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Associated Press

Democratic Reps. Ike Shelton of Missouri, Glenn English of Oklahoma and Charles E. Bennett of Florida, from left, leave a

van in Washington yesterday and prepare to board a helicopter to fly to president's hamburger cookout at Camp David.

Reagan Fails in Lobbying Democrats

TAXES, From A1

whip up public support for his tax cut plan. Calls and telegrams from the president to targeted congressmen are also planned.

The White House and the House Democrats last week engaged in a kind of can-you-top-this bidding contest of adding sweeteners to their tax cut proposals, including benefits for the oil industry and tax breaks for commodity dealers to whet the appetites of swing-vote southern Democrats.

It is still unclear whose plan will be sweet enough. White House officials say Reagan's forces so far are behind but are gaining momentum.

Kent R. Hance (D-Tex.), who has announced his support of the Reagan tax bill, said the Camp David session "went very well" and that the president "didn't try to twist any arms." Momentum toward the president "has definitely changed in the last three days. It's definitely going to be a close vote."

After the congressmen queued up for lunch, the president "reemphasized some things he's said hundreds of times" and stressed "that this is the last leg of his economic recovery program. This is vital to getting the economy moving," Hance said the president told them.

"Some of the people that went probably were maybe leaning in his direction," Hance said. "They went

up feeling neutral and maybe left leaning in his direction."

Thomas J. (Jerry) Huckaby of Louisiana said he has not decided but is leaning toward the Republican proposal.

Charles Hatcher of Georgia said he "was very much impressed," but not impressed enough to commit to the president's tax plan.

"I have not made a commitment," Hatcher said. "One or two people said they would commit to him but I don't know if they already had."

Hatcher said he would have to see what other sweeteners are offered in the president's and the House Democrats' bills before deciding which he will choose. "We've been having changes fast and furious you know," Hatcher said. "I guess they're through now, though."

Charles E. Bennett of Florida said the cookout provided "more information to indicate to me I wouldn't vote for a tax cut" whether it is backed by Democrats or the president. He said he probably would not vote for any tax cut and he has told Reagan so at least three times.

Richard C. Shelby of Alabama told reporters he would vote with the president, but the Democratic leadership already has counted him as a defector. Rep. Glenn English of Oklahoma said he remained uncommitted. Other participants could not be reached for comment.

Hatcher said Reagan asked for questions about his tax cut plan. The president was asked which was the biggest tax cut — "yours or Ways and Means?" Hatcher said, and added, laughing, "He said his was, of course."

According to Hatcher, Reagan also was asked to counter allegations that his tax cut plan favors the rich and the Democrats' program favors the poor. Reagan responded that the Democrats' plan might benefit the working class more if they planned to live only two years, a response the president made in a pitch to Congress Friday.

Other Democrats attending the outing were Eugene V. Atkinson of Pennsylvania, Beverly B. Byron of Maryland, Dave McCurdy of Oklahoma, Billy Lee Evans of Georgia, Ralph M. Hall of Texas, W.G. (Bill) Hefner of North Carolina, Romano L. Mazzoli of Kentucky, Ronald M. Mottl of Ohio and Ike Skelton of Missouri.

Media Coverage of 7/27 Address: # for file

Reagan, in Address, Pushes His Tax Cut And Denounces Democrats' 'Timid' Plan

By ROBERT W. MERRY

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Taking to the airwaves, President Reagan appealed to the American people to throw their support behind his "bold and hopeful" approach to cutting taxes and against the Democrats' "timid and fearful" tax plan.

In an address prepared for a national television audience last night, the President blasted the Democrats' alternative tax-cut bill as "just another empty promise." The Democrats' plan for a 15% guaranteed cut in individual income-tax rates would leave Americans still paying higher taxes after three years, he said.

Mr. Reagan, who earlier said he would discuss the country's ailing Social Security program as well as taxes in his address, demurred last night, saying he would speak to Americans later on that emotional subject, which has threatened his popularity in recent weeks. But he pledged he wouldn't allow benefits to be cut for current Social Security recipients. "You have no reason to be frightened," he said.

By concentrating his rhetoric on the tax issue, the President seemed determined to generate enough public sentiment for his

own 33-month, 25% cut in individual tax rates to overcome Democratic opposition and lead the way for a victory on the House floor tomorrow.

Close observers of the power politics surrounding the volatile issue say Mr. Reagan needs all the public support he can get. While most said that the President was picking up votes through the day yesterday with a blitz of personal entreaties to influential Congressmen, they added that by late in the day he hadn't gathered enough to win.

"Unless the public responds and lets the Congressmen know how they feel, I don't think we can pass" the President's plan, said Rep. Kent Hance of Texas, the maverick Democrat who bolted his party to co-sponsor the President's program. The White House plan also calls for faster depreciation write-offs for business and a series of tax-code changes designed to redress perceived inequities, spur economic activity or to win votes in Congress.

House Speaker Thomas P. O'Neill flatly predicted yesterday that the Democrats would win tomorrow's crucial tax vote "by between 10 and 20 votes."

But it was generally thought that the
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a third-year tax cut for individuals unless the economy performs as the administration predicts.

"Our bill is, in short," he said, "the first real tax cut for everyone in almost 20 years."

He derided his opponents for insisting on that third-year "trigger" mechanism. "Shopkeepers, farmers and individuals will be denied the certainty they must have to begin saving or investing more of their money," he said. "And encouraging more savings and investment is precisely what we need most to rebuild our economy."

"Our bipartisan coalition worked out a tax bill we felt would provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed," Mr. Reagan said.

The President also criticized Democrat fears that locking large tax cuts into place could prove risky because no one can know what economic conditions will be like when they're scheduled to go into effect. That "rings a little hollow," he said, considering that the Democratic bill seeks to cut business taxes over seven years and that Democrats traditionally have supported "spending bills that project years into the future."

In another partisan jab, the President said majority Democrats in the House seem "less concerned with protecting your family budget than with spending more on the federal budget." But his congressional allies, he added, "want to give this economy and the future of this nation back to the people, because putting people first has always been America's secret weapon."

But the President isn't relying solely on the American people to sway house sentiment as tomorrow's crucial vote approaches. He invited 16 Congressmen, most of them conservative Democrats, to his office yesterday for a pep talk and a little arm twisting. A day earlier, he wooed 15 Democrats at the presidential mountain retreat at Camp David.

Mr. Reagan also met yesterday with nearly 250 top executives from such large corporations as Mobil Corp., Texaco Inc. and Ralston Purina Co. and from major trade groups.

The President told one group he sought help that "isn't the kind where you reach for your checkbooks. . . . This time we want blood." Presumably, he was asking them to put pressure on wavering Congressmen.

And some horse-trading was evident. A spokesman for Rep. Carl Pursell, a Michigan Republican who remains uncommitted on the issue, said the President "responded favorably" to the Congressman's plea for White House support for a study on job creation. Within hours, he said, a White House aide stopped by the Congressman's office to discuss the idea further.

Morrison Completes Sale

MOBILE, Ala.—Morrison Inc. said it completed the sale of its Admiral Benbow Inns subsidiary to Universal Development Management Inc., Girard, Ohio. Morrison, a cafeteria and food service concern, didn't disclose the price.

Reagan Pushes Plan For Tax Cut, Assails Democrats' Proposal

speech
Cont'd
Continued From Page Two

President had gained some important "momentum" yesterday in wooing votes and that he had moved to within reach of a victory if his speech generates a wave of support for his bold "supply side" tax plan.

"His aim is to break it open and create fluidity," said one top Republican staffer. "Then his momentum will carry him in."

