



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

VICE CHAIRMAN JIM SAXTON

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## **PRESS RELEASE**

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## **NEGATIVE PERSONAL SAVINGS RATE SHOWS NEED FOR SAVING INCENTIVES**

**WASHINGTON, D.C.** – The negative personal savings rates reported in the most recent monthly and quarterly official data offer further support for personal saving tax incentives, Vice Chairman Jim Saxton (R-N.J.) of the Joint Economic Committee (JEC) said today. Commerce Department data released today and last Friday both show a negative personal savings rate.

“The recent data on personal saving point to a soft spot in our generally positive economic outlook,” Saxton said. “While the overall economic situation is very favorable, the inadequate personal savings rate is reason for concern over the longer term. While one must always be careful not to read too much into any single release of economic data, the long downward trend in the personal savings rate over many years indicates there is a serious problem.

“The declining personal savings rate should lead policymakers to consider changes in our anti-saving tax policy. A dollar consumed is taxed once, but a dollar saved is taxed, and then the return is taxed again, often multiple times. This bias in our tax system discourages saving and favors consumption. No one should be surprised when the level of personal saving in the American economy reflects this pervasive bias in our tax code.

“Action is needed on legislation to raise the IRA deduction from \$2,000 to \$7,000 and broaden the availability of IRAs to many millions of middle class taxpayers who are now excluded. This legislation, H.R. 876, has been cosponsored by Majority Leader Dick Armey, Democratic Caucus Chairman Martin Frost, and a number of our colleagues.

“The lack of personal saving is an issue we should address as we prepare for the challenges of the next century. Adequate personal saving is needed to finance investment for economic growth, to assure the retirement security of the baby boomers as they prepare for their retirement needs, and to promote the financial independence and security of the middle class in general. It is my belief that this counterproductive tax bias against saving will be addressed in tax changes during this Congress,” said Saxton.

For more information on tax incentives for personal saving, see the JEC website at [www.house.gov/jec](http://www.house.gov/jec). Today this website was designated one of the top three committee websites on Capitol Hill by the non-partisan Congressional Management Foundation.

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