals are not unusual in the opening weeks of a session. However, they symbolize a regrettable retreat from the example set in last year's tax Act, which eliminated several tax preferences and restricted a number of others. Even worse are the powerful special interest attacks on one of the 1982 Act's most important provisions, which would improve taxpayer compliance through withholding on interest and dividend income. Common Cause strongly urges you to protect this feature of the Act, and to continue the work begun last year to reduce inequitable tax preferences.

It is no longer possible to pretend that tax preferences are a costless way of achieving government objectives. They reduce revenues and cause much of the inequity in the tax system. Therefore, Congress must carefully scrutinize all new tax breaks and eliminate many unjustified existing ones. Those deemed absolutely necessary must be recognized as a form of government spending, with resulting revenue losses reviewed periodically and recovered elsewhere if growing deficits are to be contained.

Common Cause supports changes in the federal tax system that would broaden the tax base and greatly reduce the number of tax preferences. Last year's tax Act—the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)—made important progress in this direction. While it did not solve all of the tax system's problems, it did restrict several of the most inequitable tax preferences. In doing so, the Act has slowed the steady erosion of the tax base and accretion of deficits that previous tax measures—particularly the 1981 tax bill—had exacerbated. In addition, several important features of the Act have encouraged greater compliance, especially among those taxpayers who have escaped paying their fair share through the use of tax shelters or receipt of non-wage income. Together, these provisions constituted an important first step in rebuilding a tax system too often perceived as benefiting the wealthy and influential at the expense of the average taxpayer.

Unfortunately, there is a danger that Congress will ignore the change of direction that TEFRA held out for the public. Already, legislation has been introduced to establish new tax breaks for fraternity houses, firearms purchases, retirement income, domestic automobile purchases, gambling income, fire alarms, stock purchases, and cigarettes. Legislation has also been introduced that would expand an existing tax break by shortening the holding period for long-term capital gains. These tax breaks are directly antithetical to the philosophy embodied in TEFRA: that we should help to reduce deficits by improving tax compliance and restricting tax preferences. Congress should not retreat from that philosophy.

S 3500

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

Common Cause is especially concerned with current efforts to repeal withholding on interest and dividend income. According to the Joint Committee on Taxation, withholding will raise nearly \$20 billion over the next five years and increase taxpayer compliance on interest and dividend income—compliance that is now less than 90 percent, compared to 99 percent for wage income. Without the additional compliance that withholding will bring, honest taxpayers will have to face higher taxes or fewer services in order to reduce government deficits. And, without improving compliance with our tax laws, there is danger that taxpayers will continue to lose faith in a tax system that relies fundamentally on voluntary cooperation.

Withholding is justified. It treats interest and dividend income in the same manner as wage income by withholding taxes at the source, as income is paid, rather than collecting them at the end of the year. It also promotes equity among income groups because those who receive substantial interest and dividend income are disproportionately upper-income taxpayers.

Unfortunately, financial institutions are trying to frighten Americans into opposing this equitable instrument of compliance. Unwilling to help the government collect taxes—a responsibility most employers and retailers have shouldered for decades—financial institutions have mounted a massive campaign against withholding. Using such deceptive slogans as “ten percent of the money you earn in interest is going to disappear,” they have implied that withholding will deprive depositors of substantial income beyond what they already owe the government, and may even drive them to financial ruin. That, of course, is not true. The Treasury has estimated that the actual cost of withholding to taxpayers—the loss of compounded interest—will be one-half of one percent of the interest they would otherwise have earned, or about 50 cents on a \$1,000 account.

Withholding is neither dangerous nor ruinous. The improved compliance it brings will reduce federal deficits and introduce more fairness into the tax system. Congress should not bow down to the pressure of special interest scare tactics. Instead, it should expose the misinformation behind the repeal campaign and defend last year's legislative achievements.

The American public is looking to Congress to rebuild our nation's deteriorating tax system and to reduce our huge deficit in ways that are reasonable and fair. TEFRA neither eliminated the inequities of the tax system, nor solved the deficit crisis; but it did make an important step in the right direction. Common Cause urges you to continue in that direction by further restricting unfair tax preferences, and preserving the requirement for withholding on interest and dividends.

Sincerely,

FRED WERTHEIMER,  
President.

**WARNING: 10 PERCENT OF THE MONEY YOU EARN IN INTEREST IS GOING TO DISAPPEAR**

Recently, Congress quietly passed a withholding law that will cost American savers and investors the use of 10 percent of their interest and dividends.

In simple terms, effective July 1st, 1983, this new law requires banks and other financial institutions to deduct 10 percent of the interest or dividends you earn on your savings and investments. That money then goes to the Internal Revenue Service in much the same way as payroll deductions are now handled.

The sponsors of this law have told us it was designed to catch a small minority of Americans who evade taxes on their interest and dividends. But the truth is the law penalizes the great majority of America's savers and investors who pay their taxes faithfully. What's more, the federal government is now receiving all the necessary information to curtail tax cheating.

Though the law does include exemptions for some low income and elderly Americans, if they go through the red tape of filing an application, most savers and investors will forfeit some of the money they could earn in compounded interest.

We urge you to join our efforts by writing letters to your representative in Congress and to the two senators from this state. Tell them you want the 10-percent withholding tax repealed, because it would impose an unfair penalty on savers like yourself.

For assistance in contacting your representative and senators please ask any of our bankers. If we all act now, Congress will get a clear message from the voters back home, and they will work to repeal this needless law.

Mr. DOLE. Mr. President, that is another indication that once the people have been alerted and once there has been an opportunity—that is all we ask, an opportunity to stand up and debate the issue of withholding.

Talk about frightening those out in our States. I think they have frightened a number of Members of Congress who voted for the withholding and the tax bill last year into rushing to repeal withholding.

The Senator from Kansas is willing to support the President on this issue, because I think the President is right. I say to my friends in the American Bankers Association, in the banks across the country, the S&L's, and the credit unions, if there is any willingness to discuss this issue, then we ought to discuss it. The Senator from Kansas does not detect any willingness to discuss the issue.

When you put millions of dollars into a deceptive campaign, you want to see it work. That investment did not come out of the bankers' salaries, I bet. It probably came from their depositors.

They have a right to oppose it, but they ought to tell the truth. We had ads in the Topeka Capital that cost \$4,000 to run, showing Uncle Sam dripping with diamonds, saying, “This time they have gone too far.” Then they want to talk about the withholding tax. It is not a withholding tax, it is withholding of taxes on interest and dividend income that you owe.

The Senator from Kansas does not underestimate the power of the American Banking Association. They have it. They know how to use it. But I am willing to warn others on this floor, if we succumb to the efforts of this powerful lobby, just get ready for the next one because, if the banks can send in a million pieces of mail or a half million pieces of mail to one Senator, I bet there is somebody out there who has even more money than the bankers. I cannot think of anybody offhand, but somebody out there probably has more money and a bigger

lobby than the bankers of this country.

I do not want to get into the effective tax rates banks pay, but it is not very much. The 20 largest banks paid an effective tax rate of about 2 percent. Some had negative tax rates. Giant, billion dollar credit unions paid no tax on their worldwide operations.

If you looked at the chart in the New York Times a few days ago, it showed all these companies and the taxes they paid. Most companies paid 20 percent, 25 percent, 40 percent. Most individuals paid 20 to 25 percent. What do the banks pay, the 10 largest banks? Two percent. So they have a lot of money to spend for lobbying activities, and they spent a lot on this activity. But if they do it and get away with it, as they are trying to do, then I think we must get ready for the next mass mailing.

Others who disagree with me on the merits of this issue join me in criticizing this lobbying blitz.

Senator GARN favors repeal of withholding, but as chairman of the Banking Committee he issued a statement last week saying he did not agree with the massive campaign the American Bankers Association was undertaking.

I think the distinguished Senator from West Virginia, the minority leader, indicated he was not totally pleased with this massive mail campaign, although he, too, favors repeal of withholding.

Now, in the Washington News is a comment that I think deserves notice, but the Senator from Kansas, whenever the majority leader arrives, is willing to yield to him.

Mr. MELCHER. Will the Senator yield briefly?

Mr. DOLE. I want to put this little bit in the RECORD. I would not want to forget it.

The credit unions have a little magazine called Washington News. CUNA Supply printed 8 million statement stuffers, 4 million response cards addressed to Senator ROBERT DOLE and Representative DANIEL ROSTENKOWSKI, and 2.8 million response cards that CU members can send to their own Members of Congress, so we are in the privileged class. I get 8 million statement stuffers and I get 4 million response cards. That adds up to 12 million. I am not certain how somebody can answer that mail. But if we do 2,000 or 4,000 a day—I have 4 years left on this term—we might be able to start answering some of that mail—8 million. And the credit unions are tax exempt. They do not pay any taxes. Even though we have credit unions of almost a billion dollars in assets, with worldwide operations, they pay zero taxes. It bears noting that even the commercial bankers pay slightly more tax than the credit unions. So they can afford to have 8 million stuffers, whatever they are, and 4 million response cards.

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3501

Now, it seems to this Senator that we ought to answer this question: If the banks and the others are so concerned about their depositors losing 50 cents, or less, on \$1,000 accounts as they have indicated they were in all their ads, I again ask the bankers and the S&L's and others, "If that is the case, why can't somebody walk into their bank and buy a money market fund for \$500?" They cannot, of course; they have to have at least \$2,500.

The reason is simple. If you do not have \$2,500, you leave your money in passbook savings and that pays 5.5 percent. By contrast, the money market funds pay 8 to 9 percent. The bankers are making a lot of money because they keep the money market certificate high, which keeps out most working people who must keep their savings in passbook accounts. The banks make high profits because they loan out that passbook money at 8 or 9 or 10 or 11 or 12 percent.

I believe that if the banks really want to help, I would be willing to delay this for 6 months. In fact, if the motion to table fails, we have a bargain that we think you will want to be aware of. It would be my hope that the motion to table the repeal amendment passes, but, if not, then the Senator from Kansas would hope to offer a second degree amendment. We would go along with that delay. We would delay the implementation of withholding and we would amend section 308A of the Tax Equity and Fiscal Responsibility Act of 1982:

by striking out June 30 and inserting in lieu thereof December 31; *Provided, however,* the foregoing delay shall take effect only if the average prime interest rate charged by the Nation's 10 largest banks is 6 percent or less on June 30, 1983, and that delay shall remain in effect only as long as that prime rate remains below 6 percent.

It would seem to me, if you really want to help the American people and the economy, that you may even want to accept this amendment. Then we can really talk about what banks can do for the American people.

We have been told for a long time that there is no reason for the prime rate to be 11 or 12 percent and a lot of people can buy homes and a lot of people can buy cars if the banks would lower their interest rates.

The inflation rate is 4 percent, and the interest rates are still 12, 13, 14, and 15 percent. Someone is making a lot of money at the expense of a lot of American taxpayers. If we are so concerned, as I know the banks are, then I think we ought to couple with this delay a real incentive for the banks to eliminate withholding. The banks advertise all these incentives for savings. This would be a real incentive.

So if the motion to table fails, as I hope it will not, then I would hope, if I can be recognized, that we might offer a second-degree amendment that would really help the bankers and the American people, because I do not

think we just want to help one special interest group with a multimillion-dollar media campaign and multimillion-dollar political action committees.