In calling forth the idealistic language for which he is well known, the President attributed his previous congressional triumphs on the budget to "the power of millions of people like you who have determined that we will make America great again." He added: "I ask you now to put aside any feelings of frustration or helplessness about our political institutions and join me in this dramatic but responsible plan to reduce the enormous burden of federal taxation on you and your family."

Mr. Reagan suggested his congressional victories in cutting the budget won't by themselves help the economy. He stressed that his entire package is required. "Each part of this package is vital," he said. "It cannot be considered piecemeal."

The President pummeled his congressional opponents, seeking to saddle them with responsibility for today's federal tax burden. "Those who will seek to defeat our . . . bill . . . are the ones who have given us five 'tax cuts' in the last 10 years," he said. "But our taxes went up \$400 billion in those same 10 years."

The President contended that the Democratic leadership's measure would soon be overtaken by scheduled Social Security tax increases and "bracket creep"—the impact of inflation kicking taxpayers into higher and higher tax brackets as their income rises with inflation. He based that on the fact that the Democratic measure precludes a third-year tax cut for individuals unless the economy performs as the administration predicts.

"Our bill is, in short," he said, "the first real tax cut for everyone in almost 20 years."

He derided his opponents for insisting on that third-year "trigger" mechanism. "Shopkeepers, farmers and individuals will be denied the certainty they must have to begin saving or investing more of their money," he said. "And encouraging more savings and investment is precisely what we

REAGAN, IN SPEECH, ASKS TAX CUT HELP AND ATTACKS FOES

DEMOCRATS CALLED 'TIMID'

President Accuses Leaders of 'Political Fun and Games' — Terms His Plan Best

By STEVEN R. WEISMAN

Special to The New York Times

WASHINGTON, July 27 — President Reagan, accusing the Democratic Congressional leadership of "political fun and games," appealed tonight for support of his tax reduction program, which he termed "the first real tax cut for everyone in almost 20 years."

In a television address from the Oval Office of the White House, Mr. Reagan planned to use two colored charts — each comparing the tax cut benefits of

Text of Reagan address, page B6.

"our bill" with the alleged defects of "their bill" — as well as a series of partisan attacks on his opponents on Capitol Hill to repeat a message he has delivered repeatedly since taking office in January.

The message in the prepared text of Mr. Reagan's speech released by the White House was that Mr. Reagan's proposed tax cuts were no less urgent than the spending cuts that Congress approved at his request only last month.

Piecemeal Consideration Barred

"Each part of this package is vital," he said. "It cannot be considered piecemeal. It was proposed as a package and it has been supported as such by the American people."

Declaring that Congress was standing "at the fork of two roads," Mr. Reagan said the Democratic road was "timid and fearful," while his was "bold and hopeful." In six months, "we have done so much and have come so far," he said, adding: "Let us not stop now."

The President's speech came just as both the House and the Senate made plans to debate and vote on Mr. Reagan's tax legislation before leaving for their August recess. In the Democratic-controlled House of Representatives, the issue is thought to be extremely close, as the Democratic leadership pushes hard for its own tax cut bill.

25 Percent Cut in Rates

At its core, Mr. Reagan's tax cut bill calls for a 25 percent cut in tax rates for individuals spread over three years, while the House Democrats' bill calls for a 15 percent cut in the first two years and a third-year, 10 percent cut if the economy is performing well enough to close the Federal budget deficit without exceeding certain inflation targets.

The benefits from the Democratic bill are also skewed more to taxpayers making less than \$50,000 a year, while Mr. Reagan's bill provides proportionately greater benefits to the wealthy. Both bills call for an array of benefits for businesses aimed at encouraging them

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President Asks Support on Tax Cuts

Continued From Page A1

to invest in new plants and equipment.

In the House, both Mr. Reagan's and the Democrats' bills have been laden in recent weeks with myriad benefits and "sweeteners" for different groups of taxpayers, as each side has sought to put together a coalition of support.

The debate on Capitol Hill has usually been as technically bewildering as it has been heated. Complicated arguments have been heard on the merits of tax benefits for commodity traders, savers and investors, owners of oil-producing property, and others.

But in his prepared speech, Mr. Reagan sought to cut through these complications. He recounted, for example, that a Democratic Congressman "from one of our Southern states" had told him recently of how he had sought to discuss the fine points involved in the tax bill, only to have a constituent reply: "Don't give me an essay. What I want to know is are you for 'em or agin 'em?"

"I appreciate the gentleman's support and suggest his question is a message your own Representatives should hear," Mr. Reagan added, clearly seeking to exploit what his aides see as his own continuing popularity as President.

Later, Mr. Reagan said, "Time won't allow me to explain every detail, but our bill includes just about everything to help the economy." He listed some of these things: a reduction in the so-called marriage penalty, or higher tax rate for married couples; drastic cutbacks in the inheritance tax; and other tax benefits to encourage savings and investment, the purchase of equipment and machinery by businesses, and benefits on research and development.

Mr. Reagan made a sarcastic remark to answer the argument that the Democratic tax cut was skewed more favorably than his to those making under \$50,000.

"The majority leadership claims theirs gives a greater break to the worker than ours, and it does — that is, if you're only planning to live two more years," said Mr. Reagan. The chart Mr. Reagan planned to use showed that an individual making \$20,000 a year benefited more from the Democratic bill than from his in the first two years, but in the third year would benefit less simply because the Democratic bill guaranteed only a two-year cut.

The Democratic "trigger mechanism" that is supposed to bring about the third-year cut was really "a little

sleight of hand," he said, with unrealistic assumptions insuring that the third-year cut would never occur.

Plea for 'Indexing' Plan

Moreover, Mr. Reagan made a special plea for the "indexing" provision in his bill, which would keep taxes at the same lower rate for individuals even if inflation pushes taxpayers into higher tax brackets.

Because it lacks an indexing provision, Mr. Reagan said the Democratic bill would do nothing to prevent Americans' taxes from rising as they are pushed into the higher brackets. "The plain truth is, our choice is not between two plans to reduce taxes," he said, "it is between a tax cut or a tax increase."

Heaping scorn on the Democrats, Mr. Reagan told his listeners to be suspicious of their motives, since at first they had opposed any tax cuts at all.

"What is the purpose behind their change of heart?" he asked. "They've put a tax program together for one reason only, to provide a political victory for themselves." Later he added: "This is not the time for political fun and games. This is the time for a new Beginning."

GOOD EVENING. I HAD INTENDED TO MAKE SOME REMARKS ABOUT THE PROBLEM OF SOCIAL SECURITY TONIGHT -- ^{BUT} ~~THE~~ THE IMMEDIACY OF HOUSE ACTION ON THE TAX PROGRAM, A KEY COMPONENT OF OUR ECONOMIC PACKAGE, HAS TO TAKE PRIORITY. LET ME JUST SAY, HOWEVER, I'VE BEEN DEEPLY DISTURBED BY THE WAY YOU WHO ARE DEPENDENT ON SOCIAL SECURITY HAVE BEEN NEEDLESSLY FRIGHTENED ~~AND~~ IN SOME INSTANCES, BY THOSE WHO PLACE POLITICS ABOVE TRUTH. X

IT IS TRUE THAT THE SOCIAL SECURITY SYSTEM HAS FINANCIAL PROBLEMS. IT IS ALSO TRUE THAT SOME WHO HAVE CAUSED CONFUSION AND FEAR BY THEIR IRRESPONSIBLE CHARGES HAVE BEEN IN A POSITION TO DO SOMETHING CONSTRUCTIVE ABOUT THESE FINANCIAL PROBLEMS FOR MORE THAN 20 YEARS -- AND THEY HAVE DONE NOTHING. X

I HOPE TO ADDRESS YOU ON THIS ENTIRE SUBJECT IN THE NEAR FUTURE. IN THE MEANTIME, LET ME JUST SAY THIS: I STATED DURING THE CAMPAIGN AND I REPEAT NOW I WILL NOT STAND BY AND SEE THOSE OF YOU WHO ARE DEPENDENT ON SOCIAL SECURITY DEPRIVED OF YOUR BENEFITS, I MAKE THAT PLEDGE TO YOU AS YOUR PRESIDENT. YOU HAVE NO REASON TO BE FRIGHTENED. YOU WILL CONTINUE TO RECEIVE YOUR CHECKS IN THE FULL AMOUNT DUE YOU. IN ANY PLAN TO RESTORE FISCAL INTEGRITY OF SOCIAL SECURITY I PERSONALLY WILL SEE THAT NO PART OF THE PLAN WILL BE AT THE EXPENSE OF YOU WHO ARE NOW DEPENDENT ON YOUR MONTHLY SOCIAL SECURITY CHECKS.

