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THE WALL STREET JOURNAL.

WEDNESDAY, OCTOBER 17, 1990

Democratic Deficit-Reduction Bill Clears House in Party-Line Vote

Showdown With President Is Likely as Bush Vows To Veto the Proposal

By JACKIE CALMES
And JEFFREY H. BIRNBAUM
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—The House voted along party lines for a Democratic deficit-reduction plan that President Bush opposes, while Democrats in the Senate struggled to muster support for a bipartisan bill pending there.

The House passed its budget plan, 227-203, last night. But the critical vote came earlier when a Democratic amendment incorporating tax increases and Medicare savings was approved 238-192, with just 10 Republicans voting for the plan and 28 Democrats opposing it. The overall bill would reduce the deficit an estimated $251 billion over five years.

The taxes and Medicare provisions account for roughly three-quarters of the savings. The remaining reductions would come through new or higher government fees and through cost-cutting changes in programs affecting farmers, veterans, government employees, students and others. "We are asking all Americans to share the sacrifices of deficit reduction," said Rep. Leon Panetta (D., Calif.) chairman of the House Budget Committee.

Meanwhile, in the Senate, Democrats caucused for a second day about the budget plan taking shape there. Senate Finance Committee Chairman Lloyd Bentsen (D., Texas) acknowledged that about half of his Democratic colleagues prefer the House Democrats' bill. Unlike his panel's proposal, the House bill would leave gasoline taxes unchanged and impose smaller increases on Medicare recipients, while raising income-tax rates on the wealthiest Americans and targeting a capital-gains tax cut for middle-income individuals.

Sen. Bentsen said there was "no consensus" among Democrats, though Senate debate on the budget plan is expected to start today. A number of Democrats wanted a vote on either the House Democratic plan or a proposal by Sen. David Boren (D., Okla.) and Sen. Sam Nunn (D., Ga.) that was developed with the help of entrepreneur H. Ross Perot.

The Boren-Nunn plan would raise the rate on the wealthy, make a deep capital-gains cut, scale back the gasoline-tax increase proposed by the Finance Committee and expand the deduction for individual retirement accounts. It faced an uphill climb because of probable opposition from Senate leaders of both parties who are committed to fending off controversial amendments. Another potential amendment would impose a surtax on millionaires to hold down Medicare beneficiaries' costs.

Senate Republicans, meanwhile, have said they would oppose any plan raising income-tax rates, even in exchange for a capital-gains cut their party has long favored. Given the Senate Democrats' narrow, 55-45 majority, party leaders have acknowledged that GOP votes are needed to pass the measure.

President Bush canceled a planned trip to the World Series game tonight in Cincinnati after GOP congressional leaders advised him that today is likely to be a crucial one in the budget struggle.

The Senate measure doesn't explicitly raise income-tax rates, although it limits deductions on the wealthy, which would have the same effect. But it is the absence of an income-tax boost that accounts for Mr. Bush's endorsement of the Senate version. Conversely, the House bill's inclusion of the tax rise has drawn the president's promise of a veto.

"The Democrats pushed through a tax increase on working men and women," the president said in a statement after he returned here from a campaign trip late Tuesday night. However, he said he hoped Congress eventually would pass the plan now under consideration in the Senate.

"What it really hides under all that rhetoric ... is that's it back to tax-and-spend again," Treasury Secretary Nicholas Brady told an American Stock Exchange conference here.

Such statements reflected the administration's effort to counter what has proven a politically effective Democratic campaign for higher taxes on the rich, under the theme of tax fairness.

Ultimately, differences between the Senate and House bills must be worked out in a conference before the measure can go to the president. After Friday, a stopgap government-funding measure expires, and Mr. Bush has strongly hinted he will veto further such legislation unless a budget agreement is imminent, thus bringing government programs to a halt. "It's going to be very difficult to do it by midnight," Sen. Bentsen said.

During the House debate yesterday, partisan strains were exacerbated when the Democratic majority wouldn't allow a vote on a GOP budget substitute. Democratic leaders argued that the Republicans' plan, with broad spending cuts and few taxes, fell far short of the deficit-reduction goals set with President Bush.

Mr. Panetta contrasted House Republicans with their Senate counterparts who have worked with Democrats toward a compromise. "My hope is that someday the minority here will work with us to help govern this nation, not bring it down," he said.

But the majority's refusal to permit the vote momentarily united the Republicans, who have been torn internally for weeks over the budget politics.

They reveled in a fiery partisan speech by Rep. Guy Vander Jagt (R., Mich.), head of the House GOP's campaign arm, who called Democrats' "soak the rich" rhetoric a "demagogic smoke screen" for their big spending ways. As if the political overtones of his address weren't obvious, an advance news release from the campaign office said Mr. Vander Jagt "will discuss how Republicans intend to use this vote as a political issue against the Democrats in the Nov. 6 elections."

The House-passed bill is the primary vehicle for achieving $500 billion in deficit reduction, as outlined in a budget blueprint approved last week. That blueprint replaced the summit pact between President Bush and congressional leaders after it was rejected in the House. The rest of the five-year savings would come mostly from defense cuts.

The House plan would:

—Raise marginal tax rates on the highest-income taxpayers to 33% from current 28%.

—Boost the alternative minimum tax, paid by wealthy taxpayers with lots of tax breaks, to 25% from the current 21%.

—Impose a 10% surtax on taxable income over $1 million.

—Extend the 1.45% Medicare payroll tax to wages up to $100,000 from the current $51,300.

—Delay for one year the inflation adjustments for the tax brackets and the personal exemptions, starting next year.

—Allow individuals a once-in-a-lifetime, $100,000 in capital gains tax-free, for profits on the sale of real estate, farms, businesses and timber, but not securities or collectibles.

—Permit individuals with annual incomes below $100,000 tax-free capital gains of $1,000 a year, and smaller amounts for taxpayers with incomes between $100,000 and $125,000, for all assets except collectibles.

—Set the maximum capital gains tax rate at 28%, instead of the current 33%.

—Increase the cigarette tax eight cents a pack by 1993, from the current 16 cents, and raise the tax on liquor by $1 a "proof gallon" to $13.50, on beer by 16 cents a six-pack to 32 cents, and on table wine by 22 cents a bottle to 25 cents.

—Increase the airline-ticket tax to 10% from 8%, effective Dec. 1.

On the Medicare program for health coverage to the elderly and disabled, the House bill would increase the premium for hospital coverage to $29.90 a month in 1991 and to a projected $46.20 in 1995. The plan also would increase the annual deductible, currently $75, to $100 in 1991 and thereafter.

The House measure also would require drug companies to provide volume discounts to Medicaid, saving $2.1 billion over five years.

The pending Senate bill would:

—Increase the motor-fuels tax by four cents a gallon Dec. 1, by another five cents July 1, 1991, and by another half cent Jan. 1, 1992. Railroads would pay half the tax increase.

—Raise the cigarette tax by eight cents, and increase the tax on liquor by $1.20 a "proof gallon," on beer by 16 cents a six-pack and on table wine by 18 cents a bottle.

—Disallow $500 in deductions for every $10,000 in income above $100,000. Extend 1.45% Medicare payroll tax to wages up to $89,000 from current $51,300 ceiling.

—Increase the airline-ticket tax to 10% from 8% Dec. 1.

—Impose Social Security and Medicare payroll taxes on all state and government employees.

On Medicare, the Finance Committee bill would increase Part B premium to $29.90 a month in 1991 and to a projected $46.20 in 1995.

It also would raise the annual deductible, currently $75, to $150 in 1991 and thereafter. In addition, it would ask beneficiaries to shoulder 20% of the cost of clinical laboratory tests.

The Senate bill also includes several tax cuts. It would enhance tax incentives for oil and gas exploration if oil prices fell below $34 a barrel, create tax incentives for ethanol, and temporarily extend current tax credits for corporate research and low-income housing development, among other activities.

The Senate budget reconciliation package includes provisions designed to revamp the government's uranium enrichment program that opponents contend would amount to a $10 billion bailout of the uranium industry. The legislation would make the government's uranium-enrichment services into an independent, government-owned corporation. To make the proposal more palatable to the House, which has blocked similar legislation in the past, the Senate added revenue-raising provisions in the form of fees that would be paid by nuclear utilities.

Give 'Em Hell, George, Just Like Harry Did in '48

By John H. Fund

Few presidents have been so ridiculed. He was called "indecisive" and "weak." Even bipartisan support for his firm foreign policy couldn't prevent a sharp drop in his approval ratings. Nonetheless, he and his party triumphed in the next election—the classic political comeback. The president was Harry Truman, and his 1948 campaign against a "do-nothing Congress" holds some strong lessons today for George Bush and the GOP.

Until last month's disastrous budget agreement, Republicans were confident they could hold their House losses to single digits—not bad for the party in power in a midterm election—and even gain a couple of Senate seats. Now GOP strategists report their candidates in open House seats—the only competitive ones these days—are in a "free fall."

Their problem is that the most loyal Republican voters are under age 40, and their major issues are suspicion of big government and opposition to higher taxes. Now that George Bush is seen as having donned the other team's jersey, many are deciding not to vote. Others are taking a new look at those Democratic candidates who all this year have been canny enough to run against Washington and higher taxes.

But the GOP's problems this year are also George Bush's. If Democrats score even a psychological victory, they can peel away enough Republicans to start overriding Bush vetoes, leaving him a crippled president. In addition, state legislatures elected this year will redraw congressional districts for the next decade. If Democrats make major gains, the Republicans will be gerrymandered into continued minority status during any Bush second term.

President Bush has severely compromised his image as a tough negotiator who will stand up for the middle class and "just say no" to new taxes. He is left with only two choices—to again strike the best deal he can with the Democrats and suffer the economic and political consequences or to go on the offensive, just as he did when in similar political trouble in 1988.

"It's time George Bush told the American people, 'Enough is enough. I tried to be reasonable, I moderated my positions, and I got nothing in return from the Democratic Congress. Let's have a referendum on Congress's work product,' " says Republican consultant Doug Watts.

In 1948, Truman was faced with a Republican Congress that had stymied his legislative program. He went on the attack, practicing political jujitsu. First he built up the "do-nothing Congress" as the country's biggest problem, and then used his opposition's superior strength, or weight, to bring it down.

The origins of Truman's successful campaign against Congress can be found in the advice of a key aide, Clark Clifford. In a 43-page memo written in November 1947, Mr. Clifford urged the president to challenge Congress: "The Administration should select the issues upon which there will be conflict with the majority in Congress. It can assume it will get no major part of its own program approved. Its tactics must, therefore, be entirely different than if there were any real point to bargaining and compromise. Its recommendations . . . must be tailored for the *voter*, not the Congressman; they must display a label which reads 'no compromises.' "

Truman began his attack on Congress by challenging Republican leaders to pass his legislative program during a special session he called in July 1948. When they refused, he declared "the battle lines have been drawn," boarded a special train and began a massive "whistlestop" tour. In those pre-TV days he gave 286 speeches and addressed six million people.

In his speeches, Truman said the special session had been the "test for that worst 80th Congress" and its members had failed it. He realized that as an institution Congress could be attacked in far harsher terms than an individual could be. He held no congressional leader up for public scorn, thus ensuring he would still be able to work with the leadership. But he drove his message home relentlessly:

"There is just one big issue; it is special interests against the people. . . . You now have a special-interest Congress."—June 17, 1948, in Jefferson City, Mo.

Harry Truman

"Don't let anybody fool you. If they send a Republican Congress back there it won't be a bit different from the 80th Congress, it will be run by exactly the same men, it will put through exactly the same program."—Oct. 11, 1948, in Cincinnati, Ohio.

Truman scored an upset victory over Republican Tom Dewey by capturing the most populist states and also those that were growing the most—the same states that George Bush won against Michael Dukakis in 1988. But Truman also swept the Republicans out of control of both the House and Senate. He even helped his party win in states that voted for Tom Dewey—Democrats gained nine House seats in New York and 11 in Pennsylvania. Of course, such massive gains aren't possible today—challengers are now woefully underfunded and straight-party voting much less common.