I would like to find out some day how much money the 14,000 commercial banks have spent on this campaign. I bet it is staggering. Incidentally, none of those expenses are deductible. I doubt it could ever be computed how many millions of dollars were spent by the banks at the direction of the American Bankers Association on this campaign.

I am certain the Senator from Montana wants to lower interest rates. I think every Senator wants to lower interest rates. Those who want to delay withholding certainly want to lower interest rates. The Senator from Kansas is even willing to delay withholding until we get the prime rate down to 6 percent. We might even make it 7 and really give them an edge. But if we could do this, then we really have made a contribution to the banks and the S&L's and credit unions and, above all, the taxpayers and the people out here paying those high interest payments, people who cannot buy a home. People are being driven out of business, and there are record numbers of bankruptcies, because of high interest rates.

That is another item I should like to discuss more fully when the starting debate starts on April 15.

But while I am waiting for the majority leader—

Mr. MELCHER. Will the Senator yield briefly while he is waiting for the majority leader?

Mr. DOLE. We hear all these things about costs, the banks saying this is too costly, even though they privately tell you that cost is not even a problem because they get what we call a float. They get to hang on to the withheld money long enough to recover their costs. They earn interest on the money they hold. We hear all these exaggerated claims about \$2 billion or \$1½ billion or \$3 billion. They would make you think that this is going to cost more than will be collected through the withholding process.

I should like to include in the Record a letter I received from Treasury Secretary Regan dated March 15 in which he says:

I am concerned about certain exaggerated estimates of the costs financial institutions may incur to institute withholding on interest and dividends.

Now they are talking in the neighborhood of, I think, \$3 billion. We are talking about thousands and thousands of banks.

The total cost just to put this withholding system into place where it is going to remain, hopefully, for a long time and collect \$20 billion over the next 5 years and billions and billions and billions over the next decade, the next 20 to 30 years, the total startup cost, according to the Treasury Department, is going to be only \$600 million to \$700 million, which is about a

third or less than the industry estimates, and these costs can be offset by the extended float allowed on withheld amounts and by the income tax deductions available for such costs—at least for those financial institutions—other than the big banks and credit unions—that actually pay any Federal income tax.

Secretary Regan continues:

Since we have so little data, we cannot be certain that the total startup costs are within that range. Nonetheless, it does appear certain that startup costs are only a fraction of the claimed \$3 billion.

Someone said, "All you have to do is hire more IRS agents."

As I understand it, we average about a 2-percent audit, and to recover this much money through the audit process, you would have to audit perhaps as many as 20 percent of all tax returns—1 out of 5. That increased audit activity would cost the Federal Government about \$3 billion.

Then, there is talk about IRS harassment. If you are auditing every fifth tax return, we would be flooded with real letters, from real people, about real harassment from the IRS, and we are trying to avoid that. Withholding is the least intrusive means we have.

Mr. President, I ask unanimous consent that this letter from the Secretary of the Treasury be printed in its entirety in the Record.

There being no objection, the letter was ordered to be printed in the Record, as follows:

THE SECRETARY OF THE TREASURY,

Washington, March 15, 1983.

Hon. Robert Dole,  
Chairman, Senate Finance Committee,  
Washington, D.C.

DEAR MR. CHAIRMAN: I am concerned about certain exaggerated estimates of the costs financial institutions may incur to institute withholding on interest and dividends. While precise estimates of the costs that will be incurred are not available, some of the figures that have been discussed can be clearly shown to be exaggerations.

Estimates of the total startup costs of \$3 billion are greatly overstated. Such estimates are accounting cost allocations rather than estimates of genuine incremental costs that would be incurred even without the new withholding law. True incremental costs will be significantly below cost estimates that include all allocated costs.

A few banks, ranging from small to very large institutions, have informally and confidentially supplied the Treasury Department with their estimates of the administrative startup costs of withholding. We have far too little data to constitute a useful sample, but for those banks on which we have figures, true incremental startup costs appear to average less than \$2.00 per account. If this small number of banks is representative of all payors of interest and dividends (including banks, savings and loan institutions, mutual savings banks, and credit unions), then total startup costs would be approximately \$600-\$700 million. These costs can be offset by the extended float allowed on withheld amounts and by the income tax deductions available for such costs. Since we have so little data, we cannot be certain that total startup costs are within this range. Nonetheless, it does appear cer-

tain that startup costs are only a fraction of the claimed \$3 billion.

If enough resources were allocated to the Internal Revenue Service to provide the same improvement in compliance and to collect the same additional revenues as will be collected under withholding, the costs to the Government would be well above the estimated \$600-\$700 million in costs to financial institutions to institute withholding. Small increases in IRS enforcement efforts may recoup relatively high revenues per extra dollar of IRS costs. The enormous increase in IRS audit activity that would be needed to raise \$3 billion (an increase in audits by well more than 200 percent) would, however, inevitably result in much lower additional revenues per dollar of IRS costs. Indeed, the incremental IRS costs required to raise the almost \$3 billion a year in revenues gained from withholding would be well above \$1 billion, perhaps as much as \$2 billion. Further, this additional effort would involve such a dramatic increase in IRS staffing that it would take several years for the IRS to add and train the needed agents.

It must be remembered that attempts to reduce noncompliance through greater IRS efforts involve significant cost to the IRS. These arise from the burden more than two million additional audits will impose on taxpayers' time and resources. Inevitably these audits will inconvenience many taxpayers who have correctly paid their taxes.

In contrast, withholding on interest and dividends only requires those taxpayers who correctly pay their taxes on interest and dividend income to pay some of those taxes during interest and dividend income to pay some of those taxes during the year rather than at the time that they file their returns. Requiring those who receive interest and dividends to pay a portion of their taxes as promptly as wage earners pay is not, in my view, unfair.

I recognize that banks must incur some costs to institute a system of withholding on interest and dividends. As I stated above, those costs have been frequently exaggerated. Nonetheless, there is legitimate concern that we not impose an undue burden on the banking system. If, at some later time, it is reliably demonstrated that the true incremental costs that most banks must incur exceeds the value to the banks from the extended float on the withheld amounts that has been allowed, then I would support allowing the extended float for a longer period.

Sincerely,

DONALD T. REGAN.

Mr. MELCHER. Mr. President, will the Senator yield for a question, a procedural question?

Mr. DOLE. Yes, I yield only for a question, not for the purpose of any amendments.

Mr. MELCHER. In view of the fact that the Senator is waiting for the majority leader, I wonder if he would object to my responding to some of these points for 5 minutes. Would that be objectionable, before there is further procedure?

Mr. DOLE. I have no objection to the Senator from Montana responding, if there is a unanimous-consent agreement that there will not be any amendment or modification of the pending amendment and that the Senator from Kansas will not lose his right to the floor.

I want to conduct a debate with the Senator. I commend the Senator for

his objectivity. But I do not want to disturb what I consider to be the appropriate way to approach this, and that is a motion to table. If that fails, the Senator from Kansas would like to retain the right to offer an amendment.

Mr. MELCHER. Certainly. The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The Senator from Montana. Mr. MELCHER. I thank the Senator.

Mr. President, first of all, I point out that the provision in the 1982 bill for this withholding of taxes on interest and dividends passed by a vote of 49 to 48, a very tight vote, and absentees indicated that had they been present and voting, they would have voted against it, which would have defeated it, and it would have been removed from the bill.

The prospect of what we are going to do on April 15, when the Kasten amendment for repeal is brought in the Senate, is rather dim—what the final outcome of that would be if the Senate would adopt it as a part of an extraneous bill and send it to the House. It is not clear that the House would agree to it at all or, for that matter, that the House even would take it up. As a matter of fact, its future on April 15 is very obscure, no matter what the Senate would do at that time.

The purpose of this amendment is simply to allow a longer period of time than April 15 to see what really happens and to give both the Senate and the House some change of action on this before it is locked in, perhaps forever—not necessarily—but locked into the procedures of withholding these taxes. Once they are withheld, there is a tendency to leave them alone.

It is bad enough trying to repeal something we did just last summer, without contemplating what might happen after the whole procedure got in motion.

It is clear that there would be \$1.1 billion lost in fiscal 1983 from revenues if my amendment were to be adopted and accepted by the House and became part of the law. In other words, a delay of 6 months is going to lose, for fiscal 1983, \$1.1 billion in revenue; but during this time, we will have the chance to decide whether this was wise and whether there are better ways of gaining revenue that is needed.

I am advised by the Joint Committee on Taxation, which states that today the Treasury Department agrees with the \$1.1 billion estimate for fiscal 1983 in revenue loss, that in fiscal 1984 the figure would be \$300 million.

It is not my contemplation and it is not my purpose in offering the amendment that we lose revenue. It is merely my purpose in offering the amendment that the Senate and the House have sufficient time to discuss this very thoroughly and consider it and

see whether we want to reconsider it, possibly repeal it, or modify the provision.

The third point I should like to make is with respect to the question of the large banks and what their purpose has been on this amendment. I simply do not know. I believe that most of the large banks, what people refer to as large banks—such as Bank of America, Chase-Manhattan, and Citibank of New York—are in favor of retaining this withholding provision. They are not for repeal, so far as I know. It is my understanding that they are against repeal. So I do not believe we are hearing from them with fictitious or false advertising or any influence on Members of the Senate or the public at large, saying, "Let's repeal it." I do not think that is their position. I think their position is that we should retain it.

Fourth, the point has been made about W-6 forms. This is the form that a person who wants to be exempt from this withholding would fill out and file with their institution. We have inquired in Montana whether they are available at the banks, savings and loans, and credit unions—those three groups—and we are advised that, as of last Friday, they are not available.

So it points out the fact that this is a process that takes a lot of paperwork and a lot of time and a lot of delay. I think my amendment has some merit just for their sake in getting out the W-6 form. Who is "they"? The Treasury Department, in sending out the W-6 forms. If we do not reach them in the next 30 days, maybe the time will be a little short for sending them out by July 1.

Fifth, the point has been made by the Senator from Kansas, very eloquently, that he is supporting the President in this endeavor to block any delay of reconsideration. I will read into the RECORD a portion of the Republican platform of 1980:

We also oppose Carter proposal to impose withholding on dividend and interest income. They would serve as a disincentive to save and invest and create needless paperwork burdens for government, business, industry, and the private citizen. They would literally rob the saver of the benefits of interest compounding and automatic dividend reinvestment programs.

I have received a lot of letters, and evidently they are from Republicans who are following the Republican platform, because some of these letters almost repeat what this platform statement says. I seldom receive a letter saying, "I am a Republican" or "I am a Democrat," but I have to determine that a lot of people writing me are Republicans. They are saying exactly what the Republican platform said in 1980.

Also, I point out that the Senator from Kansas, the chairman of the Finance Committee, very profoundly stated, in a consideration of last year's tax bill:

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3503

I would like to note at the outset that these proposals generally do not substitute a mandatory withholding system . . .

He is speaking about the withholding on the interest and dividends from savings and investments.

He said:

I would like to note at the outset that these proposals generally do not substitute a mandatory withholding system for a working information reporting system and does not do so in particular with respect to interest and dividend payments. I believe that such proposals may be premature until we have seriously tried to improve our information reporting system.

It is a fine system, and it was true. I think it is obvious that our reporting system has not been addressed adequately.

Mr. DOLE. Mr. President, will the Senator yield? I did not get whose statement that was.

Mr. MELCHER. It was the statement of the Senator from Kansas.