NOW, LET US TURN TO THE BUSINESS AT HAND. IT'S BEEN NEARLY 6 MONTHS SINCE I FIRST REPORTED TO YOU ON THE STATE OF THE NATION'S ECONOMY. I'M AFRAID MY MESSAGE THAT NIGHT WAS GRIM AND DISTURBING. I REMEMBER TELLING YOU WE WERE IN THE WORST ECONOMIC MESS SINCE THE GREAT DEPRESSION. INFLATION

WAS CONTINUING TO SPIRAL UPWARD, UNEMPLOYMENT WAS AT A CRIPPLING LEVEL AND ALL BECAUSE GOVERNMENT WAS TOO BIG AND SPENT TOO MUCH OF OUR MONEY.

WE'RE STILL NOT OUT OF THE WOODS, BUT WE'VE MADE A START. AND WE'VE CERTAINLY SURPRISED THOSE LONG-TIME AND SOMEWHAT CYNICAL OBSERVERS OF THE WASHINGTON SCENE WHO LOOKED, LISTENED AND SAID, "IT CAN NEVER BE DONE. WASHINGTON WILL NEVER CHANGE IT'S SPENDING HABITS."

WELL, SOMETHING VERY EXCITING HAS BEEN HAPPENING HERE IN WASHINGTON AND YOU ARE RESPONSIBLE. YOUR VOICES HAVE BEEN HARD. MILLIONS OF YOU, DEMOCRATS, REPUBLICANS AND INDEPENDENTS, FROM EVERY PROFESSION, TRADE AND LINE OF WORK, AND FROM EVERY PART OF THIS LAND; YOU SENT A MESSAGE THAT YOU WANTED A NEW BEGINNING. YOU WANTED TO CHANGE ONE LITTLE TWO-LETTER WORD. IT DOESN'T SOUND LIKE MUCH, BUT IT SURE CAN MAKE A DIFFERENCE CHANGING "CONTROL BY GOVERNMENT" TO "CONTROL OF GOVERNMENT."

IN THAT EARLIER BROADCAST YOU'LL RECALL I PROPOSED A PROGRAM TO DRASTICALLY CUT BACK GOVERNMENT SPENDING IN THE 1982 BUDGET WHICH BEGINS OCTOBER 1ST AND TO CONTINUE CUTTING IN '83 AND '84. ALONG WITH THIS I SUGGESTED AN ACROSS-THE-BOARD TAX CUT SPREAD OVER THOSE SAME 3 YEARS AND THE ELIMINATION OF UNNECESSARY REGULATIONS WHICH WERE ADDING \$100 BILLION TO THE COST OF THINGS WE BUY.

ALL THE LOBBYING, THE ORGANIZED DEMONSTRATIONS AND THE CRIES OF PROTEST BY THOSE WHOSE WAY OF LIFE DEPEND ON MAINTAINING GOVERNMENT'S WASTEFUL WAYS WERE NO MATCH FOR YOUR VOICES WHICH WERE HEARD LOUD AND CLEAR IN THESE MARBLE HALLS OF GOVERNMENT.

AND YOU MADE HISTORY WITH YOUR TELEGRAMS, YOUR LETTERS, YOUR PHONE CALLS AND, YES, PERSONAL VISITS TO TALK TO YOUR ELECTED REPRESENTATIVES. YOU REAFFIRMED THE MANDATE YOU DELIVERED IN THE ELECTION LAST NOVEMBER. A MANDATE THAT CALLED FOR AN END TO GOVERNMENT POLICIES THAT SENT PRICES AND MORTGAGE RATES SKYROCKETING, WHILE MILLIONS OF AMERICANS WENT JOBLESS.

BECAUSE OF WHAT YOU DID, REPUBLICANS AND DEMOCRATS IN THE CONGRESS CAME TOGETHER AND PASSED THE MOST SWEEPING CUTBACKS IN THE HISTORY OF THE FEDERAL BUDGET. RIGHT NOW MEMBERS OF THE HOUSE AND SENATE ARE MEETING IN A CONFERENCE COMMITTEE TO RECONCILE THE DIFFERENCES BETWEEN THE TWO BUDGET CUTTING BILLS PASSED BY THE HOUSE AND THE SENATE. WHEN THEY FINISH, ALL AMERICANS WILL BENEFIT BY SAVINGS OF MORE THAN \$140 BILLION IN REDUCED GOVERNMENT COSTS OVER THE NEXT 3 YEARS. AND THAT DOESN'T INCLUDE THE ADDITIONAL SAVINGS FROM THE HUNDREDS OF BURDENSOME REGULATIONS ALREADY CANCELLED OR FACING CANCELLATION.

FOR ~~20~~¹⁹ OUT OF THE LAST 20 YEARS THE FEDERAL GOVERNMENT HAS SPENT MORE THAN IT TOOK IN. THERE WILL BE ANOTHER LARGE DEFICIT IN THIS PRESENT YEAR WHICH ENDS SEPTEMBER 30TH. BUT WITH OUR PROGRAM IN PLACE IT WON'T BE QUITE AS BIG AS IT MIGHT HAVE BEEN AND STARTING NEXT YEAR THE DEFICITS WILL GET INCREASINGLY SMALLER UNTIL IN JUST A FEW YEARS THE BUDGET WILL BE BALANCED AND, HOPEFULLY, WE CAN BEGIN WHITTLING AT THAT ALMOST 1 TRILLION DOLLAR DEBT THAT HANGS OVER THE FUTURE OF OUR CHILDREN.

NOW SO FAR I'VE BEEN TALKING ABOUT ONLY ONE PART OF OUR PROGRAM FOR ECONOMIC RECOVERY -- THE BUDGET CUTTING PART.

I DON'T MINIMIZE IT'S IMPORTANCE. JUST THE FACT THAT DEMOCRATS AND REPUBLICANS COULD WORK TOGETHER AS THEY HAVE, PROVING THE STRENGTH OF OUR SYSTEM HAS CREATED AN OPTIMISM IN OUR LAND. THE RATE OF INFLATION IS NO LONGER IN DOUBLE DIGIT FIGURES, THE DOLLAR HAS REGAINED STRENGTH IN THE INTERNATIONAL MONEY MARKETS AND BUSINESSMEN AND INVESTORS ARE MAKING DECISIONS WITH REGARD TO INDUSTRIAL DEVELOPMENT, MODERNIZATION AND EXPANSION. ALL OF THIS BASED ON ANTICIPATION OF OUR PROGRAM BEING ADOPTED AND PUT INTO OPERATION.