Still, a three-week Bush campaign against Congress and its attempts to raise taxes on every American could pay political dividends. The country is seething with anger against officeholders, as evidenced by the widespread support for term limits. Normally, the risks in an anti-Congress campaign would lead cautious advisers to argue against it. But those risks no longer exist in the wake of the budget fiasco. For all the current Bush political strategy is worth, it might as well have been designed by a double agent secretly on the payroll of the Democratic National Committee.

Mr. Fund is a Journal editorial writer.

The New York Times

NEW YORK, WEDNESDAY, OCTOBER 17, 1990

HOUSE APPROVES DEMOCRATIC PLAN TO REDUCE DEFICIT

HIGHER TAXES ON WEALTHY

But Bush Vows Another Veto and Shutdown Looms — Senate Is to Act Today

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, Oct. 16 — Eleven days after it rejected the budget compromise struck by President Bush and Congressional leaders, the House of Representatives voted tonight for a new Democratic plan that would sharply raise the income taxes of the wealthy.

The focus of the effort to reduce the deficit now shifts to the Senate, where a vote is expected Wednesday on a package supported by President Bush that would force the middle class to bear more of the brunt of higher taxes and lower spending.

On a campaign trip to the Middle West today, Mr. Bush said he would veto a measure like the one approved by the House. "It's a Democratic tax plan," he declared at a rally in Glen Ellyn, Ill. "It raises the income taxes of the working men and women in this country, and I am not going to do that."

Showdown at End of the Week

While the House plan would delay the adjustments in taxes for inflation, which could cost middle-class taxpayers a few hundred dollars a year, by far the biggest increase would affect people with incomes over $200,000. The plan the President supports would leave income taxes alone but would raise other taxes, like those on gasoline, that primarily affect middle-income people.

A showdown is likely at the end of this week, when the Government's authority to spend money lapses. The President promised once more today that he would close down most of the Government again if a budget suitable to him had not been enacted.

This evening the House approved the tax and spending plan, offered as an amendment to an overall budget measure, by a highly partisan vote of 238 to 192. Only 10 Republicans joined 228 Democrats in supporting the plan; 164 Republicans and 28 Democrats voted against it.

After the vote on the amendment, the House moved toward a vote on final passage of the full legislation, which is the core of a five-year package meant to reduce the deficit, now about $300 billion, by $40 billion this year and $500 billion over five years. At 9 P.M. the House was still debating the final elements of that legislation.

The votes followed a spirited debate in which Democrats took the political offensive on an economic issue for the first time in years. With all factions of the party united, they seized the chance to portray themselves as the party of ordinary Americans and their Republican opponents as the patrons of the fat cats. "Soak the rich" became a Democratic war cry as well as a Republican epithet.

"The middle class is angry," said Representative Richard A. Gephardt of Missouri, the majority leader. Americans, he continued, believe that "everybody's got to pay their fair share. The people at the top should have the highest rate. Doesn't that make sense?"

But Republicans accused the Democrats of pandering to voters without grasping the dire economic consequences. "In the last few weeks," said Representative Robert H. Michel of Illinois, the minority leader, "we've heard the sounds of economic McCarthyism, the savage cry of class warfare."

Republicans maintained, in the word of Representative Mickey Edwards of Oklahoma, that they had been "gagged," prohibited by the Democratic majority from offering a plan that would have slashed spending for domestic programs and foreign aid but raised no new taxes.

Democrats countered that the Republican proposal broke the rules of the budget outline approved by Congress last week, because it would have reduced the deficit by only $400 billion over five years, not the $500 billion required by the outline.

"When it's time to put up, they come up with a mouse," said Representative Leon E. Panetta, the California Democrat who heads the Budget Committee.

On a procedural motion that amounted to a test vote on the Republican plan, the Republicans lost on a nearly straight party-line vote of 241 to 184.

The party-line votes tonight were in sharp contrast with the vote early in the morning of Oct. 5, when the House handily turned down the budget compromise that President Bush and the Congressional leaders had reached after a month of intense negotiations. Then, liberal Democrats and conservative Republicans joined forces to defeat a package that both found objectionable.

Representative Barbara Boxer, a California Democrat, made one of the few statements of the day that both sides could agree on. "This is a debate about the direction of the country," she asserted. "It is about what gets cut and how much. It is about who pays and how much."

The plan approved tonight would raise the taxes of all but the very poor by suspending the adjustment of taxes for inflation by one year. But unlike other budget plans, it would raise the top tax rate, put a surtax on millionaires and allow most of the benefits of a capital-gains tax break to fall on the middle class. The taxes of the richest 1 percent of taxpayers in America, those with incomes over $200,000, would rise by an average of $11,000 a year.

Furthermore, the House scrapped many of the aspects of deal struck by the President and the Congressional leaders that had generated the most opposition.

Gasoline taxes would not be raised, Medicare cuts would be limited, home heating oil would not be taxed and people thrown out of work would not have to wait two weeks for their first unemployment check.

The budget debate has galvanized House Democrats like no other issue in years.

"Today," declared Representative Dan Rostenkowski of Illinois, the chief sponsor of the Democrats' tax and spending plan, "equity and fairness make a comeback."

Late in the debate, with the House chamber jammed but the outcome no longer in doubt, Representative Guy Vander Jagt, Republican of Michigan, argued that rich Americans were already overtaxed.

From a seat in the back, Representative Charles B. Rangel, Democrat of Manhattan, shouted out, "Let's hear it for the rich!"

For Democrats, Note of Caution

But the Democrats' euphoria tonight may be short-lived. And during a day of handshakes and back-slaps on the Democrats' side of center aisle, there were notes of caution.

The more conservative Senate is unlikely to accept a measure like the House plan, despite the enthusiasm of many Democratic senators for it. And the President's veto threat is probably an insurmountable obstacle.

"George Bush has decided he would rather see the Government of the United States shut down than tax the wealthy," said Representative Thomas J. Downey, Democrat of Suffolk County.

In an interview off the floor, Mr. Downey conceded: "Tonight, we win big. The tragedy is that ultimately we're not going to prevail."

These are among the main elements of the House bill:

¶ An increase in the top tax rate, to 33 percent from 28 percent.

¶ A 10 percent surtax on annual income above $1 million.

¶ A one-year suspension of the inflation adjustment, or indexing, of tax brackets and personal exemptions.

¶ A top capital gains tax rate of 28 percent. Taxpayers would be allowed $100,000 of tax-free capital gains in their lifetimes. Taxpayers with incomes below $100,000 would not have to pay taxes on the first $1,000 of capital gains each year.

¶ An increase in the alternative minimum tax to 25 percent from 21 percent. This rate is paid by wealthy taxpayers whose deductions, exemptions and exclusions would otherwise put their rates below that level.

¶ An increase in the amount of annual income subject to the 1.45 percent Medicare payroll tax. Right now the ceiling is $51,300; the House measure would raise it to $100,000.

¶ Higher sales taxe on automobiles with low gasoline mileage.

¶ Increased taxes on tobacco and alcoholic beverages.

¶ A 10 percent luxury tax on expensive cars, boats, planes, jewelry and furs.

¶ An increase in the tax credit allowed low-income workers.

¶ An increase in the Medicare deductible, the amount patients must pay out of their own pockets, to $100 from $75 a year. The Government would continue to cover 75 percent of the cost of doctors' bills under Medicare.

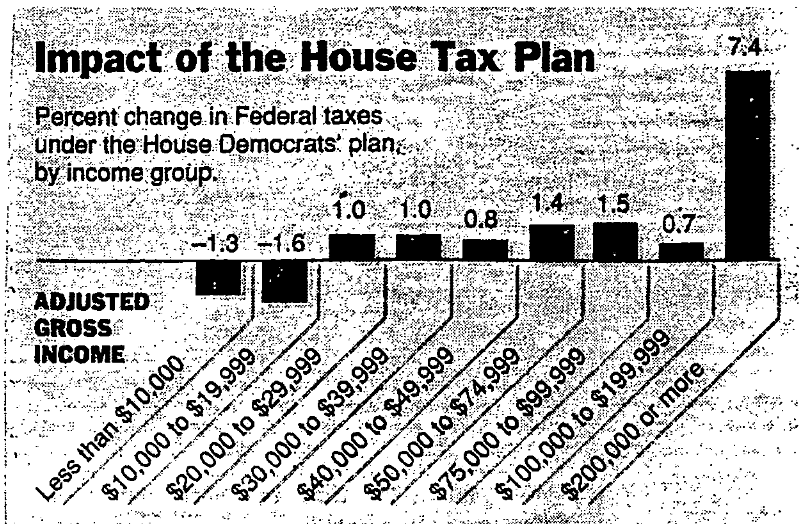
The budget bill before the Senate this week, which has the backing of the Bush Administration, goes easier on the wealthy and harder on the middle class than does the House bill, though many provisions are identical.

The Senate version, for instance, would cut Medicare benefits more deeply and would more than double the gasoline tax, from 9 cents per gallon to 18.5 cents by 1992. It would not raise tax rates but would impose a limit on deductions that could be claimed by taxpayers with incomes above $100,000.

It will be up to a conference committee to reconcile differences in the Senate and House versions.

Impact of the House Tax Plan

Percent change in Federal taxes under the House Democrats' plan, by income group.



Source: Joint Committee on Taxation

The House Budget Plan

Highlights of the major tax proposals by Democrats that passed a House vote last night.

	REVENUE (in billions)	
NEW TAXES	'91	'91-'95
Income Tax Rate: Extend the 33 percent tax rate to all high-income taxpayers. New rate would apply to all taxable income above $78,400 for those filing jointly. Raise alternative minimum tax from 21% to 25%.	$ 4.5	$ 50.0
Millionaires: 10% surtax on all taxable income above $1 million.	0.8	7.6
Indexing: One-year delay in inflation adjustment of tax brackets and exemptions.	4.1	38.0
Cigarettes: 8 cents (4 cents in '91, 4 cents in '93).	0.5	5.8
Alcohol: $1 per gallon of 100-proof alcohol. 16 cents per six-pack of beer. 22 cents per bottle of wine.	1.4	9.3
10% Luxury Tax: Applies to the amount over $100,000 paid for boats, above $30,000 for cars, above $5,000 for jewelry, above $10,000 for furs and above $100,000 for planes.	0.3	2.8
Aviation Fees: Raise passenger ticket tax to 10 percent from 8 percent. Increase other aviation fees.	1.4	11.9
Insurance: Reduce tax breaks for the insurance industry.	1.5	8.0
Social Security: Extend program to state and local workers not covered by Government-sponsored plan.	1.3	10.0
Withholding: Cap on wages subject to a 1.45% Medicare tax raised to $100,000 from $51,300.	1.5	22.0
TAX BREAKS		
The Poor: Increased tax credits for low-income workers.	−0.1	−11.0
Capital Gains: 50% of capital gains, other than from sales of securities, excluded from taxes, up to a $200,000 lifetime limit. $1,000 in tax-free capital gains per year for those with taxable income under $100,000.	2.2	−15.8

WEDNESDAY, OCTOBER 17, 1990 R

The Washington Times

House finally OKs deficit-cutting plan

By Major Garrett and Paul Bedard
THE WASHINGTON TIMES

The House passed a $500 billion budget plan yesterday that would raise income taxes for wealthy and most middle-income Americans, but President Bush repeated a vow to veto it.

The five-year deficit-reduction plan — which is competing with a Senate plan containing no income tax increases — would include $149 billion in new taxes and more than $250 billion in promised spending cuts. It cuts $40 billion in fiscal 1991, which began Oct. 1.

After more than a week of wrangling over three proposals, the House voted 238 to 192 to approve a plan crafted by Democratic Rep. Dan Rostenkowski of Illinois, the powerful chairman of the Ways and Means Committee.

The crucial vote came three weeks before the November general election. Voting for the bill were 228 Democrats and 10 Republicans. Against it were 164 Republicans and 28 Democrats.

"We have a chance to escape the budget swamp and move on," said Mr. Rostenkowski.

Rep. Guy Vander Jagt, Michigan Republican and chairman of the Republican Congressional Campaign Committee, said the "soak the rich" plan was "just kind of a demagogic smokescreen for the Democrats to reach their hand through and pick the pockets of Middle America."

"I will veto it because it raises taxes for the working people of the country," Mr. Bush told a cheering crowd of supporters at a political rally in Mr. Rostenkowski's home state, at Glen Ellyn, for GOP gubernatorial candidate James Edgar.