Mr. DOLE. That was in reference to the compliance bill we introduced. The Senator is correct—that did not include interest and dividend withholding. We included some compliance measures. It was a separate measure that that the President included in his budget.

Mr. MELCHER. It was on the taxpayer compliance improvement of 1982. The Senator is correct. It was said in March 1982, a few months before we adopted this provision in the tax bill. The Senator is correct.

It is not really my intention to hold up the social security bill. I should just like to have a vote on this. It is not an earth-shaking amendment. It is a delay as to when the withholding will take place on interest and dividends of individual taxpayers. It tracks what the Treasury Department has already announced, the delay they are going to have on the reporting of interest payment from Treasury notes and Treasury bonds and from some other bonds that are handled by States and for that matter other groups that sell bonds.

So it is not meant at all to hold up this bill but is merely an opportunity to make sure there is time for a proper review by Congress of the question.

I trust that the Senate will accept my proposal or at least consider my proposal for delay as a fair method of representing taxpayers.

The first group of taxpayers that I am thinking about are those who already paid all their taxes and are having the taxes withheld from their wages or from their salaries and who know they pay them all and many of whom already pay more through the withholding process.

As to 75 percent of those people, I am told, there is already over withholding. In other words, more is withheld from the taxes than are due and they have to file for a refund.

That is exactly to the point of the taxpayer of this particular person to whom I referred earlier who is the wife of my aide, who is sitting right

with me, and who is a schoolteacher who learned that there would be a withholding program when she received her notice from the Treasury Department with a refund check.

The notice was a 862A which explains that recipients of interest and dividends will be faced with a new withholding program which begins on July 1.

That happens to be the first time that she was aware of the actual proposal that is now law and will go into effect July 1, and she says to my aide, her husband:

Can't you get Senator MELCHER to do something about that because I have already paid more than I should and this will be something more that was added to it that will be withheld and I will just have to refile for that much more?

That is one group.

The second group that are particularly concerned, judging from the comments I received and the letters I received, appear to be the elderly. I will read this short letter which is typical. It says:

Would you please work to repeal the 10 percent withholding provision of the "Tax Equity and Fiscal Responsibility Act of 1982"?

The net result of this provision is to cheat the small investor out of his money for up to 1½ years at a time, while waiting for a tax refund. And believe me, I don't like being cheated.

My wife and I scrimp and save each month so we can put money aside for retirement. We need to be able to compound our interest so that when we do retire there is enough to live off of.

My wife and I fully realize that by the time we retire, the Social Security system will be bankrupt, and we will get little or nothing back that we put in. I've read that Congress doesn't trust Social Security for its retirement program and frankly I don't either. Anyone with a high school education can look at the numbers and figure that out for himself.

So please—allow us—the little guys to keep one opportunity to save for ourselves and provide for ourselves.

Please repeal the 10 percent withholding provision of the "Tax Equity and Fiscal Responsibility Act of 1982."

Of course, he appears to be elderly. I am not sure. They say they are saving for their retirement. But, nevertheless, they are thinking about earning from interest and what it would mean if some of their taxes are withheld. They could file and get them back, this is true, and I am not trying to apply that they are not going to get their full credit for their money. They certainly are.

These points lead me to believe that the amendment is sound, fair, and equitable to all and above all fair to the taxpayers who are writing these types of letters so that we can be sure that we have given them adequate consideration.

I hope the Senate can agree to the amendment. I realize the constraints of time, and I hope that we can have a resolution of this problem very quickly.

Mr. DOLE. Mr. President, I think we will be ready to vote in a few moments.

I shall read an editorial that appeared in the Minneapolis Star and Tribune on March 16 by Jim Klobuchar, apparently an outstanding columnist. At least, he is on the right side.

Before I do that, I wish to thank the Senator for reading that letter about the social security system going bankrupt. That is why we are trying to convince the Senator not to hold it up. It is about to go bankrupt and we want that couple to get their social security check.

Mr. MELCHER. Mr. President, if the Senator will yield, I think I made it abundantly clear that I have no desire to hold up the bill.

Mr. DOLE. That is what Senator KASTEN said.

Mr. MELCHER. I think it is a good point to adopt this amendment so we know exactly where we are and go on with the remainder of the bill knowing we have plenty of time considering this matter.

Mr. DOLE. I appreciate that. I know the Senator does not want to hold it up too long.

This column from Jim Klobuchar says:

The money wizards around town have been telling me for days that the federal government is about to stomp out the last ember of liberty and decency by putting a tax withholding system on the money we make from investments.

They are furious because I'm having trouble absorbing the purity of their intentions and logic.

Two days ago I was ostracized from a steam room where we have gathered as peers for years. Two of the others were bankers and one was a broker. We have been pals and confidantes, brothers in the struggle against sloth and overweight.

They shunned me unanimously when the talk got around to withholding on interest and dividends.

They began politely by calling me ignorant. As a variation they called me barbaric. From there it got personal.

They accused me of giving comfort to those who would rip out the fabric of the American savings ethic and they asked, parenthetically, if I also was ready to support incest and rabies.

All of them, Republicans, accused me of being hypnotized by Ronald Reagan.

Stricken mute, I groped for the door.

Meditation seemed to be the only sensible escape. What was there in this simple principle of tax collection—one we have lived with for more than 40 years without genocide—that could create such conversational carnage?

I telephone Ditta Maly, a paralegal secretary of long acquaintance at one of the local law firms.

"Ditta," I said, "as I understand it, all that's involved here is extending the income tax withholding principle to savings and investments. The banks and the savings and loans and brokerages would withhold 10 percent of what the investor earns in interest and dividends. The government believes, with some evidence, that there are people who actually chisel on those earnings. So the government figures it can take in \$4 or



S 3504

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

\$5 billion more a year in taxes that aren't being paid now, and also make use of the money sooner, which is what it already does on income taxes."

She said this more or less squared with the facts, yeas.

"So why are so many people sounding as though they thought they're about to be disemboweled?"

"If you want to be unpopular," she said, "tell the people you think this dividend withholding is OK. From all the calls we've gotten from our tax clients, a lot of them are feeling that they're being deprived of one of their rights."

But their right to what?

A certain amount of creative amnesia in the filing of income tax reports is not exactly unheard of in this country.

Still, most citizens try to report accurately.

One of their hovering suspicions and worries is that the next guy might not. Worse, he might be getting away with it.

The income tax withholding eased one of those suspicions and made the income tax substantially more democratic.

What's different about dividends and interest?

The banking industry is arguing that it's a bleeding shame because, in the language of one of the form letters it has put in the hands of thousands of its customers, "it's unfair to those of us who have always paid our taxes on interest."

How is it unfair?

If we're talking about poorer people and older people, anybody can file an exception. It's a piece of work, sure. But so is paying an extra tax share for the \$5 billion or so being chiseled or slopped away unintentionally by investment earners.

If we're talking about using that interest money now, instead of turning over some of it to the government before the deadline, how much of an oppression is that for the average investor?

For most of us, it is pretty small change.

But there is literature coming out of the money houses that makes it sound as though this is actually a new tax.

They also are citing horror stories about thousands more hours in paper work and giant new computers, but if you compare the government's collection predicaments and budget goals with those of any corporation you deal with, you have to give the government the same allowances.

The gas and phone companies collect from you every month. Every company is automated. The newspaper does the same thing. Some collect before you receive.

It's the way the world spins now, and the way bills are paid.

So I called one of the chummier of local banking presidents, Dick Hillyer of Summit in Richfield.

"You guys pay an average of 2.7 percent income tax," I said. "Only the paper and wood products companies and the crude oil producers pay less, according to the congressional people. Tell me what's so unforgivable about asking the investment industry to help the government bring dividend tax collections into the 20th century."

"I personally don't object to it all that much," he said. "I think there are better ways to get those dividend reports to the government without making us send 1099s to you, and all the rest. I think a lot of banks feel that because of the extra service, they may have to pass on some of those charges to the customers."

This is not a virginal concept.

"Will it be a huge imposition on the banks and brokerages?"

"Well, they scream and yell. You can't blame them. We all have our own interests. But they'll survive."

Which is more than you can say of the jobs bill unless some of the congressional lions rediscover their backbones.

The point of it is after you talked to the banker, the banker really did not have that much objection, and I think that is essentially the case.

Mr. President, I have a lot of other things I would like to say but, hopefully, will not have the opportunity to say on this bill.

● Mr. HATCH. Everyone knows that I am very much in favor of repealing the withholding of dividends and interest language. However, since Senator KASTEN has worked out a time certain and a reasonable bill upon which to debate this matter, I believe the Senator from Montana should withdraw this amendment. All he will accomplish is to extend this debate into the filibuster mode and cause millions of people, who are afraid of the bankruptcy of social security, to become unnecessarily concerned.

I would recommend to my President, and those who advise him, to allow the repeal of this provision because, sooner or later, we are going to repeal it. However, this is not the bill upon which to debate the matter.●

Mr. BAKER. Mr. President, will the Senator yield?

Mr. DOLE. I yield to the distinguished majority leader.

Mr. BAKER. Mr. President, we really should get on with this bill if we can. I indicated to the Senator from Kansas and the Senator from Louisiana, the managers of the bill, that I still entertain the hope that we can finish this measure tonight. But to do so we will have to move with more dispatch than we have so far. In order to facilitate that and move things along, I move to table the Melcher amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Tennessee to lay on the table the amendment of the Senator from Montana. The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Vermont (Mr. STAFFORD) and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

I also announce that the Senator from Oregon (Mr. PACKWOOD) and the Senator from Maryland (Mr. MATHIAS) are absent due to a death in the family.

Mr. BYRD. I announce that the Senator from California (Mr. CRANSTON) is necessarily absent.

The PRESIDING OFFICER. Are there Senators who have not voted who desire to vote?

The result was announced—yeas 37, nays 58, as follows:

[Rollcall Vote No. 36 Leg.]

YEAS—37

Andrews	Hart	Moynihan
Baker	Hatch	Murkowski
Bingaman	Hatfield	Roth
Chafee	Hecht	Rudman
Danforth	Heinz	Specter
Dodd	Jackson	Stennis
Dole	Kassebaum	Stevens
Domenici	Kennedy	Thurmond
Durenberger	Lautenberg	Tower
Garn	Laxalt	Weicker
Goldwater	Leahy	Wilson
Gorton	Lugar	
Grassley	Metzenbaum	

NAYS—58

Abdnor	Exon	Nickles
Armstrong	Ford	Nunn
Baucus	Glenn	Pell
Bentsen	Hawkins	Percy
Biden	Heflin	Pressler
Boren	Helms	Proxmire
Boschwitz	Hollings	Pryor
Bradley	Huddleston	Quayle
Bumpers	Humphrey	Randolph
Burdick	Inouye	Riegle
Byrd	Jepsen	Sarbanes
Chiles	Johnston	Sasser
Cochran	Kasten	Simpson
Cohen	Levin	Symms
D'Amato	Long	Trible
DeConcini	Matsunaga	Tsongas
Denton	Mattlingly	Warner
Dixon	McClure	Zorinsky
Eagleton	Melcher	
East	Mitchell	

NOT VOTING—5

Cranston	Packwood	Wallop
Mathias	Stafford	

So the motion to lay on the table Mr. MELCHER's amendment (UP No. 103), as modified, was rejected.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I think while most Senators are here, we ought to just take a minute to understand where we are not going if this amendment is not eventually disposed of. That is, we are not going to finish any social security legislation this week. Maybe that is not important because we are coming back April 6. But it was the understanding of this Senator that we agreed to debate withholding on April 15, a free-standing debate where everyone would have the chance to debate, offer motions and modifications, and we could then dispose of that issue.