A RECENT POLL SHOWS THAT WHERE A YEAR AGO ONLY 24 PERCENT OF OUR PEOPLE BELIEVED THINGS WOULD GET BETTER, TODAY 46 PERCENT BELIEVE THEY WILL. TO JUSTIFY THEIR FAITH WE MUST DELIVER THE OTHER PART OF OUR PROGRAM. IT IS ABSOLUTELY ESSENTIAL IF WE ARE TO PROVIDE INCENTIVE AND MAKE CAPITAL AVAILABLE FOR THE INCREASED PRODUCTIVITY REQUIRED TO PROVIDE JOBS FOR OUR PEOPLE.

DAY AFTER TOMORROW -- WEDNESDAY -- THE HOUSE OF REPRESENTATIVES WILL BEGIN DEBATE ON TWO TAX BILLS AND ONCE AGAIN THEY NEED TO HEAR FROM YOU. I KNOW THAT DOESN'T GIVE YOU MUCH TIME, BUT A GREAT DEAL IS AT STAKE.

A FEW DAYS AGO I WAS VISITED HERE IN THE OFFICE BY A DEMOCRATIC CONGRESSMAN FROM ONE OF OUR SOUTHERN STATES. HE'D BEEN BACK IN HIS DISTRICT AND ONE DAY ONE OF HIS CONSTITUENTS ASKED HIM WHERE HE STOOD ON THE ECONOMIC RECOVERY PROGRAM I'D OUTLINED IN THAT EARLIER BROADCAST. WELL, THE CONGRESSMAN, WHO HAPPENS TO BE A STRONG LEADER IN SUPPORT OF OUR PROGRAM, REPLIED AT SOME LENGTH WITH A DISCUSSION OF THE TECHNICAL POINTS

INVOLVED, BUT ALSO MENTIONING A FEW RESERVATIONS HE HAD ON CERTAIN POINTS. THE CONSTITUENT, A FARMER, LISTENED POLITELY UNTIL HE'D FINISHED AND THEN SAID, "WELL, YES, THAT'S ALL VERY INTERESTING -- BUT WHAT I WANT TO KNOW IS -- ARE YOU FOR UM OR AGIN UM?"

I APPRECIATE THE GENTLEMAN'S SUPPORT AND SUGGEST HIS QUESTION IS A MESSAGE YOUR OWN REPRESENTATIVES SHOULD HEAR. LET ME ADD THOSE REPRESENTATIVES HONESTLY AND SINCERELY WANT TO KNOW YOUR FEELINGS. THEY GET PLENTY OF INPUT FROM THE SPECIAL INTEREST GROUPS, THEY'D LIKE TO HEAR FROM THEIR HOMEFOLKS.

LET ME EXPLAIN WHAT THE SITUATION IS AND WHAT IS AT ISSUE. WITH OUR BUDGET CUTS WE PRESENTED A COMPLETE PROGRAM OF REDUCTION IN TAX RATES. AGAIN, OUR PURPOSE WAS TO PROVIDE INCENTIVE FOR THE INDIVIDUAL, INCENTIVES FOR BUSINESS TO ENCOURAGE PRODUCTION AND HIRING OF THE UNEMPLOYED AND TO FREE UP MONEY FOR INVESTMENT.

OUR BILL CALLS FOR A 5 PERCENT REDUCTION IN THE INCOME TAX RATES BY OCTOBER 1ST, A 10 PERCENT REDUCTION BEGINNING JULY 1, 1982 AND ANOTHER 10 PERCENT CUT A YEAR LATER -- A 25 PERCENT TOAL REDUCTION OVER 3 YEARS. BUT THEN TO ENSURE THE TAX CUT IS PERMANENT WE CALL FOR INDEXING THE TAX RATES IN 1985 WHICH MEANS ADJUSTING THEM FOR INFLATION. AS IT IS NOW, IF YOU GET A COST OF LIVING RAISE INTENDED TO KEEP YOU EVEN WITH INFLATION YOU FIND THAT THE INCREASE IN THE NUMBER OF DOLLARS YOU GET MAY VERY LIKELY MOVE YOU INTO A HIGHER TAX BRACKET AND YOU WIND UP POORER THAN YOU WERE. THIS IS CALLED BRACKET CREEP.

BRACKET CREEP IS AN INSIDIOUS TAX. LET ME GIVE AN
 EXAMPLE. IF YOU EARNED \$10,000 A YEAR IN ¹⁹⁷¹ 1971, BY 1980 YOU
 HAD TO EARN ~~\$19,850~~ ^{\$19,860} JUST TO STAY EVEN WITH INFLATION. BUT
 THAT'S BEFORE TAXES. ^{It has been estimated} COME APRIL 15TH, ¹⁹⁸⁰ YOU ~~FIND~~ ^{FOUND} YOUR TAX RATES
~~HAD~~ ^{HAD} INCREASED ^{at least} 33 PERCENT ^{since 1972}. IF YOU'VE BEEN WONDERING WHY
 YOU DON'T SEEM AS WELL OFF AS YOU WERE A FEW YEARS BACK, IT'S
 BECAUSE GOVERNMENT MAKES A PROFIT ON INFLATION. IT GETS AN
 AUTOMATIC TAX INCREASE WITHOUT HAVING TO VOTE ON IT. WE
 INTEND TO STOP THAT.

X
X
X
X

TIME WON'T ALLOW ME TO EXPLAIN EVERY DETAIL, BUT OUR
 BILL INCLUDES JUST ABOUT EVERYTHING TO HELP THE ECONOMY. WE
 DO AWAY WITH THE MARRIAGE PENALTY, THAT UNFAIR TAX THAT HAS
 A WORKING HUSBAND AND WIFE PAY MORE TAX THAN IF THEY WERE
 SINGLE. WE INCREASE THE EXEMPTION ON THE INHERITANCE (OR
 ESTATE) TAX TO \$600,000, ^{so that} FARMERS AND FAMILY-OWNED
 BUSINESSES DON'T HAVE TO SELL THE FARM OR STORE IN THE
 EVENT OF DEATH JUST TO PAY THE TAXES. MOST IMPORTANT WE WIPE
 OUT THE TAX ENTIRELY FOR A SURVIVING SPOUSE. NO LONGER, FOR
 EXAMPLE, WILL A WIDOW HAVE TO SELL THE FAMILY SOURCE OF INCOME
 TO PAY A TAX ON HER HUSBAND'S DEATH. THERE ARE DEDUCTIONS TO
 ENCOURAGE INVESTMENT AND SAVINGS. BUSINESS GETS REALISTIC
 DEPRECIATION ON EQUIPMENT AND MACHINERY. AND THERE ARE TAX
 BREAKS FOR SMALL AND INDEPENDENT BUSINESSES WHICH CREATE 80
 PERCENT OF ALL NEW JOBS. IT IS, IN SHORT, THE FIRST REAL TAX
 CUT FOR EVERYONE IN ^{almost} ~~THE~~ 20 YEARS.

X

NOW WHEN WE PROPOSED THIS -- AND INCIDENTALLY IT HAS NOW
 BECOME A BIPARTISAN MEASURE CO-AUTHORED BY REPUBLICAN BARBER

X

Wash Star
 Advertisement,
 7/23/81, p. A-14

style, p. 46

Summary, 7/24/81
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 House Bipartisan Substitute Bill
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 p. A-1, A-10.

CONABLE AND DEMOCRAT KENT HANCE -- THE DEMOCRATIC LEADERSHIP DECLARED A TAX CUT WAS OUT OF THE QUESTION. IT WOULD BE WILDLY INFLATIONARY. THAT WAS IN JANUARY.

THEN YOUR VOICES BEGAN TO BE HEARD AND SUDDENLY IN FEBRUARY THE LEADERSHIP DISCOVERED A ONE YEAR TAX CUT WAS FEASIBLE. WE KEPT ON PUSING OUR 3 YEAR TAX CUT AND BY JUNE THE OPPOSITION FOUND THAT A 2 YEAR CUT MIGHT WORK. NOW IT'S JULY AND THEY FIND THEY COULD GO FOR A THIRD YEAR CUT PROVIDED THERE WAS A TRIGGER ARRANGEMENT THAT WOULD ONLY ALLOW IT TO GO INTO EFFECT IF CERTAIN ECONOMIC GOALS HAD MEET MET BY 1983.