Mr. Bush, who has taken his fight against the House budget plan on the road for two days, also endorsed the budget plan of Democratic Sen. Lloyd Bentsen of Texas, chairman of the Finance Committee. But even Mr. Bentsen embraced the House plan yesterday.

Unlike the Ways and Means package, Mr. Bentsen's plan would not change the income tax rate or capital gains tax, a centerpiece of Mr. Bush's 1988 campaign. Mr. Rostenkowski's bill would reduce the capital gains rate but would boost the top rate the nation's wealthiest earners pay.

The Senate is set to begin debate on its budget bill today.The two must be combined in a conference committee by midnight Friday, when the latest stopgap funding bill expires.

The plan was approved as a substitute amendment to a simplified budget plan adopted Monday by the Budget Committee. The amendment set the higher taxes for the rich, eased cuts in Medicare spending and eliminated unpopular gasoline tax increases.

That vote cleared the way for final approval of the House budget reconciliation bill, 227 to 203. It was a closer vote because 12 more Democrats voted against it.

Democratic sponsors called the bill a historic document capable of reducing the federal deficit from the current level of more than $300 billion to less than $20 billion by 1995.

Democrats said the bill distributes the pain of deficit reduction fairly by asking wealthy and middle-income taxpayers to absorb higher taxes while scaling back welfare programs for the poor.

"It may be the most important vote we cast in the 101st Congress," said Rep. Leon Panetta, California Democrat and chairman of the Budget Committee, during debate.

Republicans said it was a masquerade. They claimed the taxes will hit middle America harder than wealthy taxpayers and predicted the promised spending cuts would never materialize.

"We're going to take every nickel in taxes and use them for more spending," said Rep. Bill Frenzel of Minnesota, ranking Republican on the Budget Committee. "How do you like that, Mr. and Mrs. America?"

The bill reached the floor after five turbulent months of budget negotiations between Congress and the Bush administration. The House defeated a compromise "summit" budget plan Oct. 5, causing a government shutdown. Congress then agreed on a $500 billion budget outline three days later, and an emergency spending bill acceptable to Mr. Bush. It kept government operating until Friday and prevented the furloughs of thousands of federal workers.

The House plan includes a reduction of $170 billion in defense and cutbacks in farm subsidies, student loans, and Medicare services for 33 million elderly recipients.

Republicans called the plan a prescription for recession. They warned that higher taxes have scant effect on the deficit, and they likely would freeze new investment, fan inflation and increase unemployment.

The House bill differs from the Bentsen measure in the Senate, which does not raise as many taxes on the rich. But many Senate Democrats, sensing a surge in "soak the rich" populism, are backing the House bill.

House Minority Leader Robert Michel criticized Democrats for creating an "atmosphere" of "economic McCarthyism."

"It is the savage cry of class warfare. . . . It is the sound of liberals with their hands once again on the tax rates," said Mr. Michel, Illinois Republican.

Mr. Bentsen said yesterday he favors the House bill, even over his income-tax-free plan.

"I would like the package to be more progressive," he said. "I have stated from the very beginning that I would like to break the bubble."

The "bubble" refers to an anomaly in the tax code where upper-middle-income earners pay a 5 percent surcharge on income that wealthier taxpayers do not pay.

The bill seeks to raise $60.4 billion over five years with new taxes directed at the wealthy, including: creation of a new 33 percent rate for individuals earning more than $109,100 and dual-income families earning more than $208,600; imposition of a 10 percent surcharge on income above $1 million; a raise of the minimum tax rate from 21 percent to 25 percent; and creation of a 10 percent luxury surtax on expensive cars, airplanes, yachts, furs, jewlery and electronics.

Middle-income taxpayers also would absorb the proposed one-year delay in income-tax indexing, primarily from middle-income Americans. Other increases that would tend to hit middle- and upper-middle income earners include higher cigarette taxes, beer, wine and alcohol taxes and new Medicare taxes.

Earlier, House Democrats prevented a "no new taxes" Republican alternative from reaching the floor. Infuriated Republicans promised to throw up procedural roadblocks all week to delay final action on a budget agreement.

HOUSE BUDGET PLAN

Here are the first year spending cuts and projected five-year savings in the House-passed budget reconciliation bill. Overall, the bill projects $30 billion in savings in fiscal 1991 and $250 billion over five years. The major provisions:

	In 1991	Through 1995
Agriculture	$1.1 bil.	$15.5 bil.
Banking	$1.7 bil.	$13.4 bil.
Education & Labor	$243 mil.	$3.7 bil.
Energy	$3.6 bil.	$43.1 bil.
Interior	$325 mil.	$2.3 bil.
Judiciary	$91 mil.	$495 mil.
Merchant Marine & Fisheries	$240 mil.	$1.2 bil.
Post Office & Civil Service	$2.4 bil.	$14.4 bil.
Veterans	$627 mil.	$3.6 bil.

The Washington Times

HOUSE BUDGET PLAN

Here are the first year spending cuts and projected five-year savings in the House-passed budget reconciliation bill. Overall, the bill projects $30 billion in savings in fiscal 1991 and $250 billion over five years. The major provisions:

	In 1991	Through 1995
Agriculture: Cuts acreage in set-aside programs an lowers crop subsidies and Farmers Home Administration loans.	$1.1 billion	$15.5 billion
Banking: Lifts restrictions on the Federal Depsit and Insurance Corporation to increase commercial bank deposit insurance premiums and tightens Federal Housing Administration mortgage insurance.	$1.7 billion	$13.4 billion
Education and Labor: Cuts off the Guaranteed Student Loan rogram to schools with default rates above 35 percent, excluding predominantly black and Indian schools. It also raises civil penalties for violations of health and safety regulations.	$243 million	$3.7 billion
Energy: Cuts $33 billion in payments to Medicre providers and adds $10 billion in higher premiums for 33 million Medicare recipients.	$3.6 billion	$43.1 billion
Interior: Raises Nuclear Regulatory Commission ees and fees for clean-ups at abandoned coal mines.	$325 million	$2.3 billion
Judiciary: Raises patent and trademark fees.	$91 million	$495 million
Merchant Marine and Fisheries: Raises Environmental Protection Agenc permit fees, adding new Coast Guard user fees and increases tonnage taxes on foreign vessels.	$240 million	$1.2 billion
Post Office and Civil Service: Suspends for five years lump-sum penson payments to federal employees.	$2.4 billion	$14.4 billion
Veterans: Eliminates presumptive disability forall pensioners 65 or older and ends benefit payments to remarried spouses.	$627 million	$3.6 billion

INCREASED REVENUE AND SPENDING:

Ways and Means: Adds $22.4 billion in higher taxes in 1991 and $148.6 billion through 1995 by creating a third income tax bracket at 33 percent for dual-income families earning more than $208,690 and individuals earning more than $109,100. It also would add a surtax of 10 percent on income above $1 million and delay income tax indexing for 1991, raising $36 billion over five years.

Science, Space and Technology: $6 million in 1991 and $33 million through 1995. Raises fees for nuclear waste disposal.

Public Works and Transportation: Spends $265 million more in 1991 and $3.2 billion more through 1995 in new block grants for highway construction.

The Washington Times

Bush attacks Congress for nation's woes

By Paul Bedard
THE WASHINGTON TIMES

DES MOINES, Iowa — George Bush, the ultimate Washington insider, has joined the voters' rabid "throw the bums out" revolt, fine-tuning it slightly to focus only on Democrats.

The president's gradual buildup of attacks on congressional Democrats over the past weeks exploded yesterday when he called on Midwest voters in three states to junk Democratic incumbents on Election Day.

"We've got to send Congress a wake-up call," Mr. Bush said here yesterday at a rally for GOP candidates. "There are some intelligent people in Washington. There are more in the Midwest."

"The time for Democratic rhetoric is over," he told a political gathering later in Glen Ellyn, Ill.

At the Monday night rally in Omaha, Mr. Bush said, "How nice it is to be where the real people are, outside of Washington, D.C."

Those he has campaigned for have picked up on Mr. Bush's theme. Nebraska House GOP candidate Ally Milder told voters at the Omaha rally that Congress is like a ship sinking under the weight of rats "and we're going to throw the rats overboard."

A White House aide noted that just last week, during political rallies in North Carolina, Florida and Georgia, Mr. Bush simply said that if he had a GOP majority in Congress, "there would be a different story to tell" on the budget.

In Florida, Mr. Bush followed that line with a call to keep that "in mind on Nov. 6," Election Day.

But as the budget negotiations have bogged down and threaten to spark another government shutdown "which we'll be blamed for," as a Bush aide said, the president issued a call for a voter revolt.

"It's a ratcheting up" of attacks on the Democratically-controlled Congress, the aide said. Another official said the heated offensive against Congress is also a move to head off anticipated Democratic charges against the White House for shutting down the government Friday should Congress fail to agree on a deficit-reducing budget.

Running against "inside-the-Beltway hogwash" and "liberal Democrats," Mr. Bush has taken up former President Ronald Reagan's crusade against Washington, repeatedly telling voters in eight states in the past week that the capital is America's heartburn.

But unlike Mr. Reagan, who campaigned against big government, Mr. Bush is running against Congress — as President Harry Truman did in 1948. "What you've got here is Bush sending a message to people that the problem we've got with the budget is Congress' fault," said an administration official.

In addition, the president is trying to regain political popularity and ground lost to the Democrats on the tax issue after his bumbled attempt to trade a cut in capital gains taxes for a tax on wealthy wage earners. In Glen Ellyn, for example, he warned that House Democrats supporting a budget deal raising income taxes will soon "be after you."

To voters in Omaha, he said, "We're fighting against the majorities — the liberal majorities that control both Houses. We're fighting the entrenched tax-and-spend philosophy on Capitol Hill."

Mr. Bush's drop in the polls — some 19 points in one month — is also due in part to his policies in the Persian Gulf. In both Des Moines and Glen Ellyn, Mr. Bush was met by protesters who interrupted his speech.

On the campaign trail, the New England-bred president has played a Will Rogers good old boy as he castigated Congress, even adding a Texas twang to his dialect in speeches given in the Midwest.

Just two years ago, Mr. Bush ran on the idea that he should be elected because he was a true Washington insider with the experience to handle world and domestic problems.

But with the growing voter revolt against incumbents, Mr. Bush has shifted gears. He even supports limits on House and Senate terms.

Somewhat surprisingly, Mr. Bush — a former congressman, CIA director, Republican Party chief and two-term vice president — is winning support for his new strategy, even from his critics.

On a campaign swing yesterday and Monday through Texas, Nebraska, Iowa, Illinois and Michigan, several protesters — some carrying signs critical of Mr. Bush's policies — said they agreed that Congress must be overhauled if the budget crisis gripping Washington is to be settled.

"If you want to know whose fault it is, it's everybody's fault," said Gary Cooper of Dallas. "We haven't held Congress accountable."

Polls show that while Mr. Bush's popularity is shrinking, the public's distrust of Congress is growing.

"I don't feel they are addressing the real problems," said Troy Shook, an Omaha contractor who was carrying a protest sign reading: "Tax everyone or none at all."

Mr. Shook opposes Mr. Bush's call for cuts in capital gains tax rates, but said he backs the president's attacks on Congress. "People are going to get sick and tired of being sick and tired [of Congress] and kick the bums out," he said.

Republican Bush supporter Mark Jamieson, who paid $125 to attend a Bush political rally in Omaha, has also bought his message. "Congress is playing politics to the detriment of the country," he said.

Mary Bergstrom, a Des Moines advocate for senior citizens who protested Mr. Bush's visit here yesterday, said, "Congress and Bush have part of the blame" in the current budget crisis.

But she was quick to add that Mr. Bush is less at fault.

THE LONG ROAD TO STALEMATE

JAN. 29, 1990: President Bush sends Congress a $1.2 trillion budget for fiscal 1991 that would reduce the federal deficit by $37 billion. The president's proposal calls for $13.9 billion in new revenues and federal fees, which the administration does not count as taxes.

MARCH 11: Rep. Dan Rostenkowski (D-Ill.), chairman of the House Ways and Means Committee, proposes a plan to reduce the deficit by $55 billion in fiscal 1991 through increased taxes and curbs on growth in federal spending–including Social Security benefits.