But here we are again, with the jobs bill having been held hostage for several days, and now it is the social security package. I would just suggest that I will stay here as long as it takes to defeat this amendment. If you are not concerned about social security, if there is not any real urgency—we have only worked for a year or year and a half to put this package together—then I think we ought to keep playing the bankers' game.

UP AMENDMENT NO. 104

Mr. DOLE. Mr. President, I send a second-degree amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Kansas (Mr. DOLE) proposes an unprinted amendment numbered 104.

March 21, 1983

CONGRESSIONAL RECORD — SENATE

S 3505

In lieu of the language proposed to be inserted by unprinted amendment 103 insert the following:

"Delay Implementation of Withholding on Interest and Dividend Income."

Sec. . Section 308A of the Tax Equity and Fiscal Responsibility Act of 1982 is amended by striking out 'June 30' and inserting in lieu thereof 'December 31;' provided however, the foregoing delay shall take effect only if the average prime interest rate charged by the Nation's ten largest banks is 6 percent or less on June 30, 1983, and that delay shall remain in effect only as long as that average prime rate remains below 6 percent."

SEC. . MINIMUM FOR MONEY MARKET DEPOSIT ACCOUNTS.

Section 204(c)(1) of the Depository Institutions Deregulation Act of 1980 (12 U.S.C. 3503(c)(1)) is amended by adding at the end thereof the following: "The Committee shall not establish or maintain a minimum balance requirement higher than \$300 for deposit accounts authorized by this subsection."

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, if we are going to help the people of this country, here is the way to do it. You can help your bankers in the process, and the depositors as well. For all those people out there who want to invest in a money market fund but cannot do it because they do not have \$2,500, this amendment will lower that to \$300. The amendment will allow individuals to take their money out of passbooks savings, the 5.5 percent that bankers never talk about in their ads, and put it into the money market funds at 8 or 9 percent.

I cannot think of anyone on this floor who would not want to do that for their constituents. This is part of the second-degree amendment. I cannot think of any of us who want the high interest rates to stay up there, particularly those running for high office, even the U.S. Senate.

This amendment presents a deal that should be hard to resist. We will delay withholding, as the Senator from Montana wishes, if the prime rate decline to 6 percent. That ought to be a real incentive for the banks to reduce interest rates in loans. We know they are not holding up the rates artificially, at least they tell us they are not holding up the rates artificially.

I think we ought to debate this amendment, unless my colleagues are prepared to adopt it now.

SEVERAL SENATORS. Vote, vote.

Mr. DOLE. Would the Senator be willing to accept the amendment?

Mr. MELCHER. Mr. President, I can only answer the question by saying that I personally think it is impossible to get the rates down that fast, but I would like to hope so.

Mr. DOLE. Well, let us try. We tried everything else.

Mr. MELCHER. I think this sort of belles a statement that we want to get on with the bill. Let us get the vote over with.

Mr. DOLE. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

SEVERAL SENATORS. Vote, vote.

The PRESIDING OFFICER. Is there debate? If not, the question is on agreeing to the amendment of the Senator from Kansas. The yeas and nays have been ordered and the clerk will call the roll.

The bill clerk called the roll.

Mr. MURKOWSKI (when his name was called). Present.

Mr. D'AMATO (when his name was called). Present.

Mr. STEVENS. I announce that the Senator from Vermont (Mr. STAFFORD) and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

I also announce that the Senator from Maryland (Mr. MATHIAS) and the Senator from Oregon (Mr. PACKWOOD) are absent due to a death in the family.

Mr. BYRD. I announce that the Senator from Florida (Mr. CHILES) and the Senator from California (Mr. CRANSTON) are necessarily absent.

The PRESIDING OFFICER (Mr. PRESSLER). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 35, nays 57—as follows:

(Rollcall Vote No. 37 Leg.)

YEAS—35

Abdnor	Gorton	McClure
Andrews	Grassley	Metzenbaum
Baker	Hart	Moynihan
Boschwitz	Hatch	Pressler
Chafee	Hatfield	Roth
Cohen	Hecht	Rudman
Danforth	Helms	Specter
Dodd	Kassebaum	Thurmond
Dole	Kennedy	Tower
Domenici	Lautenberg	Weicker
Durenberger	Laxalt	Wilson
Garn	Lugar	

NAYS—57

Armstrong	Goldwater	Nickles
Baucus	Hawkins	Nunn
Bentsen	Heflin	Pell
Biden	Helms	Percy
Bingaman	Hollings	Proxmire
Boren	Huddleston	Pryor
Bradley	Humphrey	Quayle
Bumpers	Inouye	Randolph
Burdick	Jackson	Riegle
Byrd	Jepsen	Sarbanes
Cochran	Johnston	Sasser
DeConcini	Kasten	Simpson
Denton	Leahy	Stennis
Dixon	Levin	Stevens
Eagleton	Long	Symms
East	Matsunaga	Trible
Exon	Matingly	Tsongas
Ford	Melcher	Warner
Glenn	Mitchell	Zorinski

ANSWERED "PRESENT"—2

D'Amato Murkowski

NOT VOTING—6

Chiles Mathias Stafford  
Cranston Packwood Wallop

So the amendment (UP No. 104) was rejected.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER (Mr. PRESSLER). The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, may we have order?

I think we are making progress. I do not know how much, yet. I want to see

how high my colleagues think the interest rates ought to be. We have an amendment for 7 percent, one for 8 percent. I want to know how high people want the interest rates to be. Maybe prime is just right. I thought it was high. But we will have a chance to see. We have really got the issue focused now between the bankers and the people, and that is sort of where we have been trying to get it for several weeks. We may not get the social security bill passed as quickly as I had hoped, but that maybe all right if enough of my colleagues believe we have to protect the bankers and their interest rates.

Mr. President, I would like to discuss this for 30 or 40 minutes and give people a chance to refresh themselves and then maybe offer another amendment or two on this.

I say, very seriously, I just do not believe that this amendment to delay interest and dividend withholding belongs on the social security bill. Some others may disagree with me, but I do not propose to let it become a part of the social security bill unless we can properly amend it to make certain that we are helping the banks and their customers at the same time. I also would point out that the amendment is still subject to a point of order under the Budget Act. I think as we get nearer the deadline for the social security package Members will understand this is a very important piece of legislation which should not be hindered by an additional 6-month delay on withholding. We have already agreed to a debate on the withholding issue with the distinguished Senator from Wisconsin, which I thought was done in good faith, and that that would end the matter for a few weeks and give us a chance to pass the social security legislation before the Easter recess.

Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. DOLE. Mr. President, I do not want to unduly detain anybody, but I would like to pass the social security bill. There are 152 million Americans waiting for us to pass the social security bill.

The PRESIDING OFFICER. The Senate will be in order. Those holding conversations will please retire to the cloakrooms. The Senator from Kansas is trying to be heard. Staff who are conversing will please retire to the cloakrooms.

Mr. DOLE. We can play the games on withholding for the next several days, if that is what the Members want.

There are a lot of things in this bill on which the Senator from Kansas is trying to accommodate a number of his colleagues, on both sides of the aisle, but withholding is not one of them. It does not belong on the social security bill.

S 3506

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

If anyone is going to insist on putting it on the social security bill, the Senator from Kansas has to protect his rights and protect the social security provisions and try to defeat it somehow. If it cannot be done tonight, we will try tomorrow. If it cannot be done tomorrow, maybe Wednesday. If it cannot be done Wednesday, maybe Thursday. Maybe sooner or later the Senator from Montana will be successful, but I must oppose his efforts.

We still have a number of social security amendments—by the Senator from Florida, the Senator from Colorado, the Senator from Louisiana, and the other Senator from Montana. We thought we had five or six amendments on which there would be rollcall votes. But until we set this matter aside, we cannot proceed on the social security bill.

Mr. President, I do not want to bore people with recounting the reasons why we should not be doing this on this legislation, but I would not want any of my colleagues to leave the floor of the Senate thinking that we must inevitably take care of the bankers in this legislation.

Mr. GARN. Mr. President, will the Senator from Kansas yield?

Mr. DOLE. The Senator from Utah, who is the chairman of the Banking Committee and who supports repeal of withholding, stood on this floor about an hour ago and said he did not think it belonged on this bill. I thank the Senator for his support. We have an agreement to debate withholding on April 15, and he stated he would support me at this time, even though he does not agree with my views on withholding.

If we are not acting in good faith, if any of my colleagues thinks we have reneged on the April 15 agreement, that would be one thing. But I can assure my colleagues I am prepared to uphold that agreement. I must say however, that I am going to do all I can to frustrate the withholding amendment on this bill; and if it is necessary to put off social security, I will do the best I can to do that.

I yield to the Senator from Utah.

Mr. GARN. Mr. President, I want to repeat what I said before we came to that vote. We totally disagree on that issue. I am in favor of repeal. I have always opposed withholding at source. It is another example of Government asking the private sector to do its work for them. I will vote for repeal when we get that opportunity. When we get to April 15, I will vote with Senator KASTEN, and I will vote with him procedurally, and I will do everything I can to repeal withholding. I supported him last week, not only the substance but also on the procedural votes, on cloture. I voted with the Senator on his cloture motion.

We had a unanimous-consent agreement worked out by the leadership. I have been here only 8 years, and that is a relatively brief period of time, but I think we have seen the Senate at its

worst demagoguery tonight, because what I have seen is political positioning against an avalanche of mail. To hell with the Senate or any routine procedure for social security. We have to be on record for a 6-month delay; and when it is going to lose, we see a bunch of people running down there to get on the side of the angels. It is absolutely disgusting, in light of the agreement to debate this issue separately.

Nobody can be more against withholding than I, because I am chairman of the Banking Committee. A lot of those letters think it is JAKE GARN'S fault and not BOB DOLE'S.

Mr. DOLE. I do not think I deserve all the credit.

[Laughter.]

Mr. GARN. I say it is a revenue issue, not a banking issue. But I have received a lot of heat.

This is not the right place nor the right time to play political demagoguery. We have our opportunity. I said before to the Senator from Kansas that if we did not have an agreement, I would have noted with the Senator from Montana tonight. If we had not worked that out, I would do every procedural thing I could to repeal withholding. What is the matter with that?

I used to read about how the Senate worked. Now, on every issue that comes up, we have Senators wanting to get in the press to report what they are doing. I hope the press will report tonight what is going on and let the American people know there is an agreement to discuss this issue, up or down, on April 15, and that some of us will do everything we can to see that the Senator from Wisconsin prevails and that we repeal—not just a 6-month delay, but repeal. But here we have to play with it now on social security and delay that. I do not understand; I really do not. I have frustration and irritation with the political game which goes on on this floor.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. GARN. I will be happy to yield. The Senator from Kansas has the floor.

I do not understand. It is the easiest political issue in the world to go home and explain: I voted to table that because we have a unanimous-consent agreement to debate it on April 15.

If we have not got the guts to explain to our constituents that we have an agreement and we will have an opportunity to try to defeat the procedural motions of the Senator from Kansas at that time—but, no, on March 21, we have to delay the Senate so that we can get press. Let the press report over and over and over that there was an agreement, by unanimous consent, to bring this up on the reciprocity bill, prejudicing nobody's rights. In fact, it put us in a better position to try to debate it and defeat it at that time. But we have to play games with it tonight.