BUT THERE IS A LITTLE SLEIGHT OF HAND IN THAT TRIGGER MECHANISM. THE COMMITTEE BILL INSURES THAT THE 1983 DEFICIT WILL BE MORE THAN 7 BILLION GREATER THAN UNDER OUR PLAN. THEREFORE, THE THIRD YEAR CUT WILL AUTOMATICALLY NEVER TAKE PLACE. *Insert (Will Rogers)*

THESE TAX PROPOSAL, SIMILAR IN A NUMBER OF WAYS TO OURS, BUT DIFFERING IN SOME VERY VITAL PARTS, WAS PASSED OUT OF THE HOUSE WAYS AND MEANS COMMITTEE, AND FROM NOW ON I'LL REFER TO IT AS THE COMMITTEE BILL AND OURS AS THE BIPARTISAN BILL. THEY WILL BE THE BILLS TAKEN UP WEDNESDAY.

THE MAJORITY LEADERSHIP CLAIMS THEIRS GIVES A GREATER BREAK TO THE WORKER THAN OURS AND IT DOES -- THAT IS, IF YOU'RE ONLY PLANNING TO LIVE 2 MORE YEARS. THE PLAIN TRUTH IS OUR CHOICE IS NOT BETWEEN 2 PLANS TO REDUCE TAXES, IT IS BETWEEN A TAX CUT OR A TAX INCREASE. THERE IS BUILT INTO OUR PRESENT SYSTEM, INCLUDING PAYROLL SOCIAL SECURITY TAXES AND THE BRACKET CREEP I'VE MENTIONED, A 22 PERCENT TAX INCREASE

Wash Post, 7/25/81, pp A-1, A-10

Wash Post

NYT 2/21/81

Wash Post Index 2/21/81, p A2

Congressional Quarterly, 6/6/81 p. 979-80

wp 7/22/81 - Washington

style, p 39

style, p 49

X

X

X

X

style p 39

OVER THE NEXT 3 YEARS. THE COMMITTEE BILL OFFERS A 15 PERCENT CUT OVER 2 YEARS; OUR BIPARTISAN BILL GIVES A 25 PERCENT REDUCTION OVER 3 YEARS. AS YOU CAN SEE BY THIS CHART -- HERE IS THE 22 PERCENT INCREASE LINE AND HERE IS THEIR CUT BELOW THAT LINE AND OURS WIPING OUT THE INCREASE WITH A LITTLE TO SPARE.

President's Bipartisan Tax Program, Talking Points, 7/22/81

INCIDENTALLY, THEIR CLAIM THAT CUTTING TAXES FOR INDIVIDUALS FOR AS MUCH AS 3 YEARS AHEAD IS RISKY RINGS A LITTLE HOLLOW WHEN YOU REALIZE THAT THEIR BILL CALLS FOR BUSINESS TAX CUTS EACH YEAR FOR 7 YEARS AHEAD.

Wash Post 7/20/81, p A-1, A-5

Merlin Fitzwater, Treasury, 5/6/82

IT RINGS EVEN MORE HOLLOW WHEN YOU CONSIDER THE FACT THE MAJORITY LEADERSHIP ROUTINELY ENDORSES FEDERAL SPENDING BILLS THAT PROJECT YEARS INTO THE FUTURE, BUT OBJECT TO A TAX BILL THAT WILL RETURN YOUR MONEY OVER A 3-YEAR PERIOD.

style, p 44

style, p 81

X
X
X

HERE IS ANOTHER CHART WHICH ILLUSTRATES WHAT I SAID ABOUT THEIR GIVING A BETTER BREAK IF YOU ONLY INTEND TO LIVE FOR 2 MORE YEARS. THEIRS IS THE DOTTED LINE, OURS THE SOLID. AS YOU CAN SEE, IN EACH OF THE EARNING BRACKETS FROM \$5,000 ON UP TO \$50,000 THEIR TAX CUT IS SLIGHTLY MORE GENEROUS THAN OURS -- FOR THE FIRST 2 YEARS -- THAN TAXES IN EVERY ONE OF THESE EARNING LEVELS START GOING UP. ON THE OTHER HAND, AS YOU CAN SEE IN OUR BIPARTISAN BILL, THE TAX KEEPS GOING DOWN AND THEN STAYS DOWN PERMANENTLY.

THIS ORANGE SPACE BETWEEN THE 2 LINES IS THE TAX MONEY THAT WILL REMAIN IN YOUR POCKETS IF OUR BILL PASSES AND IT'S THE AMOUNT THAT WILL LEAVE YOUR POCKETS IF THEIR TAX BILL IS PASSED.

I TAKE NO PLEASURE IN SAYING THIS, BUT THOSE WHO WILL SEEK TO DEFEAT OUR CONABLE-HANCE BIPARTISAN BILL AS DEBATE BEGINS WEDNESDAY ARE THE ONES WHO HAVE GIVEN ^{US} 5 QUOTE-UNQUOTE "TAX CUTS" IN THE LAST 10 YEARS, BUT OUR TAXES WENT UP \$400 BILLION IN THOSE SAME 10 YEARS.

Treasury News, 1/23/81 Contact Martin Fitzwater, 566-5252

THE LINES ON THESE CHARTS SAY A LOT ABOUT WHO'S REALLY FIGHTING FOR WHOM. ON THE ONE HAND, YOU SEE A GENUINE AND LASTING COMMITMENT TO THE FUTURE OF WORKING AMERICANS. ON THE OTHER, JUST ANOTHER EMPTY PROMISE. THOSE OF US IN THE BIPARTISAN COALITION WANT TO GIVE THIS ECONOMY AND THE FUTURE OF THIS NATION BACK TO THE PEOPLE, BECAUSE PUTTING PEOPLE FIRST HAS ALWAYS BEEN AMERICA'S SECRET WEAPON. THE HOUSE MAJORITY LEADERSHIP SEEMS LESS CONCERNED WITH PROTECTING YOUR FAMILY BUDGET, THAN WITH SPENDING MORE OF THE FEDERAL BUDGET.

style, p 34

style, p 50

OUR BIPARTISAN TAX BILL TARGETS THREE-QUARTERS OF ITS TAX RELIEF TO MIDDLE-INCOME WAGE EARNERS, WHO PRESENTLY PAY ALMOST THREE-QUARTERS OF THE TOTAL INCOME TAX. IT ALSO THEN INDEXES THE TAX BRACKETS TO INSURE THAT YOU CAN KEEP THAT TAX REDUCTION IN THE YEARS AHEAD. THERE ALSO IS, AS I SAID, ESTATE TAX RELIEF THAT WILL KEEP FAMILY FARMS AND FAMILY-OWNED BUSINESSES IN THE FAMILY. AND THERE ARE PROVISIONS FOR PERSONAL RETIREMENT PLANS AND INDIVIDUAL SAVINGS ACCOUNTS.

Treasury Karen Silver, Office of Tax Analysis, 566-5441

style, p 81, 185

style, 185

Summary, 7/24/81

Ec Rec. Tax Act of 1981, House

Bipartisan Substitute Bill, p 13-5

style, p 81

BECAUSE THE BIPARTISAN BILL IS SO CLEARLY DRAWN AND BROADLY BASED IT PROVIDES THE KIND OF PREDICTABILITY AND CERTAINTY THAT FINANCIAL MANAGERS NEED TO MAKE THE INVESTMENT DECISIONS THAT STIMULATE PRODUCTIVITY AND MAKE THE ECONOMY GROW.