APRIL 15: The deadline for final congressional action on a budget package passes.

MAY 1: The House passes a $1.2 trillion spending plan offered by Democrats as "a first step in the process." No Republicans vote for the plan, which claims to cut the deficit by $35.5 billion.

MAY 2: The Senate approves a $1.2 trillion spending plan that claims to reduce the deficit by $43 billion. The plan incorporates steeper cuts in defense and domestic programs than the House or administration proposed.

MAY 9: The president and congressional leaders agree to begin budget negotiations May 15 "without preconditions."

MAY 15 and 17: Congressional and administration officials meet, but disagree on the size of the deficit.

JUNE 18: As the budget summit proceeds on and off with little visible progress, Office of Management and Budget Director Richard G. Darman calls for an accord before the July 4 congressional recess. House and Senate leaders scoff at this deadline.

JUNE 26: Bush breaks his campaign vow not to raise taxes and issues a statement that the deficit now requires "tax revenue increases."

JULY 10-11: Budget negotiators meet again. Senate Majority Leader George J. Mitchell (D-Maine) says he will not accept any agreement containing a cut in the capital gains tax–a major goal of the president.

JULY 16: The White House reports that the estimated budget deficit for fiscal 1991 has reached $168.8 billion–up $68.3 billion from January.

JULY 18: Over the protests of House GOP leaders and the administration, rank-and-file Republicans in the House approve a non-binding resolution opposing any new taxes to reduce the deficit. A heated summit meeting is held the next day, and Republican leaders and White House officials assure Democrats they will continue to bargain on all issues.

AUG. 1: Budget negotiations break off without agreement. Legislators and administration officials announce plans to resume the talks in early September, following the August recess.

SEPT. 7: Negotiators from Congress and the White House meet at Andrews Air Force Base. The meetings break up 10 days later without a deal.

SEPT. 19: The talks continue on Capitol Hill, with negotiations pared down to eight participants: House Speaker Thomas S. Foley (D-Wash.), House Majority Leader Richard A. Gephardt (D-Mo.), Senate Majority Leader George J. Mitchell (D-Maine), House Minority Leader Robert H. Michel (R-Ill.), Senate Minority Leader Robert J. Dole (R-Kan.), Treasury Secretary Nicholas F. Brady, White House Chief of Staff John H. Sununu and Darman.

SEPT. 30: On the last day of the fiscal year, Bush and congressional leaders announce a deal that would cut the budget by about $40 billion in the first year and about $500 billion over five years. The Congress also passes a stopgap spending bill to keep the government functioning through Oct. 5.

OCT. 1: Fiscal 1991 begins.

OCT. 2: In a nationally televised address, President Bush appeals to Americans to support the "tough" deficit reduction package.

OCT. 5: The House rejects the budget package amid the criticism that it is unfair and was reached behind closed doors. Most government operations close at midnight.

OCT. 7-9: Both House and Senate pass a stripped-down version of a budget agreement and a stopgap spending measure to keep the government functioning through Oct. 19. Negotiations continue over major components of the budget deal.

Bite and aroma of resentment

The Democratic theme for the homestretch of the election/budget campaign now seems clear. It is, as the front page of the Wall Street Journal called it, "The Kevin Phillips Scenario."

Questions arise: Is it the old-time religion — or heresy? Is it about redistribution or resentment? Is it true or false? Does it matter if it's true or false? Will it help or hurt Democrats?

Mr. Phillips' view, from his new book "The Politics of Rich and Poor," and as now honed into a Democratic theme, is simple: In the 1980s, the greedy rich got richer while poor people and the middle class made no progress. It's not fair. Fix the deficit by taxing the rich.

Mr. Phillips doesn't understand the degree to which resentment has been a poisonous potion for liberals and Democrats.

But Census income data, issued in late September, confirming previous statistics, reveal that the facts behind the Phillips/Democratic theme are a long way from accurate.

In the Reagan-Bush years every income cohort got richer — the rich, the middle class and the poor.

In the Reagan-Bush years the poverty rate went down.

Even the idea that, while all prospered, the rich prospered much more, is at least somewhat diluted in the Census report. When taxes, non-cash health benefits and non-cash government programs are taken into account, income inequality is much less than assumed. Further statistical refinements would reduce the case for growing inequality even more.

Moreover, as every student of taxation knows, taxing the rich doesn't do a great deal to reduce the deficit. Big revenues in a middle-class country (like America) can only come from the middle class. Sorry about that.

Do these facts matter politically?

Not necessarily. Only if Republicans can make them sing. So far they have done a sorry job of it.

And not necessarily because the always potent Democratic theme of mild redistribution can be valid even when the American economy is yielding across-the-board prosperity. There is no iron law of capitalism that says the top tax rate can't go any higher than 28 percent.

But there is a danger for Democrats. Mr. Phillips preaches not only redistribution but resentment.

Perhaps because he is a Republican, Mr. Phillips doesn't quite understand the degree to which resentment has been a poisonous potion for liberals and Democrats in recent years.

The "fairness issue" is inherently sound, but it has not worked for Democrats. Walter Mondale found that out. Why hasn't it worked?

Invariably, fairness has turned into something else: the search for vicious villains and virtuous victims. "Fairness" should not be the same as the whine of a 5-year-old stamping his foot and bleating, "It's not fair!"

Thus: Civil rights was a fine, fair and powerful political cause when addressed to black opportunity; it was undermined when it moved to preaching continuing white guilt even after reform was legislated. Now Democrats are sadly locked into the perception of favoring reverse discrimination and are pushed to unanimous support of new legislation that can yield quotas.

Feminism, too, is inherently a noble and potent movement toward fairness. But it becomes a political loser when its megaphones sound anti-male and anti-traditional values.

Real causes, pushed through the liberal, Democratic guilt-blender, soon come to be perceived as pleas for special interests.

The demand for fairness, in the recent Democratic tonality, has too often turned into the screech of conspiracy and the drumbeat of perceived America-bashing.

That is not popular politics. Mr. Reagan kept winning elections by saying America is a great country.

Will the Democrats, now seeking a handle on the anti-incumbency mood, also overplay the solid issue of economic fairness?

If the past is any guide, the danger is there. Fairness won't work if it is seen as just another liberal trick to keep the special interests well-funded. It won't work if it is seen as villainizing success. It won't work if it becomes a whine against America.

In the Reagan-Bush years the poverty rate went down.

The complaint in America today is partly about who pays how much tax, but more potently about how taxes are being spent. Democrats are shrewdly addressing the first part. But the voters who are concerned about the second part are also saying, "It's not fair!"

3

STEPHEN CHAPMAN

Ballots better than limits?

Who says we live in a democracy? In the last six presidential elections, going back to 1968, Democratic nominees have gotten 43 percent of the popular vote. Yet they've won only 18 percent of the electoral votes. Even more unjust, they've won just 17 percent of the elections (one, that is). Their sole victory, in 1976, came only with the help of the worst presidential scandal in American history.

Under normal circumstances, it's clearly impossible for the Democrats to capture the White House, despite all the people who vote for them. If Democrats are getting 43 percent of the votes, isn't it absurd that they don't get 43 percent of the presidents? Or is our electoral system supposed to weight the scales so much in the direction of Republicans that Democrats have no chance and the voters' preferences are endlessly frustrated?

If I sound sillier than usual today, it's no accident. The argument stated above is absurd, which is why Democrats don't make it. But it's no more dubious than the one Republicans are making, which has produced a movement to limit the number of terms a member of Congress can serve.

Republicans are exasperated at their failure to gain control of Congress. True, they had a majority in the Senate for six years during the 1980s, but they haven't dominated the House since President Eisenhower's first term. They note the phenomenally high re-election rates of incumbents (96 percent in the last three elections) and make dark comparisons to the British House of Lords and the Supreme Soviet.

Since they know Americans prefer Republican policies — they elect Republican presidents, don't they? — the GOP faithful conclude that the persistent Democratic grip on Congress can only be the result of sinister forces aimed at subverting the will of the people. Evicting members after 12 years, they claim, would foil those sinister forces.

The advocates of term limits think they have the public firmly on their side — the same public that keeps electing all those Democrats to Congress. Surveys show that Americans think Congress does a lousy job, and they're looking for ways to spark improvement. According to one poll, 61 percent of Americans favor restrictions on congressional terms.

But if Americans are dissatisfied with Congress, they are free to do something about it, with a simple device known as the ballot. Most of them, while loathing Congress, say they like their own representative just fine.

Maybe that's because they gullibly believe everything they read in the taxpayer-financed mailings sent home by every member. The reason voters return incumbents with infallible regularity has something to do with the advantages of office, but it also has something to do with the fact that only 72 percent of Americans even know their congressman's name. Ignorant voters making boneheaded choices is not a frustration of democracy. It *is* democracy.

The paradox of Republican presidents and Democratic Congresses likewise turns out to be not a paradox at all. Americans vote for a divided government because they want a divided government.

Polling expert Everett Carll Ladd notes in a recent issue of the Public Interest magazine that two out of every three Americans think the country is better off with the Republicans occupying the White House and the Democrats holding Capitol Hill.

Even most of the people who voted for President Bush and against Willie Horton — I mean Michael Dukakis — preferred a Democratic Congress. The strange truth is that the GOP would have an easier time winning congressional races if it could manage to lose a few presidential ones.

As for the charge that the Democrats maintain supremacy only through the crushing weight of incumbency, American Enterprise Institute scholar Norman Ornstein points out in the same publication that if it were true, you'd expect to see the GOP racking up victory after victory in those races where no incumbent is running. But since 1954, they've lost 57 percent of those contests.

The real defect of Congress is that members survive by indulging their constituents' desire to get all they can in government benefits while escaping all they can in government burdens. But this habit won't vanish if members are banished after 12 years. The drug trade has lots of turnover among dealers, but as long as people want drugs, someone will supply them.

As long as Americans expect their government to let them live at the expense of everyone else, their elected officials will do their best to give them what they want. If voters don't like the results, they shouldn't look to Washington to find who's to blame.

WARREN BROOKES

In the last few months, Americans have been treated to the greatest orgy of rich-bashing since Vladimir Lenin led the revolutionaries onto the barricades in 1917.

Broadcast talk shows now reveal most Americans think the rich in this country pay very little taxes, and are paying less every year, at the expense of the poor and middle class.

This incredibly false notion is being fed with gusto by the Democrats in Congress and their friends in the media, like Sam Donaldson, who was massively offended last Sunday because the new Senate tax proposal "only" adds $29 billion to the tax burden of those over $100,000.

But then Mr. Donaldson has never been one much troubled by facts, and apparently the public is in no mood for rational discourse in this already deeply poisoned debate. For anyone interested in the truth, the reality could not be further separated from the rhetoric.

If you doubt this, we ask you to consider the 1987 and 1988 income tax return data recently released by the Internal Revenue Service. Not only do the data show the massive concentration of the income tax burden on the top taxpayers, but they demonstrate conclusively that virtually all the *growth* in income tax revenues is now coming from the top 13 percent of the taxpayers, and nearly 77 percent of it is coming from those over $100,000. (See Table.)

In 1988, total income tax collections rose by $47 billion over 1987, from $369 billion to $416 billion, a 12.7 percent rise — reflecting the strong, pre-Bush economy. Yet in that 1988 year, the taxes paid by the income groups under $50,000 (representing 87.3 percent of the taxpayers) rose by only $1.9 billion, or only 4 percent of the total increase.

Furthermore, that 87.3 percent of all taxpayers paid only 37.1 percent of the total income taxes collected, and in real terms their tax payments have actually been going *down* every year. And 1988 was no exception: The real tax payments (after inflation) for the bottom 87 percent of all taxpayers *fell* by another 2 percent, on top of a 10 percent real drop 1981-87.

This means that 96 percent of the entire 1987-1988 increase was paid by the top 13 percent of the taxpayers, who accounted for nearly 63 percent of all income taxes paid. Their tax payments rose 21 percent in 1988, or a real rise of 17 percent. It is hard to imagine a more steeply progressive tax burden than that, or a more steeply progressive *trend*.