I have not changed my mind. There is no Senator in this body more opposed to the substance of getting rid of it than I. But I am not going to be part of the demagogery games for press purposes, when we can do it on April 15, 3 weeks away.

So I will continue to support the Senator from Kansas on procedural issues until we get to that date, and I am going to leave it. I am going to go back to the Senator from Wisconsin when it can be done in a proper, orderly manner.

Let us be statesmen. Let us go back to being a deliberative body, instead of parading for the press in here.

Mr. DOLE. I thank the Senator from Utah. I do not want to get all the credit for this. I know there is enough to go around. I do not see anybody else claiming it. I do hope, however, that the administration will come in more actively in supporting the President's 1983 budget.

I must say that I do not quarrel with the right of the Senator from Montana to offer the amendment. I have several amendments I am going to offer to his amendment. I would rather it not be on this issue, that we get on with social security. But if it is the will of the Senate not to pass social security before the Easter recess, I am willing to accommodate that wish. We can all go home right now. We will not miss many votes on this package.

I am committed to pass the social security bill as nearly as we can in the form recommended. It is not a perfect package, but I do not think it is helped any by this amendment.

I yield to the Senator from Arizona without losing my right to the floor.

Mr. GOLDWATER. Mr. President, I just want to comment that I stand with the Senator from Utah (Mr. GARN) on this. I oppose withholding as strongly as he does.

However, I suggest to the Senator from Kansas that he is probably losing this fight himself. I am getting damned sick and tired of hearing about the American Bankers Association.

I am a stockholder of a bank. My brother is a director of a bank. I have not had any mail from any banks. I do not even get checks from them any more.

[Laughter.]

I think the Senator should realize that the American people do not like this, and they do not care where you put the amendment, whether it is the 15th of next month or now, or wherever you want to jam it. Sooner or later, the American people are going to convince this Congress and the President that they do not like the withholding tax, or whatever you want to call it.

I suggest to my friend that maybe he should sit down and counsel with himself in the quiet of some room or, if the moon is up, maybe out under

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3507

the moon, and maybe decide that his tactic is not working.

Mr. DOLE. I say to my friend from Arizona that I do not question his integrity or logic when he is debating issues, and I do not appreciate his questioning mine, but that is a right he has.

I will say, as long as I have breath to say it, that I am going to fight to retain withholding on interest and dividends because it is a good provision. You do not have to agree with me, but, if not, you should agree that we should not have withholding on wages, either, and that repeal of both will make the tax laws fairer. If you are going to talk about earned income and earned income, you can.

I am going to spend my time on the Senate floor to preserve this provision.

If you have not had any mail from your banks, you have missed a great treat, because some of our offices are literally covered with mail.

I will be happy to send some over to the Senator from Arizona if he wants some mail. The Senator from Kansas has lots of mail.

I do my best to accommodate Senators in this Chamber, and I do my best to accommodate the President. If the President calls me and says, "Senator, forget about withholding," I would not be offended. It is not a personal matter with me.

I just repeat again that this is a part of the President's 1983 budget. I think it has already been made a part of the Record. We could all get personal about these things, and I hope that we do not succumb to that, but it is not very easy to try to retain this provision, in the face of this campaign of preprinted post cards. But I do not believe any of us were elected just to respond to the this sort of mail.

I know the Senator from Arizona would not do that. When I supported him in 1964, it was for that reason. You have to stand up sometimes even though it may not be the popular thing to do.

However, I would emphasize again that withholding was included in the President's budget of 1983. It was not dreamed up by the Finance Committee chairman, and it is not going to be frittered away by the Finance Committee chairman.

The Senator from Kansas may lose on this issue, but I will continue to criticize the American Bankers Association for a deceptive campaign, and they know it is deceptive.

If you read the Washington Post yesterday, you know it is deceptive.

The Senator from Arizona would not condone that kind of tactic, and no one in this Chamber would.

It is a deceptive, shameful campaign by the American Bankers Association. That does not mean it is being carried on by all the banks in our States. I think that, despite the association's ads, some of my bankers are beginning to understand that we are not picking anyone's pocket, that we are not loot-

ing their savings, that this is not a new tax, that peoples' savings are not going to disappear.

I would say that when the Senator from Kansas and the Senator from Iowa, Senator Grassley, put together a tax compliance bill last year, we did not include withholding. In fact, the Senator from Montana referred to a statement I made at that time about an hour ago. We knew that if we included withholding on interest and dividends we would create a firestorm.

What we tried to do is what everyone else is now suggesting that we should do. We tried to put in enough other compliance measures to collect the revenue. But the IRS, the Treasury, and the revenue estimates from the Joint Tax Committee staff told us that our compliance bill would not collect the taxes we were trying to collect.

But withholding was in the President's budget at that time. I recall him telling Treasury Secretary Don Regan that we would have a hard time enacting withholding. But we had a tough decision in 1982. The Senator from Arizona did not support it, but it was a tough decision. We had galloping deficits, we had galloping interest rates, we had a sick stock market, and the President said we had to do something to get the economy moving again. So we enacted \$100 billion in taxes recommended by the President, not the chairman of the Finance Committee, and we got to that revenue number for the most part not by adding new taxes, but by collecting taxes already in the law from people who have not been complying with the tax laws.

I am not going to defend people who do not pay their taxes. I do not care whether they be bankers, lawyers, Senators, or anyone else.

If that is being stubborn, then I guess I will just have to be stubborn. What is at stake here is a social security bill. We agreed in good faith to debate withholding on April 15. I have not reneged on that promise, and I do not intend to. That does not mean I have to cave in because someone else jumps up with an amendment 3 days after that agreement and says, "I want to delay withholding 6 months."

I remind the Senator from Arizona and others it was the Senator from Kansas who, because the ABA complained about the effective date of January 1, 1983, made the motion to delay withholding for 6 months. My record with bankers, S&L's, and credit unions is probably as good as anyone's in this Chamber.

However, that is not the point here. The point is we have at stake here about \$20 billion in revenue over the next 5 years. We must make the choice. Do you want to charge it to the deficit? This Senator does not. Do you want to collect taxes from someone else who is paying his taxes now, do away with the third year, do away with indexing, raise taxes on business to pick up the deficit? This Senator

does not. Do you want to cut spending \$20 billion the next 5 years? I would like to cut spending in some places, but not just to take care of those who are not paying their taxes. To me, that is not very efficient spending reductions.

So we will have to debate it awhile. It is not because the Senator from Kansas has anything personal at stake, but I would hope if you have a conviction and if you have a responsibility, you have a right to carry out that responsibility. That is what this Senator intends to do.

The Senator from Arizona may be correct that there is a majority who would like to get rid of withholding. We could all write back and say, "Well, this was a bad thing to do."

But I have not yet been convinced that, if it is so bad to have withholding on unearned income, why it is so good to have withholding on wages and salaries? Can no one tell me why, if it is so good to take it out of the worker's check, it is not right to withhold on everyone else's check? Why should it not be taken out of interest and dividend income?

And I may say those who pay out dividends are not complaining. The corporations are not complaining. They are simply complying with the law.

It is the savings institutions and the banks who have led the charge, and maybe we should give in. I guess that is the way you get ahead around here; just cave in and say, "Well, I cannot stand the heat. My colleagues are upset. They want to get rid of withholding. It is causing a lot of pain and a lot of grief."

But I just suggest I must be convinced of two things: First of all, if we had this delay and the bankers said, "OK, we want 6 more months to make it work," then I would say we should talk about that. If I were convinced the banks had made only an honest effort to repeal this, then I would say, "OK, we did the best we could."

But I believe, and I can see it in my own mail, that the tide is starting to turn. Many have listened to one side only. We have been covered up with hundreds and thousands of postcards from people who did not understand the law at all. We have cards saying this is a new tax. It is not a new tax. The Senator from Montana does not claim it is a new tax, to his credit. We have cards saying, "You are taking away my savings and I am frightened; I am 65 years of age," or "You should not collect taxes on interest."

That is not even the issue. IRS collects taxes on interest and dividends income with certain exceptions.

I do not know what the answer is. The answer as far as this Senator is concerned is not just to cave in. The answer is to debate it, to keep the agreement we made last week to bring it up on April 15, and then try to have it out.

It is going to be a freestanding debate. The Senator from Kansas has his rights and every other Senator has his or her rights, but there are Senators in this Chamber who strongly support withholding—not just one Senator. I would guess there are probably 38 to 40 Senators who feel pretty strongly about withholding.

We do have veto provided by the Constitution but we cannot just govern by veto. If we have to start everyone adopting the popular thing around here, I think we should repeal all the taxes. A lot of people do not like income tax at all. Why have it? Just have a voluntary system. Mail in what you want at the end of the year and we will see how it comes out.

Let us not pick on the working people. Most of them, like me, do not care who owns stock in banks. They do not own any stock in banks, or intend to own stock in banks. I do not own any banks. I am not a director in any bank. I do not have much interest income from the banks. I do not care if they withhold on that interest.

So I would just say I have a feeling this debate is starting to heat up, and I would hope that we could stick with the issue.

We came here prepared to dispose of the social security package last week. It should have been done, but no, we could not do that because we all had to cringe because of the bankers, and we delayed the jobs bill.

Maybe that is all right. Maybe the jobs bill is not that important. Now we are faced with social security, and maybe that is not that important. But if somebody has a better idea on how to handle the social security package and we still have got five or six amendments which are going to be debated, then the Senator from Kansas will welcome the idea. But I do not intend, just because one Senator criticizes me, to walk off the floor. I do not want to displease anybody in this body. I do not want to displease any Senator in this body, but I do want to make my point, and once the point is made, some may change their view. Let us take a look at this Kiplinger Tax Letter. That is a fairly respectable letter; it is something I did not talk about earlier that might be of interest. I kind of believe if we ever have an issue, and it is very important, I would rather have somebody up fighting for what he thought was right than yielding to pressure.

This is what the Kiplinger Tax Letter said on February 25:

First, withholding. It is not a new tax . . . or an extra tax, as some opponents have said. Nor does it make 10 percent of savings disappear.

That is what they are saying in the bank ads. I do not know whether you have ever seen the bank ads, "Are your savings going to disappear?" That is not my answer, that is Kiplinger's answer. "Small savers are exempt."

It goes on:

The amount of tax that is withheld does not disappear.

It is used to reduce what you owe when you ante up in April . . . or you can trim your estimated tax and payroll withholding during the year.

Your savings account needn't be reduced by the 10% tax. Your bank can tap your checking account for it or you can deposit that much more.

Withholding is aimed at tax cheaters . . . to make them pay something instead of having their share picked up by hiking taxes on honest folks.

I do not even agree with that last statement. I think a lot of it is inadvertent. Most taxpayers are honest, but we are told by IRS that there are 20 million Americans who do not report all their interest and dividend income, and I have to believe most of it is inadvertent and not dishonest.

What do we say? Do not worry about it, we will get it from the workers? We will get it from somebody else? It just seems to me if there is a principle involved here, it is tax fairness.

I have heard a lot of speeches on tax fairness. A lot of people have introduced a flat-rate tax proposal, to make everybody pay, with no exemptions or no deductions or a few exemptions or no deductions. That is tax fairness, and withholding is one way to make sure everyone pays their fair share.

So, Mr. President, I hope there will be some resolution of this, something that will satisfy those who want to leave to fight another day on this issue.