Summary 7/24/81 Ec Rec. Tax Act of 1981, House Bipartisan Substitute Bill

Summary of President's Bipartisan Tax Program, House Bipartisan Substitute Proposal, 7/24/81

EVEN MORE IMPORTANT -- IF THE TAX CUT GOES TO YOU THE AMERICAN PEOPLE IN THE THIRD YEAR -- THAT MONEY RETURNED TO YOU WON'T BE AVAILABLE TO THE CONGRESS TO SPEND. AND THAT IN MY VIEW IS WHAT THIS WHOLE CONTROVERSY COMES DOWN TO: ARE YOU ENTITLED TO THE FRUITS OF YOUR OWN LABOR OR DOES GOVERNMENT HAVE SOME PRESUMPTIVE RIGHT TO IT.

style, p 34
style, p 39
style, p 46

I'M ALSO CONVINCED OUR BUSINESS TAX CUT IS SUPERIOR TO OTHERS, BECAUSE IT IS MORE EQUITABLE, AND IT WILL DO A MUCH BETTER JOB PROMOTING THE SURGE IN INVESTMENT WE SO BADLY NEED TO REBUILD OUR INDUSTRIAL BASE.

Summary, 7/24/81
Ex. Rec. Tax Act of 1981
House Bipartisan Substitute Proposal, pp 2

THERE IS SOMETHING ELSE I WANT TO TELL YOU. OUR BIPARTISAN COALITION WORKED OUT A TAX BILL WE FELT WOULD PROVIDE INCENTIVE AND STIMULATE PRODUCTIVITY, THUS REDUCING INFLATION AND PROVIDING JOBS FOR THE UNEMPLOYED. THAT WAS OUR GOAL.

President's Bipartisan Tax Proposal, Talking Points, 7/22/81

OUR OPPONENTS IN THE BEGINNING DIDN'T WANT A TAX CUT AT ALL. WHAT IS THE PURPOSE BEHIND THEIR CHANGE OF HEART? THEY'VE PUT A TAX PROGRAM TOGETHER FOR ONE REASON ONLY, TO PROVIDE A POLITICAL VICTORY FOR THEMSELVES. NEVER MIND THAT IT WON'T SOLVE THE ECONOMIC PROBLEMS CONFRONTING OUR COUNTRY. NEVER MIND THAT IT WON'T GET THE WHEELS OF INDUSTRY TURNING AGAIN OR ELIMINATE THE TAXES WHICH ARE EATING US ALIVE. THIS IS NOT THE TIME FOR POLITICAL FUN AND GAMES. THIS IS THE TIME FOR A NEW BEGINNING.

Week Post 2/21/81

style, not to be

style, p 28

I ASK YOU NOW TO PUT ASIDE ANY FEELINGS OF FRUSTRATION OR HELPLESSNESS ABOUT OUR POLITICAL INSTITUTIONS AND JOIN ME IN THIS DRAMATIC BUT RESPONSIBLE PLAN TO REDUCE THE ENORMOUS BURDEN OF FEDERAL TAXATION ON YOU AND YOUR FAMILY.

style, p 44

Julie Cove, Pres. Correspondence, Special Rpt, x2278 - verified
that she gave letters to the effect
style, pp. 55-40

DURING RECENT MONTHS, MANY OF YOU HAVE ASKED WHAT YOU CAN DO TO HELP MAKE AMERICA STRONG AGAIN. I URGE YOU AGAIN TO CONTACT YOUR SENATORS AND CONGRESSMEN, TELL THEM OF YOUR SUPPORT FOR THIS BIPARTISAN PROPOSAL, TELL THEM YOU BELIEVE THIS IS AN UNEQUALLED OPPORTUNITY TO HELP RETURN AMERICA TO PROSPERITY AND MAKE GOVERNMENT AGAIN THE SERVANT OF THE PEOPLE. IN A FEW DAYS, THE CONGRESS WILL STAND AT THE FORK OF TWO ROADS.

style, p. 46
style, p. 39
base Legislative Program tape, 225-

ONE ROAD IS ALL TOO FAMILIAR TO US. IT LEADS -- ULTIMATELY -- TO HIGHER TAXES. IT MERELY BRINGS US FULL CIRCLE BACK TO THE SOURCE OF OUR ECONOMIC PROBLEMS -- WHERE THE GOVERNMENT DECIDES THAT IT KNOWS BETTER THAN YOU WHAT SHOULD BE DONE WITH YOUR EARNINGS, AND, IN FACT, HOW YOU SHOULD CONDUCT YOUR LIFE.

Treasury News 2/23/81, Martin Fitzwater 566-5252 - history of tax cuts and increases
style. p. 46

THE OTHER ROAD PROMISES TO RENEW THE AMERICAN SPIRIT. IT'S A ROAD OF HOPE AND OPPORTUNITY. IT PLACES THE DIRECTION OF

style, p. 34

YOUR LIFE BACK IN YOUR HANDS -- WHERE IT BELONGS.

Through Tony Dolan from Dave Gergen sent to the President, WH. x 2273 Wash Post 2/26/81
style, not listed

I HAVE NOT TAKEN YOUR TIME THIS EVENING MERELY TO ASK YOU TO TRUST ME. INSTEAD, I ASK YOU TO TRUST YOURSELVES. THAT'S WHAT AMERICA IS ALL ABOUT. OUR STRUGGLE FOR NATIONHOOD, OUR UNRELENTING FIGHT FOR FREEDOM, OUR VERY EXISTENCE -- THESE HAVE ALL RESTED ON THE ASSURANCE THAT YOU MUST BE FREE TO SHAPE YOUR LIFE AS YOU ARE BEST ABLE TO -- THAT NO ONE CAN STOP YOU FROM REACHING HIGHER OR TAKE FROM YOU THE CREATIVITY THAT HAS MADE AMERICA THE ENVY OF MANKIND.

ONE ROAD IS TIMID AND FEARFUL.

THE OTHER BOLD AND HOPEFUL.

IN THESE 6 MONTHS, WE HAVE DONE SO MUCH AND HAVE COME SO FAR. IT HAS BEEN THE POWER OF MILLIONS OF PEOPLE LIKE YOU WHO

Feb 5, 1981 - Aug 5, 1981 is 6 months; we are presently in the sixth month which ends Aug 5

HAVE DETERMINED THAT WE WILL MAKE AMERICA GREAT AGAIN. YOU HAVE
MADE THE DIFFERENCE UP TO NOW. YOU WILL MAKE THE DIFFERENCE
AGAIN.

Through
Tony Dalton from
David R. Geisen, Asst.
to the Pres., 9/8/93
Wash Post, 9/26/61

LET US NOT STOP NOW.

THANK YOU. GOD BLESS YOU AND GOOD NIGHT.



(Elliott) *Borgquist*

July 24, 1981

Good evening. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. If you'll remember, that report didn't make very good listening. And believe me, I didn't enjoy giving it.

I had to tell you that we were in the worst economic mess since the Great Depression. And I warned that while we had managed for years to postpone our judgment day, we no longer had that luxury. We were out of time.

Well, our situation remains very serious. And tonight I want to talk to you about two problems in particular that are standing between us and economic recovery. But first, let me give you some good news. Because something very exciting has begun to happen in Washington.

Your Government has begun listening to you again. The voice of the people is finally getting through. Millions of Democrats and Republicans, from every profession, every background, and every region of this land, have made Washington understand that it's time to clean up its act. That it's time to bring common sense and plain dealing back into government. And that the way to start doing that is by changing just one little two-letter word: control "by" government, to control "of" government.