The bellyaching coming from average taxpayers over the alleged "tax breaks" for the rich represents an appalling level of ignorance from a class of taxpayers who have seen their income taxes *go down* massively (nearly 15 percent) in real terms over the last nine years, even as the taxes paid by the wealthy have in fact soared at their fastest growth in at least three decades. From 1981-88, the taxes paid by the top 5 percent rose in real terms by more than 70 percent while GNP grew less than 24 percent.

Indeed, in 1988 the 2.3 percent of all taxpayers over the income level of $100,000, paid 77 percent of all of the additional taxes collected in 1988 (over 1987), even though this 2.3 percent's total share of the tax burden is already a massive 36.4 percent. Their actual tax payments rose 27 percent *real*.

In plain English, the 1986 Tax Reform Act made an already intensely "progressive" income tax burden still more progressive, with new taxes collected from the rich at double even their already high share of the current income tax burden.

Indeed, the biggest target of the Democrats' revenge, the 65,303 taxpayers with more than $1 million in income, who represent only 6/100 of 1 percent (0.06 percent) of all the taxpayers, not only paid 10.5 percent of all the taxes paid ($44 billion) but paid 41.3 percent of the total revenue increase in 1988!

This means that the Democrats and their allies like Kevin Phillips are engaged in the most astonishing and destructive, not to mention irresponsible, level of distortion on this issue, and the result could be catastrophic for economic policy.

That is because simply slapping huge new 5 percent to 15 percent tax surcharges on everyone with an income of more than $100,000 (as House Democrats now propose) will not only be massively unfair in terms of who has *actually* been paying the rising tax burden in this country, but economically suicidal.

The vast preponderance of U.S. new job formation is the result of investment by those with incomes of more than $100,000, and whacking those incomes is attacking job creation and economic growth.

It is time to stop this disgusting and ugly politics of envy and remember where Lenin led his people — right down the economic toilet.

1987-1988 INCOME TAX TRENDS

In millions of dollars

Income class	Revenue growth 1987-88	% of total growth	% of taxpayers	% of total burden
Under $15,000	–765	–1.6%	43.0%	3.3%
$15,000 - 50,000	2,611	5.6%	44.4%	33.8%
$50,000 - 100,000	9,018	19.2%	10.4%	26.5%
$100,000 - 1 million	16,661	35.5%	2.2%	25.9%
$1 million and over	19,381	41.3%	0.06%	10.5%
TOTAL	**46,906**	**100.0%**	**100.0%**	**100.0%**
Summary:				
Under $50,000	1,846	4.0%	87.4%	37.1%
Over $50,000	45,060	96.0%	12.6%	62.9%
Over $100,000	36,042	76.8%	2.3%	36.4%

Source: IRS statistics of income, Spring 1990

The Washington Times

Split House Adopts Democrats' Budget

GOP Alternative Misses Deficit Target

By John E. Yang
Washington Post Staff Writer

The House, racing to avert another government shutdown, last night approved a deficit-reduction package crafted by Democrats that would significantly raise income taxes on the wealthy and provide tax breaks for the poor and middle class.

Closely following party lines on final passage, lawmakers voted 227 to 203 to approve narrowly the largest package of tax increases and benefits program cuts ever proposed.

Earlier, the House split 238 to 192 on a key vote to modify the measure by including the Democratic tax alternative. Only 10 Republicans—all northern moderates—voted for the plan, and only 28 Democrats voted against the amendment. They were largely southern conservatives or involved in hotly contested election races.

The votes followed an angry and partisan daylong debate that was colored by the failure of House Republicans to produce an alternate plan that would meet the deficit-reduction targets set by President Bush and that were included in the budget resolution Congress approved last week.

The House action sets the stage for an election-eve collision with a bipartisan deficit-cutting plan, now pending in the Senate, that would not affect income tax rates. The Senate is scheduled to begin debate on the plan today.

"The Democrats pushed through a tax increase on working men and women," Bush said in a statement from the White House after returning from a campaign trip late last night. He repeated his threat not to sign a stopgap spending bill to extend the government's funding beyond 12:01 a.m. Saturday if the House and Senate versions of the deficit-reduction legislation have not been reconciled by then into an acceptable compromise.

"We are at the present time in crisis—a crisis in government, a crisis in the economy and a crisis in confidence," House Budget Committee Chairman Leon E. Panetta (D-Calif.) said during yesterday's often-bitter debate.

The House package would generate $175.4 billion in new tax revenue over five years, much of it through provisions Bush has said he would not accept. It also includes $26.8 billion in tax breaks over the period for the working poor and a capital gains tax cut for those earning less than $150,000 a year.

Nearly $100 billion in additional deficit reduction over five years would come from higher federal fees and cuts in benefits programs, including $43.2 billion from Medicare.

"What [we're doing] today is getting our house in order, putting ourselves in a position where we can invest in the future rather than fighting over how to pay for the past," said House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), a prime architect of the Democratic plan. "Tonight, equity and fairness make a comeback."

GOP lawmakers pointed to the package as evidence that Democrats are big spenders and big taxers. "It is a textbook example of Democratic economic theory: Forget spending restraints, just say 'yes' to taxes," said Rep. Bill Archer (Tex.), the Ways and Means Committee's ranking Republican.

The House GOP failure to come up with an alternate plan that met the deficit-reduction target of $500 billion over five years, at least $40 billion of it in the fiscal year that began Oct. 1, was particularly embarrassing to Republicans given their disarray on this issue.

In May, House Republicans did not offer Bush's original budget for a floor vote, fearing that it would not win a majority of even GOP lawmakers. Earlier this month, continuing confusion and internal bickering kept House GOP leaders from participating in the negotiations that produced the overall spending plan that Congress finally approved.

This week House Republicans, deeply split over what taxes to include, came up with a plan that fell well short of the deficit-reduction targets. Because the proposal missed those goals, House Democratic leaders would not allow it to be offered during yesterday's debate.

"Their plan doesn't meet the standards that everybody agreed should be met," said House Speaker Thomas S. Foley (D-Wash.). "It simply doesn't approach the problem and do the job."

Joined by only a handful of Democrats, mostly southern conservatives, Republicans failed in three parliamentary attempts to force a vote on their plan.

"For five months the Democrats begged us to offer a budget," said House Minority Whip Newt Gingrich (R-Ga.). "Today, we offered one, and the Democrats promptly ruled it out of order."

"This is a shameful day in the history of the House, and I'm embarrassed," said Rep. Bill Frenzel (Minn.), the House Budget Committee's ranking Republican.

But the Democrats pounded away at the Republican failure to produce a plan that would meet the deficit-reduction targets. Rep. Thomas J. Downey (D-N.Y.) called it the "too-little, too-late deficit-reduction plan." Turning to the Republican side of the chamber, he said, "Face it, guys: You can't cut it, and you can't cut it enough."

"When it's time to put up, they come up with a mouse," Panetta thundered. Pointing to GOP lawmakers, the one-time Republican added: "Someday, my hope is the minority in this body will work with us to help govern this nation, not bring it down."

While Democrats stressed that the taxes in their package are targeted at the rich, Republicans focused on one element that would effectively raise taxes almost across-the-board.

In order to make up for revenue lost when rural and suburban lawmakers won the elimination of a plan to raise the 9-cents-a-gallon federal gasoline tax to 12 cents, the Democratic drafters included a provision that would delay for one year inflation adjustments to tax brackets and personal exemptions.

The item would increase income taxes on all but the richest Americans. Even the poorest taxpayers would have bigger tax bills as their income rises with inflation. For all taxpayers, higher income tax rates would kick in sooner.

Only the richest Americans, who have already had their deductions phased out under current law and who already pay the maximum average rate of 28 percent, would notice little effect from the indexation delay.

"They raise rates," Archer said of the Democrats. "Not just on the rich, but on all families."

"It is fair—it hits everybody," said Rep. Mickey Edwards (R-Okla.). "It hits the rich, it hits the poor, it hits the middle income."

Democrats said the item is just one part of a package that is much more progressive overall and that the Republicans were distorting the package by picking out one component.

"It's fairer and better than the gasoline tax," said House Majority Leader Richard A. Gephardt (D-Mo.). "You have to look at the totality of the package."

Emil Sunley, director of tax analysis at the accounting firm Deloitte Touche, said "a gasoline tax is obviously much more regressive than delaying indexing."

The House measure would also raise top income tax rates for the wealthiest Americans from 28 percent to 33 percent and impose a 10 percent surtax on those with yearly taxable incomes higher than $1 million. The legislation would benefit the working poor by expanding the earned-income tax credit by $11 billion over five years.

In addition, it would allow individuals $100,000 in tax-free capital gains, not including the sale of securities or collectibles, over a lifetime. Individuals with annual taxable incomes below $100,000 could take tax-free capital gains of $1,000 yearly, including the sale of securities. The exclusion would be phased out for those earning between $100,000 and $150,000.

The Senate bill, devised by Senate leaders and administration officials, would change neither income tax rates nor capital gains taxes. It would limit the benefit of itemized deductions claimed by taxpayers earning more than $100,000 a year. More than one-third of its new revenue would come from higher excise taxes on gasoline, cigarettes and alcoholic beverages, which Democrats contend hit the middle class harder than the rich.

Yesterday, Sens. David L. Boren (D-Okla.) and Sam Nunn (D-Ga.) revived an earlier proposal to raise the income tax rate for the wealthiest Americans in exchange for cutting capital gains taxes. They would raise the rate paid by the richest taxpayers to 33 percent while reducing levies on profits from sale of property, stocks and other similar assets to as little as 15 percent.

Staff writers Helen Dewar, Steven Mufson and Don Phillips contributed to this report.

Bush Bashes Congress on Budget Mess

Democrats Charge President Cares Only About 'Tax Breaks for Rich'

By Dan Balz
Washington Post Staff Writer

GRAND RAPIDS, Mich., Oct. 16—His poll ratings falling and his party divided, President Bush hit the campaign trail this week with a tactic designed to change the subject: bash the Congress.

Bush's rhetoric, which he carried through five states in two days of campaign events, was part of a Republican strategy to try to take advantage of growing public frustration with politicians by casting the Democrats who control Congress as the insiders who should be punished.

"I know that Americans are fed up with much of the political debate coming out of Washington," Bush said, almost as if he too were an outsider running against the establishment.

He called on voters to "send Congress a wake-up call" on Election Day. Read that: throw the rascals out.

At stops in Texas, Nebraska, Iowa, Michigan and Illinois, the president's theme was a mix of attacking Congress and appealing for support for his Persian Gulf policies. Rallies took on a patriotic air with tributes to U.S. military forces in the gulf, gigantic American flags and, here in Illinois, the singing of "American Boy," a new anthem for the troops in the Middle East by country music singer Eddie Rabbit. ("Red, white and blue from my head to my toe. I'm an American boy.")

But Bush also got a firsthand look at opposition to his gulf policies. At all three stops today—here in Michigan, in the Republican stronghold of DuPage County near Chicago and in Des Moines—he was interrupted by one or more hecklers shouting, among other things, "No blood for oil."

In Des Moines, Bush calmly responded. "Some people never get the word. The fight isn't about oil, the fight is about naked aggression."

The three hecklers were quickly removed, to a crescendo of applause from Bush's supporters.

Although Bush has been greeted by small groups of picketers at nearly every stop recently, including some protesting his Middle East deployment, the appearance of hecklers inside campaign events today marked an escalation in the opposition.

Bush used his campaign swing to try to shift the increasingly partisan budget debate from Democratic charges that he and the Republicans are soft on the rich to more familiar Republican terrain accusing the Democrats of wanting to raise taxes because they cannot control their own appetite to spend the public's money.

Even before the House began debate today on a Democratic plan to reduce the deficit by sharply raising taxes on the wealthy, Bush was on the stump trying to stir up public opposition. In particular, he attacked the House Democratic plan for delaying tax indexing for a year, although he appeared to be confused about the details of what the Democratic bill would do.

"They're saying it's a 'soak-the-rich' deal," he said. "But inevitably it gets into your pocket." He vowed to veto the House Democratic plan.

With the White House and Congress heading for another budget showdown later this week, Bush decided today to cancel his trip to the second game of the World Series Wednesday night in Cincinnati. After conferring with Republican congressional leaders, Bush decided "it would be good to be in Washington" because the budget had reached a critical moment, press secretary Marlin Fitzwater said.