I can tell the Senator from Arizona or anybody else that I do not get any great pleasure in coming over here every day and fighting withholding. There are a lot of other things in our committee we ought to be addressing, including health care for the unemployed, medicare, trade, a lot of issues that affect a lot of States that we cannot get to because every day we have to come over and fight withholding. So from a personal standpoint, the easiest thing to do would be to say, "Get rid of it and let the President worry about it."

So, Mr. President, I would like to yield to the distinguished Senator from Idaho for a motion without losing my right to the floor.

Mr. MELCHER. Mr. President, reserving the right to object—

Mr. LONG. Reserving the right to object, Mr. President, has the Senator been given consent to yield without losing his right to the floor?

The PRESIDING OFFICER. The Senate has not been given such consent. Is there objection?

Mr. LONG. I object.

Mr. DOLE. Mr. President, I do not know what the motion was, but it was in some way to end the impasse and get on with the social security bill.

But if that is not going to be permitted, then I think we will either offer additional amendments—

Mr. MELCHER. Mr. President, will the Senator yield?

Mr. DOLE. The Senator will yield for a question without losing his right to the floor.

Mr. MELCHER. Yes. If the Senator will yield for a question, and I thank the Senator for so doing, this would properly be described not as a debate, but it would most properly fit into the category of a filibuster; is that correct?

Mr. DOLE. Not yet. But I think it could be properly classified at some point. I do not make any bones about it. If this amendment has to be on the bill to get social security, then it is a filibuster. I am making the choice we have to make particularly since we have agreed to debate it later on. I may have to yield on that someday. I am not suggesting I can hold the floor that long, and I am certain a lot of people are eager to get up here and help me, but they are a little slow about it, but it will come.

I think the more we discuss this issue, the more people understand this has been a multimillion-dollar campaign. You can defend the banks all you want to, but you cannot defend them on this issue, and the Senator from Kansas has defended the banks, and I think my record is as good as that of anyone else with the banks. But I do not have to stand here and accept a deception or have my integrity questioned by the banks or their ads or some of those who contact you who have no idea what even some of the bankers think—and I cannot believe bankers if they understood all that was going on—I hope they all read that Washington Post story—I cannot believe that they would enter into a campaign like this one, as though you were getting ready to market tomatoes or gasoline or automobiles; put people in a room where you can look through a one-way mirror and see what their reactions are. The only thing we do not know is what questions were asked and what information they were given.

I will bet that I know what information was given. I will bet they told the people that this is a new tax, and the response from the participants was, "I don't want a new tax." This Senator does not want a new tax either. I will bet the bankers told them they were going to take money out of their savings accounts, maybe even that the Government was going to loot those accounts, and were told, in turn, "We wouldn't want that" and I would not want it either. We do not know what the bank lobbyists told the participants, although they had this marketing seance and they paid each \$25. They questioned them a while, and then probably concluded, "we can really rev this thing up. We can really frighten the people and, in turn, frighten the U.S. Congress."

It has been very effective. I just read a while ago where the credit unions themselves are going to send me 12 million pieces of mail, 8 million stuff-

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3509

ers and 4 million response cards all coming to me. That is flattery. I will have the best mailing list in America. We do not have all of them yet, but they are coming in. That seemed to be a little bit of overkill. The credit unions have been tame by bank standards, and so have been the savings and loan institutions.

I do not know what motion the Senator from Idaho had in mind, but I cannot do it because I was on the wrong side. So that takes care of that.

RECESS UNTIL 10 A.M. TOMORROW

Mr. BAKER. Mr. President, will the Senator yield to me without losing his right to the floor in order for me to establish a time for the Senate to convene tomorrow?

Mr. DOLE. I yield.

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, if the Senate recesses at this point, I guess the pending business will be this amendment; is that correct?

The PRESIDING OFFICER. The pending question will be the amendment of the Senator from Montana.

UP AMENDMENT NO. 103

(Subsequently numbered amendment No. 832.)

Mr. DOLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk read as follows:

The Senator from Kansas (Mr. Dole) proposes an unprinted amendment numbered 103: In lieu of the language proposed to be inserted by unprinted amendment 103 insert the following:

DELAY IMPLEMENTATION OF WITHHOLDING ON INTEREST AND DIVIDEND INCOME

SEC. . Section 308A of the Tax Equity and Fiscal Responsibility Act of 1982 is amended by striking out 'June 30' and inserting in lieu thereof 'December 31'; provided however, the foregoing delay shall take effect only if the average prime interest rate charged by the Nation's ten largest banks is 8 percent or less on June 30, 1983, and that delay shall remain in effect only as long as that average prime rate remains below 8 percent."

SEC. . MINIMUM FOR MONEY MARKET DEPOSIT ACCOUNTS

Section 204(c)(1) of the Depository Institutions Deregulation Act of 1980 (12 U.S.C. 3503(c)(1)) is amended by adding at the end thereof the following: "The Committee shall not establish or maintain a minimum balance requirement higher than \$500 for deposit accounts authorized by this subsection."

MOTION TO RECONSIDER THE VOTE TO TABLE UP AMENDMENT NO. 103 ENTERED

Mr. McCLURE. Mr. President, I enter a motion to reconsider the vote by which the motion to table unprinted amendment No. 103 was rejected.

The PRESIDING OFFICER. The motion has been entered.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, let me explain the amendment. The Senator from Kansas offered a similar amendment earlier—maybe the interest rate appeared too low, maybe everybody does not believe that we can get it down to 6 percent, so we raised it to 8 percent. If that happens then, of course, you delay withholding, as the Senator from Montana wishes to do, for a 6-month period.

Apparently Members here do not want small savers, working people to buy money market funds, so we raised it from \$300 to \$500. The minimum now is \$2,500. I hope that, with this change, again we can focus on the real issue.

Now, if we are concerned about delay and if we are concerned about depositors, let us make it clear. You cannot put your \$500 savings in a money market insured account. It has to be at least \$2,500. Why can you not put less in a money market account? Because that means that much of the money will come out of the passbook savings which pay only 5.5 percent. This would make it possible for people with only \$500, which would be most Americans, to go in and get a money market fund rate of interest, to receive 9 percent rather than their passbook savings rate of 5.5 percent.

It is a serious amendment. If, in fact, you are concerned about the delay of withholding, as the Senator from Montana is, then I believe this would tie it to that and would make it feasible.

So, Mr. President, I hope that at the appropriate time we might act favorably on the amendment.

Mr. LONG addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Mr. President, I would like to make clear for the record that there are many of us who were here when the agreement was made with Mr. KASTEN that his amendment would be considered in connection with a trade bill at a future date.

Mr. President, I was here at the time that unanimous-consent agreement was made. I made it clear at that time that I personally would object to including in that unanimous-consent agreement a stipulation that would preclude any Senator from offering either the Kasten amendment or anything that has to do with withholding on the social security bill.

I did not have in mind at that time offering such an amendment, Mr. President. I was aware of one Senator, not Mr. MELCHER, but another Senator who was thinking about offering such an amendment, basically the Kasten amendment, on the social security bill. And with that Senator being absent from the Chamber, I thought it was my duty to protect his rights. So far as I know, he has not chosen to offer such an amendment.

I think it should be clear, Mr. President, that if there was some agree-

ment with Mr. KASTEN or with some of his supporters that they would not offer or not vote for a withholding amendment on some other measure other than the trade bill that Mr. KASTEN had an agreement about, that did not apply to many of us. I know it did not apply to the Senator from Louisiana, and I am not aware of anybody who agreed to be foreclosed from offering an amendment dealing with withholding on some other revenue measure.

It was my view all the time that Mr. KASTEN, in complete good faith and complete sincerity, made a noble fight for the position that he believed in. He carried on that fight with a great deal of adverse publicity from a daily newspaper here in Washington, D.C., and with some perhaps unfair presentation against him in other areas of the media to suggest that he was not within his rights or he was doing something improper by offering that amendment on the jobs bill.

Mr. President, I would have had some difficulty supporting Mr. KASTEN if a point of order was made that his amendment was legislation on an appropriations bill, because the Senator from Louisiana likes to uphold the Chair when he thinks the Chair is right. Generally speaking, he knows the Chair is ruling after getting the advice of the Parliamentarian and so, in most cases, the Chair is right. Certainly, in most cases, the Chair is completely sincere in his ruling, and the Senator from Louisiana feels an obligation to support the Chair when he believes the Chair is right. I may have deviated from that on occasion, but very seldom.

I had advised Mr. KASTEN that, in my judgment, the jobs bill was not a good bill on which to offer the amendment, because I would not be able to vote with him on a point of order of germaneness if that point of order was made on that bill. The Senator from Wisconsin, for reasons best known to him—and I think I understand what some of those reasons were—elected not to offer the amendment on some other bill, but instead to offer it on the jobs bill. He made a noble fight and I applaud him for the effort he made.

Mr. President, the fact that the Senator from Wisconsin offered his amendment on what I believe to be the wrong bill should not preclude those who strongly believe in repealing withholding on interest and dividends from offering their amendments on some other measure. It is clear to the Senator from Louisiana that if they are going to get any action, they are not going to get there on some minor money bill. They are going to have to have something that is headed for the President's desk and they are going to have to offer it on something that has a lot of steam underway.

I oftentimes make a comparison when you offer something as a rider to

S 3510

## CONGRESSIONAL RECORD — SENATE

March 21, 1983

a bill, a comparison to a rider on a horse. For an amendment that has the opposition of the chairman of the Finance Committee, has the opposition of the President, has the opposition of the Speaker of the House, has the opposition of the chairman of the Ways and Means Committee, in order to get that type of revenue amendment to the President's desk and have any chance to be written into law, that rider has to be on a big, strong horse. It cannot be on a very weak horse because, otherwise, it is not going to go anywhere.

Mr. KASTEN was persuaded to agree to debate his amendment and offer it on a trade bill, a bill that is favored by the administration, but a bill that has not even passed the House of Representatives. The bill would be subject to a constitutional objection in both Houses in that revenue bills must originate in the House of Representatives. In the judgment of this Senator, if that is all the Senator has an agreement on, it does not have a strong enough force to carry his rider anywhere, even as far as the House of Representatives; and certainly not past the House of Representatives. The Senator from Louisiana has felt all along that if this matter was to be acted on favorably, it would have to be added to a very significant measure, something that was headed for the White House.

Now I can appreciate the position of the chairman of the committee. He feels strongly about the matter. I have no doubt that he is just as sincere as everybody else who has taken part in this matter. I realize that he is making a noble fight for his position as the good Lord gives him the light to see it.

But, Mr. President, I do not think the chairman of the committee, or any single Senator charged with a parallel responsibility, over a period of time can stand in the way of major measures that he has the responsibility of passing through this body and sending over to the other House for the House of Representatives' judgment, and on down to the President.

I have been accused of filibustering some measures when I was managing on occasion. From my point of view, it was not a filibuster. It was a very informative, well-considered debate—because over a period of time I got my way about the matter and if you do, it is not a filibuster. If by delaying the matter and prolonging it, whoever is the manager of the bill proceeds to have his way about the matter, that is not a filibuster. That is very effective debate in the best tradition of the Senate.

So, in a way, one might say it is the other guy, it is the fellow who was just sitting there and listening, who was doing the filibustering. Because if you win, it is apparent on the face of it that the speaker convinced the audience to see it his way.