And ~~well~~, I think we're making progress. Some would even say historic progress. Because with the cooperation of

Democrats and Republicans, we've done more in a shorter period of time to set our economy on a sound footing than any government in the past 50 years. Right now, ^{members of the} House and Senate ~~Members~~ are putting the final touches on a budget bill that includes more than \$140 billion in savings.

These spending reductions will be shared by all Americans. And they will also benefit all Americans, or ~~that~~ cause the rate of inflation to begin to decline. We are already seeing the first signs that low inflation is on the way.

What this proves, I think, is that our system can work and will work when we make it work. It proves that Democrats and Republicans can place principle over politics . . . and that we can all have a government that lives within its means again and that keeps its commitments to us.

All this sound encouraging to know. But in truth, it's just the first step of a long climb up a mountain of problems -- problems that result from years of government mismanagement. The kind of mismanagement that left us with chronic inflation, punishing taxation, record-breaking interest rates, more than 8 million people unemployed, 19 unbalanced budgets in the last 20 years, a national debt nearing \$1 trillion and regulation run wild.

Yes, we have begun to get spending under control . . . But we're still a long, long way from getting government back under control. So tonight I want to speak to you about two other challenges we face. Both important, both serious, and both in urgent need of our attention.

The first, and it is the highest priority of my Administration, is restoring the integrity of the Social Security system -- that precious lifeline for millions of ^{the} elderly, ^{the} orphaned and ^{the} disabled. The 36 million Americans who depend on Social Security expect and are entitled to prompt bipartisan action to resolve its financial difficulties.

HHS Press Release,
Statement of Sec. Schweiker

X?

Older Americans have always been a community asset.

X

They must never become a national problem. The last thing they need right now is the kind of cynical political maneuvering being used by some in ^{the} Congress to play on their fears. Rather than exploit the Social Security problem, we should be working together to solve it; and I call on ^{the} Congress tonight to join me in doing just that.

Letter of Ronall Reagan
to Sen. Howard Baker,
cc Tip O'Neill, Robert
Byrd, Robert Michel.
7/11/81 - released to
press 7/20/81

X

Make no mistake: a problem does exist, it is serious, and the American people know it is serious. A recent New York Times-CBS poll showed 54 percent of today's workers doubting they will ever collect Social Security when they retire.

Changes in demographic patterns and the increasing trend toward early retirement are combining to make funding of Social Security more difficult. The problem is fewer and fewer workers trying to support more and more retirees. In 1950 there were 16 working people contributing to Social Security for every one retired beneficiary. By 1960 the ratio had dropped to 5 to 1. Today it is down to 3.2 to 1; and, within just 50 years, it will have dropped to 2 to 1.

No matter whose economic forecasts we use, we can't escape one harsh fact: Unless legislative action is taken -- and taken soon -- the Social Security program will be unable to meet its commitments to millions of Americans.

If Congress does nothing, then by the fall of 1982, there will not be enough money in the OASI Trust Fund to pay benefits to retirees, to widows and to orphan children and their mothers. And if Congress persists in shirking its obligations, the problem will only get worse, and worse, and worse. Within the next 5 years, the Social Security deficit could increase to \$111 billion. Within 75 years, it could climb to \$1.5 trillion -- half again as large as our national debt.

So what's the answer? Well, some in Congress accuse us of being too pessimistic . . . of exaggerating Social Security's potential revenue shortfalls. They say we should simply dip into general revenues to bolster the fund when necessary. There's only one problem with that: We don't have any general revenues to dip into. What we do have is a nearly \$60 billion deficit. So, more borrowing is not the answer.

Nor is higher taxation. In 1977 Congress passed a \$227 billion tax increase -- the single-biggest, most monstrous tax increase in peacetime history. And many of those are calling us too pessimistic now were also busy reassuring us back then. When many people, including myself, said this huge tax increase was the wrong way to go, they answered that it would keep Social Security solvent for more than 50 years --

til 2030. That was just 4 years ago. Today, we're right back in the same mess we were in.

We can't afford to keep taking chances. We can't afford to be wrong about a system so important to so many people. Now during the campaign, I made a pledge, and I will repeat it tonight: We must do nothing to hurt those presently dependent on Social Security checks. But for the sake of future recipients, we must also move immediately to restore the integrity of the program.

For starters, we want to eliminate some of Social Security's most flagrant abuses. For example, in today's system a person can be out of work for 5 years and still qualify for disability insurance. I know of no proviate insurance system in the world where you can collect disability insurance 5 years after you stopped paying your premiums. Government inspectors believe as many as one of every 5 people on the disability rolls today may be ineligible.

Now much has been made in the press of our attempts to reduce the grants for those who retire early. What the press never seemed to point out was that our plan called for reducing the percetage of total grant the early retiree could receive from 80 percent to 55 percent . . . but then by working only one year and eight months, the early retiree could at some point when he is still 63 take early retirement and get his 80 percent of the full retirement benefit. Think of it this way: That one year and 3 months difference could

make all the difference in the survival of the system. Now, certainly some people nearing age 62, and having made plans for early retirement, would be caught by our proposal. So in deference to them, we're perfectly willing to consider a more phased-in approach.

Here's another point: Present law calls for the Social Security tax and the amount of income subject to that tax to increase several times between now and 1986. Our plan calls for eliminating those increases which are now more burdensome for most workers than the income tax, and even reducing, after a few years, the present Social Security tax. To the young person just starting in the labor force, and working to retirement age, this tax reduction alone would mean \$33,000 of additional income which he could put to better use for himself and his family.

Let me add that our plan would solve both the short and long-range funding problems of Social Security, without pushing up the age of retirement to 68, which is what one program in the Congress suggests.

I did not create the Social Security mess. But as President I must and will deal with its consequences. So, as I said earlier, it is unfortunate there are people who would rather exploit the issue than work together to solve it. But let me simply remind them of one thing: All the political rhetoric and demogoguery in the world will not secure an additional dollar of Social Security benefits for your constituents. So isn't it about time that the Congress

lay aside partisan politics and join me in a constructive effort to put Social Security on a permanently sound financial basis? Nothing more is needed; nothing less will do.

Finally, I'd like to talk to you tonight about another problem that is close to my heart, and that is certainly close to everyone's pocketbook. And that's the problem of taxes. Now perhaps all the recent quarreling over taxes has got you a bit confused. I don't blame you. But let me cut through the fog with one indisputable fact: Our bipartisan coalition offers a real tax reduction; the House Democratic leadership offers only another make-believe tax cut that dissolves into huge tax increases.

A lot of people have not understood this point because the Democratic leadership keeps comparing all of their bill with only part of ours. Well, not tonight.

It amazes me that they can look you in the eye and say "we're reducing your taxes." Because as you can see from this chart, we propose a full 25 percent reduction -- enough to offset the built-in tax increase of nearly 22 percent -- but they offer only a 15 percent tax cut, and no tax cut at all for 1984.

And isn't it ironic that while the Democratic leadership says it's too dangerous to give individuals like you a 3-year tax cut, they have already committed themselves to cut business taxes for ten?

Now, just recently they've begun talking about the possibility of triggering a third-year tax cut if economic

conditions improve. But by holding the people's tax reduction hostage to future economic events, they will be removing the certainty people need to begin saving or investing more of their money -- precisely what is needed to get our economy back on track. So a trigger is not a way to promote and third-year tax cut: it's a way to preclude one.

And remember something else too: This trigger was designed by people who don't believe in cutting taxes. As a matter of fact, the House Democratic leadership appointed the people to chair the committees which allowed the taxes you pay to double in just the last 5 years. Think of that!