Bush repeatedly reminded audiences that Democrats control the Congress and therefore are responsible for the budget stalemate. "I'll take my share of hits, but I believe the American people really know that the problem has always been the failure of this one-party-controlled Congress to hold down spending," he said. "We're not taxing you too little. We're spending too much."

Democratic Party officials, meanwhile, unveiled a new campaign ad on the budget battle that accuses the president and the GOP of being "willing to shut down our government to push through a tax plan that benefits people earning over $200,000 a year."

The ad, produced by the Democratic National Committee and the Democratic Congressional Campaign Committee, will be aired in the Washington area later this week and is being offered to Democratic candidates nationwide. The campaign spot, which juxtaposes pictures of a limousine and a fancy dinner party with those of senior citizens and factory workers, argues that Democrats "don't want you to get stuck with the bill" for a deficit caused by "tax breaks for the rich."

"It clearly states the divisions between us and the White House," said Rep. David R. Obey (D-Wis.), who said he will be using the spot in his reelection contest. "The American public deserves to know who is shutting down the government."

Bush flatly appealed to the voters to send him more Republicans next month, a gamble that appeared tied more to the encouragement of anti-incumbent voting patterns than an attempt to transfer his own popularity to other Republican candidates.

The president's anti-Congress rhetoric often was exceeded by Republican candidates for whom he was campaigning. In Omaha Monday night, Republican congressional candidate Ally Milder helped warm up the crowd by seeming to coin a bumper-sticker phrase ("Congress happens") and describing the Congress as "full of rats gnawing at the ship of state."

It's time to "throw the rats overboard," she said.

Staff writer Tom Kenworthy contributed to this report from Washington.

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House OKs budget plan; Senate next

By Richard Wolf
USA TODAY

The rich would bear the brunt of deficit reduction under a Democratic plan passed by the House late Tuesday.

The tax-and-spending cut plan, passed 227-203, would:

▶ Create a permanent top tax rate of 33%.

▶ Slap a 10% surcharge on millionaires.

▶ Raise the alternative minimum tax from 21% to 25% on those with many deductions.

"People at the top should have the highest rate," said House Majority Leader Richard Gephardt, D-Mo.

The Senate may vote tonight to raise gas taxes and cut deductions for the wealthy, while sparing income tax rates.

The bills then must be reconciled, re-passed and sent to President Bush — who vows a veto if the House plan survives.

"It raises the income taxes of the working men and women in this country, and I am not going to do that," Bush said.

Another threat: A second government shutdown at midnight Friday if a final 1991 budget isn't in place.

Democrats boasted their plan cuts a proposed $60 billion Medicare reduction by $17 billion and omits gas tax hikes.

But Republicans noted it would cost the middle class $36 billion by freezing inflation-based hikes in tax brackets.

"This will increase taxes on everyone except the wealthiest," said House Minority Leader Robert Michel, R-Ill.

Republicans cried foul when their alternative, calling for no new taxes, was denied a vote.

Both pledged political war:

▶ Democrats unveiled a 30-second TV spot charging Bush is "willing to shut down our government to push through a tax plan that benefits people over $200,000 a year."

▶ Republicans vowed to tag Democrats the high-tax party.

Said House GOP Whip Newt Gingrich, R-Ga., "We will spend the next 21 days making this series of votes count."

Budget: Look for 'blood on the floor'

By Tim Dillon, USA TODAY
ROSTENKOWSKI: Bush friendship under strain

By Richard Wolf
USA TODAY

The year-long public debate over taxes and spending goes behind closed doors this week, where congressional leaders will decide who foots the $500 billion bill to cut the deficit.

Their job: reconcile vastly different House and Senate budget plans in a contentious "conference committee."

Their deadline: midnight Friday, to prevent another embarrassing government shutdown — a mad dash House Budget Committee Chairman Leon Panetta, D-Calif., compares to the "fires of hell."

"If friendships are worth anything, they will be tested in the last moments of the conference," Panetta says.

What must be resolved by the weekend: how to pillage the rich, placate the middle class and protect the elderly.

Democrats, pushing hard for higher income taxes, have the upper hand because they control both houses. But President Bush can veto any House-Senate compromise and shut down the government just weeks before Election Day.

It's in the private meeting rooms of Congress' fiscal committees that the key decisions on a five-year, $500 billion package of economic sacrifice likely will be made:

▶ Whether to hike income taxes or cut capital gains taxes to spur an infusion of cash from the rich.

▶ Whether to raise taxes on every gallon of gas, six-pack of beer, bottle of booze, pack of cigarettes.

▶ Whether to boost premiums and deductibles paid by Medicare recipients, or raise the amount of income subject to Medicare taxes.

"Deals will have to be made," says Rep. Robert Matsui, D-Calif.

In legislative parlance, it's a conference committee, a meeting of the minds between differing House and Senate policies.

In theory, it's 50 to 60 sub-conferences resolving hundreds of tax and spending variations between the bills emerging from Congress this week.

In reality, it's a power trip enjoyed by a few: Dan Rostenkowski, a tough-talking Chicago Democrat who chairs the House Ways and Means Committee; Lloyd Bentsen, the savvy and patrician Texas Democrat who heads the Senate Finance Committee; and their old friend and foe, George Bush.

"There's a great deal of loyalty on the House side to Chairman Rostenkowski and a great deal of loyalty on the Senate side to Chairman Bentsen," says Sen. David Pryor, D-Ark. "That gives them great leverage."

This year, the stakes are higher than they ever have been before:

▶ Democrats want to burst the top 28% income tax rate and make those earning more than $200,000 pay the most for deficit reduction.

▶ Republicans want to hold the line on tax rates and create tax incentives for economic growth.

▶ The public, according to most polls, wants the $293.7 billion budget deficit brought down — without higher taxes or lower spending. And they'll be rendering their judgments at the polls in 20 days.

Bush, who's not expected to participate directly in the talks, may have the inside track: Unless he gets a good deal by midnight Friday, he's threatening to take his football — the entire federal government bureaucracy — and go home, leaving lawmakers up for election facing a second embarrassing federal shutdown in less than three weeks.

Bush and Rostenkowski have been friends for nearly 30 years, since they were Ways and Means Committee colleagues. But their relationship has been strained over tax policy since Bush moved into the White House.

Bush and Bentsen have been foes twice before — Bentsen won their 1970 Senate race in Texas, Bush beat the Dukakis-Bentsen ticket in the 1988 presidential race.

Now the three of them — and the institutional constituencies they represent — will be locked in a philosophical and political battle over the largest deficit-cutting package in the nation's history.

"There will be blood on the floor," says Sen. Conrad Burns, R-Mont.

The conference will be asked to do what White House and congressional negotiators failed to do in five months of talks — develop a package of tax hikes and spending cuts that can pass a skittish Congress.

Those intense talks included two weeks cloistered at Andrews Air Force Base outside Washington and two final weeks in which only the top five legislative leaders and three White House aides knocked heads.

"We have spent more than five months trying to find this common ground," says Rep. Bill Archer, R-Texas. "One could justifiably be skeptical that we will find it in conference, but miracles do happen."

Both the House and Senate plans have revised the most objectionable elements of the negotiated package, trimming proposed Medicare cuts and gas tax increases and eliminating other so-called "hot buttons" that set off protests among voters.

Now the fight will be between a Bentsen plan that reflects the Senate's narrow 55-45 Democratic majority and a Rostenkowski plan that reflects the House's heavy 258-176 Democratic majority.

With Bush preferring Bentsen's plan, the House may be at a disadvantage in pushing such proposals as a new 33% top income tax rate and a 10% surcharge on millionaires — which Rep. Thomas Downey, D-N.Y., calls "the tax on the Senate."

"The conference will be held against the background of crisis," says Rep. Donald Pease, D-Ohio, referring to Bush's threats of a shutdown. "I think it puts (the House Democratic plan) out of business."

But Democrats want the final deficit-cutting bill to take a bigger bite from wealthy taxpayers' wallets while sparing the poor, middle class and elderly as much as possible. And some are willing to risk Bush's veto to make their point.

"He would have to shut the government down in lieu of taxing the rich," says Rep. Pat Williams, D-Mont. "That's a good scenario for Democrats."

The key wildcard in the negotiations will be the same issue that has divided Democrats from Republicans since the start of Bush's term: raising income tax rates on the rich and cutting capital gains rates for profits on sales of stocks, real estate and other assets.

The Senate plan doesn't trade higher income taxes for lower capital gains taxes. But many Democrats — notably moderate Sens. David Boren, D-Okla., and Sam Nunn, D-Ga. — will seek to raise income taxes on the wealthy. Others want a surtax on millionaires to help reduce the hike on Medicare recipients.

If Bush agrees to reopen the issue, Democrats could try to ease taxes on the middle class, Republicans could reclaim the mantra of economic growth — and the negotiations could become even more calamitous.

"I think all of this is good stuff," says Rep. Timothy Penny, D-Minn., "but not three weeks into October."

'Rosty' behind Dems' tax plan

In the many weeks that budget negotiators fought over taxes and spending, Rep. Dan Rostenkowski sat quietly and practiced his scowl.

He was so quiet, he joked, he'd have to get a note from Speaker Thomas Foley, D-Wash., to prove he'd been there.

Today, Rostenkowski, 62, powerful chairman of the House Ways and Means Committee, has moved back to center stage as chief spokesman for a Democratic alternative tax proposal that is aimed mostly at people with incomes over $200,000.

It has galvanized Democrats like few other recent proposals.

"Rostenkowski in one week has been able to crystallize who the Democrats were," says Rep. Marty Russo, D-Ill., a fellow committee member.

"Rosty," as many know him, learned the art of compromise in the hot kitchen of Chicago ward politics, where his father and grandfather reigned long before the days of boss Richard J. Daley.

The lanky, 6-foot-2 boy gave up pitching minor league baseball to go into politics 32 years ago to start his slow rise to power.

He became friends with a young congressman on the Ways and Means committee, George Bush.

Before Bush took office, Rostenkowski advised him to go easy on the read-my-lips, no-new-taxes pledge. The more Bush said it, the harder it would be to balance the budget, the Chicago congressman warned.

His gruff, confrontational style rankles some. But it was Rostenkowski — who took charge of rewriting tax law in 1986 — who the Democrats chose to speak for them.

On Tuesday he spoke of the "millions of Americans who hold their government in disrepute," saying it's time to show that "we hear them."

— ***Paul Clancy***

House OKs Hike in Taxes on Rich

■ **Budget:** The increase is part of a deficit reduction package approved 227 to 203. The margin is too small to override a threatened veto. Bush prefers a Senate plan.

By WILLIAM J. EATON, TIMES STAFF WRITER

WASHINGTON—Ignoring a presidential veto threat, the House on Tuesday approved a Democratic deficit reduction plan that would raise taxes primarily on the rich but affect every taxpayer, setting up a confrontation that could bring another government shutdown next weekend.

The five-year, $500-billion proposal—the largest deficit-cutting measure in history—was approved on a roll call vote of 227 to 203, mainly along party lines. Ten Republicans joined 217 Democrats in voting for the proposal, and 163 GOP lawmakers were supported by 40 Democrats in opposing it.

The 24-vote margin reflected a victory for Democratic leaders, who lobbied hard for the package, but it fell far short of the two-thirds majority needed to override a Bush veto.

The measure now goes to the Senate, which has drafted a bipartisan budget plan of its own that Bush has said he finds more acceptable. The chamber is slated to vote on the measure today or Thursday.

Although the House plan is likely to be diluted in a House-Senate conference committee later this week, Bush warned again Tuesday that he would veto the measure if the House tax increase provisions remained.

"They're saying it's a 'soak-the-rich' deal, but inevitably . . . it gets in the pocket of every working man and woman," the President told a GOP fund-raising event in Des Moines.

"I'm not going to do that," he told audiences on earlier political stops in Iowa and Illinois.

Earlier, the House by a 238-192 vote adopted the tax provisions of the package after Democratic leaders refused to allow a vote on a Republican proposal that would have cut the deficit by $400 billion while avoiding any tax increase at all.

In all, 228 Democrats and 10 Republicans voted for the tax part of the plan, whereas 164 Republicans and 28 Democrats opposed it. Although this margin was substantial, it too was considerably short of the two-thirds needed for an override.