But I do think, Mr. President, that the record should be clear that there

are a lot of us here, and I think perhaps a majority—we will see whether it is a majority, but certainly a lot of us—who have taken the position that we will vote to repeal the withholding provision. Having done so, we believe it our duty to vote to do so at every opportunity.

To make that stick you cannot vote to do it on this bill but not to do it on that bill. You cannot afford to take the attitude: "Well, you see, we tried this time, but we led off on the left foot and we should have led off on the right foot. So we cannot vote for it this time. We have to wait to start off on the other foot." If you do that, there will be somebody who thought you started out on the right foot to begin with.

You simply have to be consistent in taking the view that this matter ought to be changed and that the amendment should be offered on a significant bill, not just one bill, but just keep offering it on significant bills up until you finally get it on something that is going to the House of Representatives. If the House of Representatives, for some reason, escapes a vote over there, then offer it on something else headed that way.

I do not believe, Mr. President, that those of us who happen to agree that it was a mistake to enact withholding and that the matter should be repealed ought to be held up to opprobrium and scorn for doing what we think is right. I am not sure anybody wants us to do that. We are voting as we think we should on this occasion.

I would hope that in due course we would have the opportunity to vote on the amendment.

I do not challenge the right of the chairman of the committee to do what he is doing. He has every right to debate the matter at length, to offer amendments, and to resist, in every way he knows how to resist, an effort by those who would like to change something that he thinks is very good law and thinks should remain in the law.

But I do think that he and all of us in due course will, and I think should, agree that this is a matter which has sufficient support in both Houses. The majority of the U.S. Senate thinks this provision ought to be repealed. A majority of the House of Representatives thinks it ought to be repealed. In the name of democracy, why can we not vote on that measure? Why should we not be permitted to have a vote?

This Senator knows how to delay matters. He has done it many, many times, and I am sure that I will do it again between now and the time the good Lord calls me. I think it is in the best tradition of the Senate that one who feels strongly against the view of the majority should make himself heard, should fight for what he believes in. So I applaud the Senator from Kansas for the fight he is making. But I do think, on behalf of the rest of us, if we in the majority

have told people we are going to vote to repeal this—and I have answered those 58,000 letters telling them that I will vote to repeal that provision—if we are sincere ourselves, then it seems to this Senator that we have no business being weak in our resolve, that we should steadfastly support the position to which we have committed ourselves until such time as we have a vote on it, until such time as we send it to the House of Representatives to see what the House will do on the matter.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I do not quarrel with my distinguished friend from Louisiana, but even though there might be a majority on this position, a majority here and a majority in the House, as I indicated earlier the President could still veto any measure which passed, and it would require a two-thirds vote to override that veto.

I cannot speak for the President on the social security package, though I know he wants this very badly. I may speak long enough to find out from the President, to find out if he intends to veto the social security package if this amendment is on it. We might as well find out so everybody knows what the ground rules are. If that is what we want to do, then I think that is the choice we have to make.

I can recall—and I do not want to get into a quarrel with the Senator from Louisiana or the Senator from Arizona or anyone else—I remember on the windfall profit tax, they wanted to tax royalties, and the Senator had 70-some votes, but he would not stop talking. I supported the Senator from Louisiana. Do not give me that line about a majority. The point is when you think you have a majority. That took several days, as I recall. I supported the Senator from Louisiana and the Senator from Missouri stood there with 20-some votes when it was over. That was a clear majority on the windfall profit tax vote. I tucked that in my mind for the day when someone would say, "I have a majority against it, why not everybody give up?"

Mr. LONG. May I say to the Senator, if I had known I had 70 votes, I would not have been talking so long.

Mr. DOLE. Well, the Senator had a pretty good whip check. I think he was off by one.

I do not quarrel with the Senator from Louisiana. Some issues depend on who has the responsibility of leadership. The Senator from Kansas has that responsibility in this Congress. If I did not have the responsibility, if I were not in the majority, maybe I would not be supporting withholding. I have been guilty of a lot of game playing over the years, and I have been on both sides of the withholding issue—I voted with the Senator from Louisiana for withholding in 1976, I

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3511

put out a strong statement in 1980 that it was a bad idea, I am now finding out it may not be a very good idea as I hear my colleagues discuss it and discuss me in the process—the point is it is the law since 1942 for wages and since 1982 for interest and dividends.

I might also say that it is in the law in Japan, where 20 percent is withheld on interest and dividends; in the law in Germany at 25 percent on dividends; 35 percent in the United Kingdom on interest; in the law in France at 10 percent on corporate bonds; in the law in Belgium where it is 20 percent on interest and dividends, and in the law in Italy where it is 30 percent on interest and dividends.

This is not an idea that has sprung up overnight in this country. In fact, I believe it has been in the law, off and on, for well over 100 years.

I will be happy to yield to the Senator from North Carolina for a question.

Mr. HELMS. I do not have a question, Mr. President, but I wonder if the Senator will yield with the understanding that he would not lose his right to the floor.

Mr. DOLE. I will be happy to yield but not for the purpose of any amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from North Carolina.

Mr. HELMS. I thank the Senator from Kansas, and I thank the Chair.

Mr. President, I do not agree on this issue with the distinguished Senator from Kansas, but unless I misread this Senate, he need have no concern about many Senators not admiring the fight he has made. I know from some small experience it takes a little bit of guts to stand up against a difficult proposition. As a matter of fact, I had a confrontation with "Rudolph the Rednosed Reindeer" last December, and now the Senator from Kansas is apparently going to have one with the "Easter Bunny."

But, Mr. President, I do admire the Senator even though I do not agree with him on this particular issue, though I may later on with the persuasive powers which he has.

I do want to refer to a comment made earlier that it was demagoguery, as I heard the comment, to vote in favor of repeal or delay in the implementation of the withholding on dividends and interest.

It is not demagoguery. I would say furthermore that when the unanimous-consent agreement was offered and agreed to, I specifically asked the leadership if that would exclude this matter being considered on the social security bill. The answer of the majority leader, of course, was it would not. I even asked if anybody would be offended if the repeal were to be considered, and the answer to that was in the negative.

I will say that in my judgment, Mr. President, the offer that the distinguished Senator from Wisconsin ac-

cepted and agreed to was scarcely any offer at all because the reciprocity bill on its face is unconstitutional. It is never going anywhere. A vote on that would be absolutely meaningless.

I did not mean to digress so far, Mr. President. I simply wanted to pay my respects to the distinguished Senator from Kansas and to assure him that insofar as I know, certainly speaking for myself, I have only the highest admiration for him for fighting the fight that he feels should be fought. I thank the Senator for yielding.

Mr. DOLE. Mr. President, I thank my colleague from North Carolina. I hope the record shows that even last Christmas the Senator from Kansas was not one of those who was seeking to limit any Senator's rights because this Senator happened to be on the other side of an issue. In fact, as I recall the debate, I think I said, "Well, this has gone far enough." Many were critical because they wanted to go home for Christmas. The gas tax probably secondary in many cases. I hope I did not step over that line.

Mr. HELMS. The Senators did not. The Senator is always honorable.

Mr. DOLE. Again the bankers have done an effective job. They have lots of money. They do not pay much in taxes, so they have a lot of money to spend on things they mail out. This is a little speech they sent out marked "Speech Copy." Just in case you could not write one yourself, they provided one. On this issue, I do not need anybody to provide anything, but on most things, it is a question of whether we can read or not.

I might say I agree with the Senator from Arizona; if the staff ever left the floor, the Senate would probably adjourn in May of every year, but somebody always finds something for us to say or an amendment to offer.

This little speech is entitled "The Government Wants a Piece of Our Savings." The title itself would not indicate anything wrong with this law. It just says they want a piece of our savings.

Then the copy says:

There's something I'd like to talk with you about that's part of the tax legislation passed this year. This part of the new tax law did not receive a lot of attention, but I believe it's a consumer volcano that is about to erupt.

It was not about to erupt when this speech was drafted, but put a few million dollars along with the speech and you can get anything to erupt.

A part of the new law due to go into effect in July of next year requires to make a mandatory interest-free loan to the government.

That is a little overstatement. I imagine the working people of this country feel a little concern about that. They have been making interest-free loans to the Government for the past 40 years. And other taxpayers who pay estimated tax will likewise be skeptical. Again, the point I make is why should we withhold on the work-

ing people of this country, but not on those who receive unearned income?

The speech goes on:

This will happen—and you will have no choice in the matter—because the government will be requiring all institutions that make interest and dividend payments to their individual customers to withhold for federal taxes ten percent of the interest and dividends you have earned.

That is a little misleading, because many taxpayers are exempt—

This means the Government will have free use of your money. It means you and I and the other Americans who earn interest on dividends will lose a lot of money.

What about all the wage earners? They lose a lot of money all year, because we are withholding it on a weekly basis, every 2 weeks, every month:

Savers and investors will lose an estimated \$1.5 billion in reinvestment and compounding on their earnings.

On July 1, 1983, the government will cut taxes by 10 percent. On the same day, the government will reach into your savings account to withhold 10 percent of your interest earnings.

The obvious ploy there is to indicate that you did not get a tax cut; we are going to take it all back because you are going to pay taxes on your interest. Most people pay taxes on their interest and I assume most people pay taxes in any event.

Then they go on to talk about the Government's purpose in this law. Then they say:

But let's look at the facts. According to the Treasury Department, Taxpayers are already paying taxes on 95 percent of their interest and dividend income that is subject to reporting.

That is not accurate. They know that is not accurate. That study was based on three conditions that have to be met. I shall come back to that.

When you consider that approximately 75 percent of individual tax returns submitted end up with refunds, it is pretty obvious that instead of real income to the Treasury, there will be a surge of unreal new money in 1983, most of which will have to be returned to the taxpayers the following year.

Then they went on to talk about disincentives to savings. I think that was probably fairly accurate. They did point out that there were exemptions. I must say the bankers thought we added too many exemptions. That is one objection they had. Maybe we did. Maybe it made it difficult for the banks. Maybe they had to put two computer buttons on instead of one.

While I am thinking about it, not all the big banks are for withholding. Citicorp and Citibank is a strong opponent of withholding and it is a fairly substantial bank. The make a lot of loans to foreign countries. They have urged other banks not to seek a resolution of this issue.

The procedure for getting an exemption brings up a major privacy concern.

Then they go on to make it appear that you are going to have to reveal a lot of facts about yourself and your



income when you want an exemption certificate. That is a flatout mistake. All you have to do is fill out boxes to say you fit in one of five categories. You do not have to say how old you are, anything, just check the box. Just put your name, your State, your account number, and you sign. That is all you have to do.

How would you like your bank teller who may be your neighbor or a member of your church, to see how much tax you pay?

That is deception. Where is the W-6 form? That is flatout deception. It goes on to say: "Isn't this a personal matter?"

Here they are planting the seeds of distrust and doubt, saying, "Oh, you can't trust the Government. They are going to make you pay."

All you have to do is check one box. You do not have to check that your tax liability was \$600 or less, that you are 65 or older, that your spouse, along with you, filed a joint return, if your tax liability was \$1,000 or less. You do not have to say, "My spouse and I are both 65, we filed a joint return last year." You do not have to check any of those. You just check a box. The box says, "To claim an exemption on the account above, check here." There is no mention of specifics. Your neighbor is not going to know anything.

