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CONGRESSWOMAN DWYER'S

REPORT TO THE PEOPLE

OF THE UNION-ESSEX SUBURBS



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TAX REFORM -- MORE THAN JUST MONEY

In my first Report on the new 91st Congress, issued last January, I suggested that the political division in the National Government between Administration Republicans and Congressional Democrats could be overcome -- and, in the national interest, should be -- by means of a joint willingness to submerge excessive partisanship and to emphasize compromise and what I termed "creative tension."

At the risk of being prematurely optimistic, I believe I can report that this process is actually underway, and in one of the most significant and consequential areas of public policy -- tax reform. Though there are, to be sure, some differences between the tax reform proposals of the Nixon Administration and the tentatively stated positions of some House Ways and Means Committee Democrats, these differences reflect a healthy kind of legislative competition which the country could stand a good deal more of and they do not reduce the broad area of agreement which seems to exist on the issue of tax reform.

A LONG TIME COMING

It is this area of agreement that is so remarkable. The Federal tax system has, of course, often been changed and adjusted. Such adjustments have been used, for example, to increase revenues as a means of combatting inflation, or to lower rates as a way of stimulating the economy, or to serve special public or private interests. But not since the individual income tax first reached major proportions in the 'thirties have we had a truly substantial and comprehensive reform of the tax system -- a reform designed less to affect the economy than to achieve greater fairness and equity. Yet, we are about to get this kind of reform today.

It's been a long time coming. Though there has been no secret about the existence of tax loopholes, or special tax advantages for special interests, or ways by which the very rich can often greatly reduce or avoid altogether their tax obligation, past tax reform efforts have been chiefly talk without much action.

All that has changed. And what has changed it, I suspect, has been the concurrence of three factors: first, the steady increase in State and local taxes; second, the growing impact of inflation on just about everyone; and third, the imposition of last year's Federal income tax surcharge. Together, these have wiped out entirely -- for most Americans -- the benefits of the 1964-65 two-phase tax reduction and caused an actual decrease in the standard of living of many low- and middle-income taxpayers.

A CASE STUDY

Let me illustrate what has happened over the past five years. According to Government statistics, the average non-supervisory employee in manufacturing earned about \$5,180.76 in 1963. Assuming he had a wife and two dependent children and claimed the standard exemptions and deduction, he paid a Federal income tax that year of \$452.54.

In 1968, that same average employee earned \$6,370.52, an apparent increase of about \$1,200. In fact, however, his real wage increase was only about one-third as much, or approximately \$400, the rest having been eaten up by rising prices.

-- more --

On top of that, this average employee's Federal tax bill in 1968 -- despite the tax rate reductions of 1964 and '65 -- was substantially higher, \$506.69, since the dollar increase in wages had placed him in a higher tax bracket. In addition, the tax surcharge amounted to an extra \$32.00.

When higher Federal and State exise and sales taxes, and higher State and local income or property or other taxes are all added up, our hypothetical (but very representative) taxpayer can be seen to have steadily lost ground. Given this two-pronged assault on his pocketbook, therefore, the existence of tax loopholes, dodges, advantages, etc. for others has suddenly become more than academic talk. My own mail and that of most of my colleagues has been reflecting this growing revolt against special privilege, and the response so far to questions on tax reform included in my Congressional Questionnaire leaves no doubt that most people are demanding and expecting effective action.

WHAT REFORM WILL ACCOMPLISH

I predict they will get it. While it is still too early to know precisely what reforms will be recommended following the Ways and Means Committee's very extensive study, there is every reason to believe they will be designed (as are President Nixon's proposals) to accomplish three objectives: first, to ease or eliminate the tax burden on those closest to the poverty level; second, to abolish the less defensible tax loopholes and require at least minimum tax payments by those having substantial amounts of presently tax-exempt income; and third, to strengthen the fiscal restraints against inflation and limit the incentives to business expansion. All in all, the combination of reduced Federal spending and adjustments to the tax system should produce a hefty surplus in the Federal budget which will be an important weapon in fighting inflation.

What is most important about tax reform, however, is not the obvious. It is not the extra dollars it will put back in the pockets of the poor, or the extra dollars it will take from the very rich. Nor is it the greater equity and humaneness and social justice that will result from reform. It is, rather, the sum of these things and more -- the increased respect for civil authority, for representative government, for rational deliberation, which can only come from decisions that are manifestly fair and courageous and just.

And in these troublesome times, the re-enforcing of respect for legitimate authority must have the highest priority if liberty and personal freedom are to be preserved. Tax reform, as an exercise of public authority that is demonstrably creative and equitable and humane, will contribute greatly to the building of that respect.

ADDENDA

President Nixon's proposals for strengthening the war against obscenity look good. By protecting children under 18 and keeping pandering advertisements out of the mail, he is building on legislation (which I co-sponsored) enacted in 1967 which is already helping to protect the privacy of our homes. . . .N. J. State Assemblyman Tom Kean's bill to counter student rebellions by permitting other students to sue the revolutionaries is a unique and potentially highly valuable tool. . . . The President's proposed Grant Consolidation Act follows closely my own bill of two years ago and will be a major step in the direction of obtaining more effective and less burdensome administration of Federal programs and, therefore, will help produce "more for our money." . . . Deadline for return of Congressional Questionnaires is May 15. If you need copies, please call or write my office.