Bush canceled plans to be in Cincinnati today to attend the second game of the World Series. White House officials said Senate Minority Leader Bob Dole (R-Kan.) and House Minority Leader Robert H. Michel (R-Ill.) had asked him to return to Washington.

Overall, the bill would trim the budget deficit by $40.3 billion this fiscal year and $459.7 billion over the following four years.

In essence, the House-passed package seeks to shift the burden of the deficit reduction away from the middle-class and more toward the wealthiest taxpayers. It also would ease cutbacks in Medicare benefits contained in the earlier accord and not raise gasoline taxes.

Tuesday's action came 12 days after the House decisively defeated, by a vote of 254 to 179, a bipartisan budget summit agreement that had been negotiated over 4½ months by top White House officials and Democratic and Republican congressional leaders.

After the bipartisan plan was rejected, House Democrats drafted their own alternative plan. On Monday, Republicans came up with an eleventh-hour proposal to cut spending by $400 billion while adhering to Bush's earlier "no-new-taxes" pledge, which he has abandoned.

Democrats, who seized the initiative themselves in hopes of breaking the impasse over the budget, displayed rare unity Tuesday, with liberals and conservatives joining to support the election-year measure.

Republicans, clearly outnumbered, decried the bill as a revival of "class warfare."

Bush has warned that, if the lawmakers do not produce an acceptable budget agreement by midnight Friday, he will shut down the federal government, as he did over the Columbus Day weekend. House leaders insisted that they will be able to meet the deadline.

Bush's major objection to the House measure is to a series of provisions that would raise taxes by about $175 billion over the next five years, primarily for those earning more than $50,000 a year. The increases would be especially heavy for upper-income taxpayers.

The major elements of the package would:

—Increase the top income-tax rate for the wealthiest taxpayers—mainly those earning $200,000 a year or more—to 33%, from 28% now, and raise the alternative minimum tax, paid largely by wealthy people with large deductions, to 25%, from 21% now.

—Impose a 10% surtax on all people whose taxable incomes amount to $1 million or more.

—Impose a 10% luxury tax on cars priced above $30,000, furs costing $10,000 or more, jewelry priced at $5,000 or more and yachts and airplanes costing more than $100,000.

—Increase the tax burden for all Americans by delaying for one year the automatic adjustment of the personal exemption and of the standard income-tax brackets—a move that would raise an additional $36 billion over five years.

—Raise the cost of Medicare insurance by increasing monthly insurance premiums to $46.20 by 1995—from $28.60 now—and requiring Medicare recipients to pay the first $100 of their physicians' bills each year instead of $75, as is the case now.

—Apply the existing 1.45% health insurance payroll tax on the first $100,000 of a person's wages, rather than the first $51,300, as now is the case. The measure also for the first time would require state and local employees to pay the Medicare tax.

—In an appeal to middle-income taxpayers, allow a once-in-a-lifetime tax-free profit of up to $100,000 on the sale of real estate, farms, businesses and timbers—but not stocks or bonds. A separate, annual gain of $1,000 also would be allowed for people with incomes of less than $100,000. The $100,000 tax-free profit would be in addition to the $125,000 tax-free gain now allowed on the sale of a residence by those 55 and over.

—Double the federal beer tax to 32 cents per six-pack, raise taxes on wine from 3 cents a bottle to 25 cents a bottle and increase the tax on hard liquor by $1 for each proof gallon. Cigarette taxes would be raised by 8 cents a pack.

—Raise the airline ticket tax to 10% from the present 8%.

—Provide larger tax breaks for working poor families by raising the earned income tax credit by $11 billion.

The four-hour debate on the House measure was filled with harsh partisan rhetoric, along with appeals by some lawmakers for Congress to demonstrate a sense of national responsibility and approve the largest deficit-cutting plan ever considered.

Noting that Bush has warned that he will veto the proposal, Rep. Lynn Martin (R-Ill.) declared: "If you [Democrats] want to bring down the government with your game of chicken, you will bear the full responsibility."

Rep. Jerry Huckaby (D-La.), a conservative, argued on behalf of the plan put forward by Democrats on the House Ways and Means panel, saying: "This is a fair package. Let's make it happen and get on with the business of America."

At issue was a basic difference in approach by the two parties. Republicans insisted in their latest budget plan that more than $400 billion could be sliced from the deficit by spending cuts alone, without new taxes.

Democrats, however, said there is no way to reach the President's goal of reducing red-ink spending by $500 billion over the next five years without raising taxes and said their package would put the greatest new tax burdens on the very rich.

"It's fair," said Rep. Mickey Edwards (R-Okla.), with heavy sarcasm. "It hits everybody—the rich, the middle income, the poor—across the board. More taxes on everything."

But Rep. Leon E. Panetta (D-Carmel Valley), floor manager of the bill, argued that the Democratic alternative is a balanced package with spending and benefit cuts accounting for two-thirds of the deficit reduction and tax increases representing only 30% of the whole budget package.

"This nation is in crisis," Panetta said, urging swift approval of the budget plan so that the Senate could act today in time to send a compromise version to the President's desk before current spending authority expires at midnight Friday.

The divisions in the House were evident from the outset when Michel tried to protest a party line decision by the House Rules Committee to prevent a vote on a Republican alternative. The GOP appeal was rejected, 231 to 195.

Meanwhile, the Senate Finance Committee approved its own bipartisan deficit reduction package that hewed more closely to the rejected bipartisan deal by including a 9.5-cent-a-gallon gasoline tax.

But the Senate plan would raise taxes on people making $100,000 or more a year by limiting their deductions.

Republican critics noted that the Democratic alternative would hit middle-income families hard by delaying inflation adjustments of tax brackets and the current $2,050 personal exemption. They charged that the delay would amount to a massive tax increase for the middle class.

A TALE OF TWO TAX PLANS

A comparison of key provisions of rival tax proposals approved by the Senate Finance Committee and House Ways and Means Committee.

INCOME TAX

Senate: Would increase taxes on wealthier Americans by disallowing $500 in deductions for every $10,000 in income above $100,000.

House: Would increase the marginal tax rate to 33% from 28% for top-bracket taxpayers, add a 10% surtax on incomes above $1 million and boost the alternative minimum tax paid by those who claim large deductions. Would delay inflation adjustments for tax brackets and personal exemptions for one year.

CAPITAL GAINS

Senate: No change.

House: Would reduce maximum tax on capital gains to 28% from 33%. Would allow a one-time, lifetime exclusion of up to $100,000 on gains from real estate and some other assets, but not stocks. Would allow an exclusion of up to $1,000 a year for gains from stocks and most other assets except collectibles. The annual exclusion would be reduced for high-income taxpayers.

MEDICARE

Senate: Would increase the ceiling on wages subject to the 1.45% Medicare tax to $89,000 from current $51,300. Would boost the premium for Part B doctor bill coverage to $29.90 a month in 1991 and to $46.20 in 1995 from current $28.60. Would increase Part B deductible to $150 a year from $75 and require beneficiaries to pay 20% of cost of lab tests.

House: Would raise wage ceiling subject to Medicare tax to $100,000. Would increase Part B premium by same amount as Senate proposal. Would boost annual deductible to $100.

GASOLINE TAX

Senate: Would increase the tax by 4 cents a gallon on Dec. 1, by another 5 cents on July 1, 1991, and by another ½ cent on Jan. 1, 1992. The current tax is 9 cents.

House: No change.

TOBACCO TAX

Senate: Would increase the tax by 4 cents a pack on Jan. 1, 1991, and by another 4 cents in 1993. The current tax is 16 cents.

House: Same as Senate proposal.

ALCOHOL TAX

Senate: Would boost beer tax by 16 cents a six-pack, the wine tax by 18 cents a bottle and the liquor tax by $1.20 a proof gallon.

House: Would increase beer tax by 16 cents, wine tax by 22 cents and liquor tax by $1.

LUXURY TAX

Senate: Would impose 10% tax on the cost above $30,000 for cars, $100,000 for boats, $5,000 for jewelry and furs and $250,000 for planes other than business aircraft.

House: Same as Senate for cars, boats and jewelry. Would impose 10% tax on cost above $10,000 for furs and $100,000 for planes. Cars, boats and planes used to carry fare-paying passengers would be exempt.

LOW-INCOME CREDIT

Senate: Would increase earned income tax credit for working poor by $5 billion over five years. Would provide another $11.8 billion over five years in child-care aid.

House: Would increase earned income credit by $11 billion over five years.

Sad Secret Lies Behind the 'Fairness' Issue

■ **Taxes:** Gleeful Democrats think the public is eager to punish the greedy. More likely they'll pick on the poor.

By DAVID S. BRODER

Fairness is back as a political issue and the Democrats are on the rise. That at least is the wisdom *du jour* of political Washington, from which I would enter an unfashionable dissent.

When the No. 1 Republican slips as much as President Bush has in his recent bungling of the budget battle, it's plausible to assume that the Democrats will be boosted by partisan politics.

Certainly the Democrats feel ebullient. They have managed to shake off—or forget—the repudiation their leadership suffered in the House, when most of the Democratic members voted against the the budget agreement forged and endorsed by Speaker Tom Foley and the rest of the party leadership. When I saw House Majority Leader Richard A. Gephardt, the man who presided over the aborted summit negotiations, last week, he seemed to have dismissed that fiasco. "I have never seen greater unity on our side than we have now on a tax package that emphasizes fairness and progressivity," he said.

"Moderate Democrats like Dave McCurdy of Oklahoma and conservative Democrats like Charles W. Stenholm of Texas are as enthusiastic as the liberals," Gephardt said, about the bill Ways and Means Committee Chairman Dan Rostenkowski put together after the summit's collapse. That bill would raise about $160 billion in additional taxes over the next five years, mainly by boosting the tax rate for the upper brackets from 28 to 33% and hitting millionaires with a 10% surtax.

A series of polls showed voters saying by a 3-1 margin that if taxes have to be raised, the rich should take the heaviest hit.

The Wall Street Journal, the bible of supply-side economics, reported in its lead story on Oct. 12 that "class warfare, it seems, is making a comeback." The Journal quoted Rep. Jim Leach (R-Iowa) as saying, "It has suddenly dawned on people that the fairness issue is very big."

Well, maybe. Back in 1984, the Democrats were convinced that the fairness issue would bounce President Reagan right out of the White House. Democratic nominee Walter F. Mondale proposed raising taxes on the rich to reduce the budget deficit. But somehow, people didn't hear the phrase "on the rich."

Now, we are told, the public is much more aware of the widening gulf between the rich and everyone else. They are ready to punish the greedy. I'm not convinced. First of all, it's darn hard to raise big money in revenues without hitting the middle-class. The Rostenkowski tax bill, for example, though advertised as a soak-the-rich measure, raises $36 billion over the next five years by postponing indexing of exemptions and tax brackets for one year. That means you lose your protection against inflation, a hit that is felt proportionately harder by the lower- and middle-class taxpayers.

Second, some Democratic operatives outside Washington are convinced that middle-class voters are angry about the taxes they pay, not those others don't pay.

Mike McKeon, a pollster who still lives in his blue-collar hometown of Joliet, Ill., told me: "People are sick and tired of paying taxes and getting nothing in return. They're convinced government isn't working. The schools don't educate, the streets aren't safe, and the traffic gets worse all the time. And yet there are still people who want them to pay more taxes!"

The final reason for skepticism that fairness is the magic elixir for the Democrats has to do with the hidden issue in American politics: Race. No one wants to talk about it publicly, but if you ask any campaign consultant or pollster privately, you can confirm the sad reality that a great many working-class and middle-class white Americans are far less hostile to the rich and their tax breaks than they are to the poor and the minorities with their welfare and affirmative-action programs.

Contrary to Washington wisdom, the real, anger on the doorsteps where I've interviewed is directed toward people further down the economic ladder, especially if they are black, not toward the wealthy.

The "fairness" issue, to many, is still code word for welfare-coddling. And th antipathy to that has grown as the economic squeeze tightens on the middle clas.

Davis S. Broder is a syndicated columni in Washington.

Shutdown Again? Forget About It

Ideology, not compromise, is enemy of people

There they go again. Congress, still a house divided on the budget, and the President, still threatening to shut down the federal government again at week's end if a budget accord isn't reached. When will it end?