Then, on the next page, the speech says:

This means banks and other institutions will be required to file more reporting forms and the IRS will be required to improve its recordkeeping. These approaches are much more effective than withholding, which penalizes millions of taxpayers.

And besides costing savers and investors \$1.5 billion in lost reinvestment and compounding, advance withholding will cost the Treasury millions of tax dollars it could be earning on taxes payable on those earnings.

That is not true, either. There is no expense at all because we have a float built into the law, which says to banks, whether they are big, small, or medium-sized banks, you are going to recover enough from the float to pay your expenses.

Then they say the Government will be literally picking the taxpayers' pockets. This will give the Government permission to what? To loot your savings account, they say.

That is the American Bankers Association speech. They sent it out to people all around the country. According to them, we are going to be picking their pockets and we have permission to loot their savings account.

If you listened to that speech and you were 65 or 45 or 25, you would be mad. You would be outraged. You would be very willing to fill out a few cards and send them to your Congressmen, particularly when the banks pay the postage. All you have to do is sign your name. In some cases, you do not have to sign your name.

Mr. METZENBAUM. Will the Senator from Kansas yield for a question?

Mr. DOLE. I am happy to yield to the Senator from Ohio.

Mr. METZENBAUM. The Senator from Ohio is perplexed as to how the banks have been able to send in so many thousands of pieces of mail or cause them to be sent in. Obviously, they had been printed up. I have before me the Tax Code, which provides that provisions of paragraph 1 shall not be construed as allowing the deduction of any amount paid or incurred in connection with any attempt to influence the general public or segments thereof with respect to legislative matters, elections, or referenda.

My question is, how have the banks been able to figure out a way in which they can deduct from their expenses all of the costs which they have incurred in connection with this lobbying campaign when the code specifically spells out that that is not permissible?

What steps, if any, will be taken by the IRS to cause the banks to pay out of their own funds these dollars? As I see it at the moment, it appears that the taxpayers are actually subsidizing this lobbying campaign to influence the results of this vote that is on the floor of the Senate at the moment. I wonder if the distinguished Senator from Kansas, chairman of the Finance Committee, can explain how the banks are able to do this at the taxpayers' expense?

Mr. DOLE. Mr. President, I appreciate the question. We have been wondering about that ourselves. I must say in fairness to the banks, I do not believe many banks are going to try to deduct this as a business expense. In fact, some of the ads I have seen clearly state that this is not deductible.

I must say, again alluding to the Washington Post story of yesterday, it says here:

Perhaps as many as 80 million such "statement stuffers" went out; no one has an exact count. The returns were dramatic. The Senate mail room reports that its first-class mail volume has ballooned from 5 million pieces in the first two months of 1982 to 9.5 million in January and February this year, with the withholding issue accounting for virtually all of the increase.

In other words, in most of those, the bankers paid the postage. They ran them through their meters. I am not certain how we are going to determine how much the taxpayers paid for all this misinformation from the American Bankers Association.

But I assume it is a substantial amount. We are investigating that, I might say to the Senator from Ohio.

Mr. METZENBAUM. It seems to this Senator that maybe we could help balance the budget if we could get the bankers not to deduct all the expenses they incurred in connection with this lobbying effort on their part.

Mr. DOLE. I certainly share the concern expressed by the Senator from Ohio, but I have seen, I must say, many cases where it is explicitly stated but, as the Senator knows, the section he referred to prohibits the deduction of grassroots lobbying costs. And we have been told this is a grassroots

campaign. They should not be deducted. I am not certain what the Senator from Kansas can do about it, but I hope to—

Mr. METZENBAUM. Certainly the Senator from Kansas is in a position to prod the IRS to make some necessary inquiries to see that this lobbying campaign is not deducted and that the banks, savings and loans comply with the language of the law, which is obviously very specific, and I would hope the Senator would do so.

Mr. DOLE. I appreciate that, and I think I am prepared to take whatever appropriate action I can to make sure the law is complied with; that is all, no more, no less. I would guess that many banks are in total compliance and some may not be, but I appreciate the question, and it is a matter that I hope to discuss with the Senator after the debate.

I would just like to conclude and then I will yield to the majority leader.

I was going to wrap up on this little prepared speech that the bankers sent out all across the country. I might just say again that some bankers, after they read the speech, refused to use it. The point is it was distributed all across the country. In addition to saying we had authorized looting—that is what the bankers said, looting of savings and picking pockets—they wanted to issue a challenge to:

Ask your Congressmen and Senators to commit themselves on this issue. Let them know that this issue is important enough to sway your vote.

And on and on. I do not really quarrel with that, but they talk about this grassroots movement to get this repealed. And they conclude:

The Government wants a piece of our savings. Instead, let's give Congress a piece of our mind.

Well, again "a piece of the savings" is a misrepresentation. All the Congress wants, all the Government wants, all the people ought to demand—in fact, if I were a taxpayer, I would demand it—is that the Congress not give in on this issue. If I were paying my fair share of taxes, I would not want my neighbor, or my neighbor's neighbor, or someone in the next town, or somebody in the Senate, or some physician, or some banker, or some worker, or whatever not to pay their fair share.

We have spent a lot of time in this Chamber talking about unfair taxation, and raising taxes, and spending the taxpayers' dollars foolishly, but I cannot believe we can justify telling the American taxpayers, the people who pay their fair share of taxes, that we do not really believe in fairness and we do not believe that we should withhold taxes on unearned income, only on earned income.

I hope that we can continue to debate this issue. I know that it is going to be frustrating, and again I do not want to get at odds with any

March 21, 1983

## CONGRESSIONAL RECORD — SENATE

S 3513

Member of this Senate; the Senator from Kansas plans to be here awhile. I understand that you cannot make these things personal, so the Senator from Kansas is willing to debate it fairly but debating it fairly means giving us the same opportunity the bankers have had the last 60 days without any opposition and giving us the opportunity to inform the American people. I have to believe that people in my State trust me for the most part, and I really believe that those who have written letters that were less than friendly, if they really focused on the issue and if they are paying their taxes—and most of them are—will say: "Well, we made a mistake." In fact, I will bring letters to read on the floor tomorrow, or the next day, or the next day where people who have the facts apologized for sending the postcard. There are a lot of those people out there. They are good people. They are like anybody else, however; if you tell them something long enough, they will believe it. If we take money out of their savings, they ought to come back and talk to us.

We ought to set the RECORD straight and we have to have both sides of the argument. I know it is difficult to take on a powerful lobbying group, and I am certain others have done a better job than this Senator in other issues at other times, and I know this time will pass. But until it passes, the Senator from Kansas is going to make every effort he can to make certain that the law is not repealed or delayed unless we can assure the depositors across this country that the banks are going to cooperate in lowering interest rates and permitting people who do not have \$2,500 to buy money market funds and some other basic changes.

We may not succeed in that. I am almost convinced that the bankers may be too powerful for any change at all.

Mr. BAKER addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, first let me say that I congratulate the Senator from Kansas. I not only agree with him, but I admire him for the courageous stand he is taking. I think he is correct, and I think time will prove that he is correct.

MEDICARE STUDY ON IMPACT OF PROSPECTIVE PAYMENT METHOD

● Mr. LONG. Mr. President, my good friend and colleague, the Senator from California (Mr. CRANSTON), has asked me to ask the distinguished chairman of the Finance Committee (Mr. DOLE) a question regarding section 303(a)(2)(C) of S. 1 as reported. That provision requires the Secretary of Health and Human Services to conduct and report to the Congress on studies related to the advisability of making changes in the diagnosis-related group prospective payment method in certain situations.

The Senator from California's question pertains to the scope of the study and report to the Congress—required by clause (iii) of section 303(a)(2)(C)—on "the application of severity of illness, intensity of care, or other modifications to the diagnosis-related groups, and the advisability and feasibility of providing for such modifications." The concern here is whether these DRG modifications would take account of the proportion of severely ill patients that hospitals serve, the proportion of high-intensity care that they provide, and the proportion of cases in which they provide complex care. More specifically, the question is whether the Secretary is intended to study and report on whether hospitals—typically large urban hospitals—that treat disproportionately large numbers of severely ill patients, and provide complex or highly intensive care in a disproportionately large number of cases receive equitable levels of payment under the new system and, if they do not, what changes in the payment methodology should be made to insure that they do.

Mr. DOLE. Mr. President, I assure my good friends, the distinguished Senators from Tennessee (Mr. LONG) and from California (Mr. CRANSTON), that this study provision definitely is intended to require an evaluation of the impact of the new prospective payment system on tertiary care institutions providing complex care and having a high case-mix intensity. The study is also intended to focus on what, if any, remedies would be appropriate to insure that they receive equitable treatment under the new prospective payment system.

Mr. LONG. Mr. President, on behalf of the Senator from California and myself, I thank the very able chairman for that very helpful clarification.●

● Mr. DOLE. Mr. President, the Senator from Kansas has been questioned by the Senator from Georgia (Mr. MATTINGLY) and others about the effect of the Finance Committee provision clarifying the effect of dictum in the Supreme Court's decision in Rowan on the issue of the taxation of fringe benefits. I would like to assure each of my fellow colleagues that this provision which limits the scope of the Rowan case is not intended to change the law on the issue of the taxation of fringe benefits either for income tax or social security tax purposes.

Some employers have argued by analogy that the Internal Revenue Service regulations under IRC section 61—defining gross income—or Internal Revenue Service regulations under IRC section 3401—defining wages for purposes of income tax withholding—exclude certain employer-provided benefits from inclusion in the social security wage base of employees. When the Supreme Court decided Rowan Companies, Inc., against United States, which held that the value of meals and lodging which are

excludible from the gross income of an employee are also excludible from the social security wage base of the employee, it also stated that the definition of wages for social security tax purposes and the definition of wages for income tax withholding purposes should be interpreted in regulations in the same manner. This dictum has been interpreted by some employers as supporting their exclusion of employer-provided benefits from the social security wage base of employees.

The provision in the Finance Committee bill states that:

Nothing in the regulations prescribed for purposes of chapter 24 (relating to income tax withholding) which provides an exclusion from "wages" as used in such chapter shall be construed to require a similar exclusion from "wages" in the regulations prescribed for purposes of this chapter.

This provision does not require that employer-provided benefits be included in the social security wage base of employees and no inferences can be drawn that this provision expands the authority of Treasury to include employer-provided benefits in the wage base of employees.

When the committee included this provision it was only reversing the dictum in Rowan by providing that the determination of whether or not amounts are includible in the social security wage base is to be made without regard to whether such amounts are treated as wages for income tax withholding purposes. There was no discussion of the fringe benefit issue and no intent to express an opinion on whether or not any employer-provided benefits should be included in an employee's gross income or social security wage base. The provision merely decouples the definition of wages for income tax withholding purposes and the definition of wages for social security tax purposes. No inferences should be drawn from this provision concerning the issue of including or excluding employer-provided benefits from the social security wage base of employees.

Congress has enacted a moratorium prohibiting the issuance of regulations on the inclusion of fringe benefits in gross income of employees. This moratorium expires on December 31, 1983. Hopefully, we will address this issue before the moratorium expires and settle the issue once and for all. The provision in the Finance Committee bill on the Rowan case does not imply any opinion on whether or not fringe benefits are includible in an employee's gross income or social security wage base. These issues are still open for Congress to address.●

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I do not think we will pass this bill tonight. Therefore, I ask unanimous consent that there now be a brief period for the transaction of routine morning business to extend not past 8:15 p.m. in which Senators may speak.