If I could paraphrase Will Rogers' line about never having met a man he didn't like, it seems too many of them have never met a tax they didn't hike. You see, if we're sincere about reducing taxes, then we have to do better than the typical, one-shot, here-today, gone-tomorrow rebates of old.

We must make the people a commitment. The kind of commitment that says if you work or save more tomorrow than you did today, then your reward will be higher. More of every added dollar you earn will be yours to keep. This is why it is so important that we reduce tax rates, and that we reduce them for 3 consecutive years.

And for all of you who work hard for your families, and who could succeed over time in raising your incomes, we must make another commitment. We must not allow your rewards and your spirit to be crushed by tax rates designed

only to feed an already bloated Federal budget. So, in addition to reducing tax rates for 3 years, we must also reduce them across-the-board. Only then can we look you in the eye and say, "We are providing real incentives that will help all Americans create, share and build in a new prosperity." Only then can we truthfully say, "We are making a commitment to your future, and not just to the next election."

We make these commitments without qualifications. They offer you half a loaf and less than a promise. Look closely at these charts which show what the real tax payments will be for income earners between \$15,000 and \$30,000 under the 2 bills. The dotted line is theirs. Yes, it goes down, as they have boasted, a little more sharply in the first year than ours. But then look what happens. You quickly come to the point where their tax cut stops and starts going up again. They simply give up and permit Social Security tax increases and bracket creep to take over. But notice how our line keeps descending, then levels off under the impact of indexing. This orange space is the last money that will remain in your pocket if our bill passes, or leave your pocket if theirs does.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 24, 1981

MEMORANDUM FOR: DAVE GERGEN
 CRAIG FULLER
 LARRY SPEAKES
 KARNA SMALL
 TONY DOLAN
 BEN ELLIOTT
 MARI MASENG
 LYN NOFZIGER
 ELIZABETH DOLE
 JOANNA BISTANY
 FRANK URSOMARSO
 MIKE BAROODY

From: Ann Dore McLaughlin

ADMCL

Attached is a comparison of HR 3849, Senate Tax Bill, House Ways & Means and House Bipartisan Substitute for your information. Also included is an itemization of the Small Business Provisions of the Bipartisan House Substitute Bill.

Small Business Provisions of the Bipartisan
House Substitute Bill

In addition to the broad benefits of individual rate reductions and accelerated cost recovery for all small businesses and their owners, the Bipartisan House Substitute Bill has a number of provisions of special interest to small businesses. It provides rate reductions for small corporations, reduces or eliminates estate and gift taxes on transfers of family-owned businesses, allows for limited expensing of machinery and equipment purchases, increases tax-deductible retirement savings for the self-employed, and includes a number of other tax-reduction measures. Altogether, the provisions total about \$3.3 billion of small business tax relief in 1982 and \$12.0 billion by 1984. The specific provisions are:

- o Estate and gift tax relief. Transfers of up to \$600,000 will be free from tax and the top estate tax rate will be reduced from 50 to 70 percent. No transfer tax will be imposed on gifts and bequests between spouses. Special use valuation will be applied to more farms, small businesses, and woodlands and may reduce taxable estates by up to \$1 million. These changes will greatly reduce the hindrance of the transfer taxes to the building and maintaining of small family businesses.
- o Increase in Keogh plans. The limits on deductions for contributions by the self-employed to a retirement plan will be increased from \$7,500 to \$15,000.
- o Expensing of capital investment. Expenditures for machinery and equipment may be written off in the first year up to an amount of \$5,000 for investment in 1982 and 1983, \$7,500 in 1984 and 1985, and \$10,000 thereafter. This provision will further simplify tax accounting for small businesses and provide immediately the additional incentive and cash flow for their modernization and expansion.

- o Accelerated cost recovery for rental housing. Those who invest in rental housing, many of whom are individuals or small businesses, will be allowed deductions for cost recovery over 15 years using the 200 percent declining balance method. These new rules will apply whether the housing is new or used.

- o Increased investment credit for used property. Many small businesses conserve scarce capital by purchasing used machinery and equipment. The amount of these purchases eligible for the investment credit will be raised from \$100,000 to \$125,000 for 1981-84 and \$150,000 thereafter.

- o Liberalized accumulated earnings tax. Earnings may be retained in a corporation up to at least \$250,000 without incurring an accumulated earnings tax. The bill raises this minimum amount from \$150,000.

- o Write-off of operating rights for motor carriers. Deregulation of the motor carrier industry dramatically reduced the value of certificates of operating rights which had been an important asset for many small trucking companies. As partial compensation, the bill allows these losses to be deducted over a 60-month period.

- o Reduction of the Windfall Profits Tax. The tax burden will be eliminated or reduced for small royalty owners and oil production incentives will be restored for independent oil producers by changes in the windfall profits tax. These changes include a credit of \$2,500 for royalty owners for 1981, to be replaced by exemption of two barrels per day in 1982-84 and exemption of four barrels per day thereafter. For independent producers, the percentage depletion rate will be frozen at 22 percent and stripper oil production will be exempted from tax beginning in 1983.

- o Liberalized Subchapter S. The maximum number of shareholders allowable in a corporation whose owners choose to be taxed as individuals under Subchapter S will be increased from 15 to 25. In addition, certain kinds of trust will be allowed as shareholders in such corporations.

- o Incentive stock options. Start-up businesses will be aided by a provision to allow employees to be taxed at capital gains rates upon sale of stocks acquired through incentive stock options. This provision will help such businesses to attract key employees who might otherwise be too costly.

- o Simplification of LIFO. The bill makes changes, and authorizes regulations to make further changes, to simplify and remove impediments to the use of the LIFO inventory method by small businesses. These changes will help to remove a tax on overstated profits due to inflation and thereby provide needed cash for growth of small businesses.

Tax Reductions for Small Business
in the Bipartisan House Substitute Bill

(\$ billions)

	Fiscal Year					
	: 1981	: 1982	: 1983	: 1984	: 1985	: 1986
Estate and gift tax provisions	-	-0.2	-2.2	-3.3	-4.3	-5.6
Increase Keogh plan limit to \$15,000 (January 1, 1982)	-	*	-0.1	-0.2	-0.2	-0.2
Write off rental housing over 15 years at 200% declining balance	-0.1	-0.5	-0.9	-1.3	-1.7	-2.1
Phased-in expensing of assets: \$5,000 in 1982 increasing to \$10,000 by 1986	-	-0.5	-1.0	-0.9	-0.8	-0.3
Small business corporate tax rate reduction (January 1, 1982)	-	-0.1	-0.3	-0.4	-0.5	-0.5
Increase used property limit for the investment tax credit to \$125,000 for 1981-1984 and \$150,000 thereafter	*	-0.1	-0.1	-0.1	-0.1	-0.2
Increase accumulated earnings test to \$250,000 (January 1, 1982)	-	*	-0.1	-0.1	-0.1	-0.1
\$2,500 windfall profit tax credit for royalty owners for 1981, replaced by exemption of 2 barrels per day in 1982 through 1984 and 4 barrels per day in 1985 and thereafter	-	-1.2	-0.8	-0.9	-1.2	-1.2
Freeze percentage depletion rate at 22% (January 1, 1981)	*	-0.5	-0.6	-0.9	-1.1	-1.3
Exempt stripper oil production by independent producers (January 1, 1983)	-	-	-0.3	-0.4	-0.4	-0.4
Write-off of motor carrier operating rights	*	-0.1	-0.1	-0.1	-0.1	*
Stock options	*	*	*	*	*	*
LIFO inventory simplification	-	-0.1	-0.2	-0.2	-0.1	-0.1
Totals	-0.1	-3.3	-6.7	-8.8	-10.6	-12.0

Office of the Secretary of the Treasury
Office of Tax Analysis

July 23, 1981

* Less than \$50 million.