Maybe not before the November congressional elections, sad to say.

Shutting down Washington a weekend ago may have narrowed the political gap between President Bush and Congress over how to cut the federal deficit. And it certainly got everyone's attention. But the gap actually widened again Tuesday, despite White House hints that Bush would veto a new Democratic budget plan. So even his own party's leaders in Congress think he should forget about closing down the federal government again. The joke's growing stale—and the trick just isn't going to work.

THE PROBLEM: The urgency of hammering the deficit down by $40 billion in the next budget remains. That is still Congress' job. A poll last week suggested that by about 2 to 1, people thought Congress would do better at cutting the deficit than Bush. Four months of summit meetings between Congress and the White House have at least settled the question of whether deficits can be cut deeply enough without a combination of higher taxes and lower spending. They cannot.

Congress rejected the summit version of a budget because the mix of tax increases and spending cuts did not suit the members, and they've been searching for a new mix ever since. But if Congress misses the new Friday deadline for a budget Bush can live with, its failure will involve ideologies and politics so rigid that leaving federal government at half-mast into next month probably would not budge anyone much.

Common Cause, a citizen's lobby in Washington, is right about one thing. Because campaign financing laws tilt so far in their favor, incumbents leave only when they die or get a better job offer. But for most members Congress becomes such a career that their fear of offending voters and losing their jobs borders on paranoia.

THE SOLUTION: For House Republicans, the greatest fear lies in raising taxes, so they put together their own budget of spending cuts without tax increases Tuesday. It fell one-third short of its deficit target and did not make it to a vote.

Democratic paranoia stems from cuts in spending for social programs, increases in Medicare premiums and tax increases that fall more heavily on middle-income Americans than on the wealthy. They, too, put together a package, and while they have the numbers to pass it despite their Republican colleagues' objections, they may not have enough votes to get it past Bush's putative veto.

But for Washington to get a budget before election day, it must split the difference between Tuesday's diverse approaches. As we've argued before, a practical budget deal will involve some give on both sides of the aisle—Republicans will have to accept new taxes and Democrats will have to give Bush and the GOP a capital gains tax cut, or some such concession that they require.

The Boston Globe

WEDNESDAY, OCTOBER 17, 1990

House ratifies plan to raise tax on wealthy

By Michael Kranish
GLOBE STAFF

WASHINGTON – The House, setting the stage for a confrontation with President Bush and the Senate, yesterday approved a Democratic budget plan that raises taxes on most Americans, especially the wealthiest, while eliminating proposed tax increases on gasoline and home heating oil.

Democrats said the program was specifically designed to make the wealthiest pay higher taxes, but Republicans argued that it contains new "hidden" taxes that will hit the middle class.

The House approved the plan, 227-203. Forty Democrats voted against it and 10 Republicans voted for it. All members of the Massachusetts delegation voted in favor of the bill.

Republicans angrily said the Democratic leadership had denied them a chance to vote for a GOP proposal to reduce the deficit almost entirely through spending cuts. But the Republican plan was given virtually no chance of passage.

Bush strongly opposed the House Democratic bill because it raises the top income tax rate from 28 percent to 33 percent for individuals making over $109,000, and includes a 10 percent surtax on income over $1 million.

In addition to taxing the wealthy, the Democratic plan hits middle-income taxpayers by eliminating next year's inflation adjustment in tax brackets. Republican critics said that is a "hidden tax" that would result in a $275 tax increase next year for Americans with a taxable income of $32,500. Democrats said the measure was fair and that it eliminated the need for raising the gasoline tax, among other things.

"Our package is crafted so the burden is shared by all ... and ensures that the super-wealthy pay their fair share," said Rep. Brian Donnelly, Democrat of Dorchester.

But the House Republican leader, Robert H. Michel of Illinois, said, "A policy of simply taxing the rich won't create one new job."

Bush, at an Illinois campaign rally, attacked the proposal as a "Democratic tax plan. If it reaches my desk ... I will veto it because it raises the income taxes of the working men and women in this country, and I am not going to do that."

Bush supports a bipartisan Senate plan that is expected to be voted on today. That plan does not raise tax rates directly, but does scale back deductions used by taxpayers making more than $100,000. Also, the Senate plan, unlike the House plan, raises gasoline taxes. Both the House and Senate plans eliminate a 2-cent-per-gallon tax on home heating oil that was in the original bipartisan plan and was strongly opposed by New England lawmakers.

While yesterday's House debate was filled with fiery rhetoric from both parties about the fairness of the Democratic proposal, congressional leaders said the decisive budget battle will probably take place later this week in a House-Senate conference committee, which will reconcile the differences between the two plans.

The White House, which has threatened to allow the government to shut down if an acceptable budget deal is not concluded by Friday, appears to be gambling that the conferees will produce a plan that is close to the Senate proposal and can be supported by Bush.

But if the conference committee includes any of the most disputed elements of the House plan, such as the increase in the income tax rate, then Bush must decide whether to veto the final version and order another government shutdown.

The debate yesterday over the House plan was one of the most partisan and bitter of the year.

Democrats, who had been reluctant to propose new taxes without Republican support, acted on their newfound solidarity yesterday to press for $149 billion in new taxes over five years. The plan also calls for massive spending cuts by the Pentagon, and lesser cuts at other agencies, resulting in a tax-and-cut package that would reduce the defict by $500 billion by 1995.

Democratic leaders hailed the plan and said it would require that the wealthiest Americans pay their fair share of the deficit reduction package, a burden that Democrats said was missing from the bipartisan budget deal that was defeated two weeks ago. The Democratic plan also scaled back the much-criticized cutbacks in Medicare benefits and premium payments, but it increased the Medicare tax paid by upper middle-income taxpayers.

While the House Democratic plan has received much publicity for the way it taxes the wealthy, Republican leaders pounced on a complicated element of the Democratic plan that Republicans said was a hidden tax on the middle class.

The measure would eliminate next year's inflation adjustment in the tax rate and personal exemption deduction. If the inflation adjustment were retained, the 28 percent tax rate that applies this year to taxable income above $30,950 would apply to taxable income above $32,500 next year. But if the adjustment is eliminated, Republicans said taxpayers would pay taxes on an additional $1,550 or more of income.

The Senate Republican leader, Bob Dole of Kansas, said the measure would cost a family of four with a taxable income of $32,500 an extra $275 in taxes. Dole mockingly called the measure the "House Democrats' friendly family tax."

Democrats tried yesterday to cast the measure as a technical adjustment, but they noted that it would raise $36 billion, a major element of the $149 million in new tax revenues produced by the Democratic plan. But some Democrats acknowledged privately that the measure was becoming controversial and they predicted it would scaled back or eliminated by the conference committee.

In any case, Democrats noted that a study produced yesterday by the Center on Budget and Policy Priorities said that the House Democratic plan put 11 percent of the new tax burden on those making less than $50,000, while the Senate plan put 34 percent of the tax burden on that group. The same study said the House Democratic plan put 63 percent of the tax burden on those making more than $200,000, while the Senate plan put only 24 percent of the burden on those taxpayers.

Several other tax measures in the House Democratic plan were also controversial. Upper middle-income taxpayers would also take an extra hit under the House Democratic plan, with taxpayers making between $51,300 and $100,000 required to pay an extra 1.45 percent in payroll taxes to fund the Medicare program.

The Democratic plan also raises taxes on a variety of popular products: The beer tax would double to 32 cents on a six-pack, the wine tax would go from 3 cents to 25 cents for a typical bottle, and the liquor tax would increase from $12.50 to $13.50 per gallon. But the gasoline tax, which would have been increased by 10 cents under the bipartisan budget plan, would not go up.

The Democratic plan allows middle-income taxpayers to make up to $100,000 in capital gains from lifetime property sales without taxation. However, the tax break would not be applied to sales of speculative investments such as stocks and antiques.

Today's scheduled vote on the Senate plan is likely to be marked by debate over a proposed amendment that brings the Senate plan much closer to the House proposal. The amendment, sponsored by Democratic Sens. David Boren of Oklahoma and Sam Nunn of Georgia, would raise the top tax rate to 33 percent, cut the capital gains tax for certain assets held more than five years, and allow all taxpayers making less than $100,000 to save $1,000 per year tax-free if the money is used for retirement, health care or the purchase of a first home.

Soaking the rich? Or just a return to pre-Reagan days?

By Peter G. Gosselin
GLOBE STAFF

WASHINGTON – To hear the uproar on Capitol Hill, one would think the deficit reduction plan that passed in the House last

News Analysis

night was nothing short of a call to arms against wealth.

Indeed, the Democratic plan would boost the tax bill of the wealthy, raising tax rates for those making more than $200,000 a year by more than 7 percent and socking the average family among America's top 1 million income earners with an extra $10,200 in costs annually.

But is that a lot or a little?

Democrats hail the measure as reversing the injustices of the 1980s, when the rich got richer and the poor got poorer. But the added costs would do little to offset gains posted by the rich in the last decade. Since 1980, the average family among America's wealthiest saw its income after taxes and inflation climb $186,000.

Many Republicans warn that the plan will destroy economic growth that has benefited both rich and poor by raising tax rates on the nation's wealthiest and most productive citizens. But the proposed rate increase would be less than half of the rate cuts won by the wealthy in the last decade.

"For all the yakking about fairness, this thing isn't any big deal," said Charles Schultze, a former Carter administration official and an economist with the liberal Brookings Institution.

To be sure, the fact that the plan would make little difference to the nation's income distribution does not mean that it makes little political difference. In fact, both sides are treating the debate as a watershed political event, a final judgment on how the federal government has been run since 1980.

Democrats are predicting a political revival after being coopted by the powerful pull of Reaganism. "In the '80s, the Democratic Party kind of lost its way," Rep. Patricia Schroeder, a Colorado Democrat, told a breakfast meeting of reporters yesterday. "We're gradually getting some of the spines out of the cloakroom and putting them back in" party leaders, she said.

The Bush administration and House Republican leaders charge that the Democrats are trying to return to the spendthrift ways that lost them the White House and that brought Ronald Reagan to power. The House plan is "wide of the mark," Treasury Secretary Nicholas Brady said yesterday. "What it really hides is ... it's back to tax-and-spend again," he said.

Some worry that in the fury of debate both sides are losing sight of the goal that started the argument in the first place: the need to cut the federal budget deficit. "We're diddling at the margin while Rome burns," Schultze said.

By one reckoning, both sides have settled on about $400 billion of the $500 billion in deficit reduction they have promised over the next five years. At issue is where to get the remaining $100 billion.

The House plan would raise over half of the amount needed, almost $58 billion, by boosting the top income tax rate from 28 percent to 33 percent, increasing the alternative minimum tax, which is designed to ensure the rich pay some taxes no matter what their deductions, from 21 percent to 25 percent and by slapping a 10 percent surtax on millionaires. All three fall either exclusively or most heavily on families with incomes of more than $200,000.

The plan would raise another $36 billion by delaying the inflation adjustment of income tax brackets by one year. The move would hit virtually all taxpayers, not just the rich, a fact that both the White House and House Republicans hammered at yesterday in trying to defeat the measure.

However, overall, the plan would shift more of the tax burden onto the rich than its principal rival, a compromise deficit package that is making its way through the Senate and has won grudging administration support. And that, according to backers, is its chief appeal.

But why?

Democrats produce a tangle of arguments that veer in two directions. The first is that the distribution of income is unfair and that by taxing the rich, the plan helps redistribute the wealth. The second is that whatever the income distribution effects, the plan is fair because it shifts the tax burden to those most able to pay.

According to analysts, the plan may live up to the latter claims, but not the former.

There is little doubt that the nation's wealth is unevenly distributed and that the distribution grew increasingly uneven in the 1980s. A study by the nonpartisan Congressional Budget Office showed that the incomes of the top 5 percent of American families, those currently making more than $100,000 a year, rose 45 percent since 1980, while those of the poorest 10 percent, those now making under $10,000, fell.

But the House plan would make only a small dent in the disparity, slicing gains posted by the rich by less than 5 percent, according to analysts. "It's not nearly as tough as it might first appear," said Robert McIntyre, director of Citizens for Tax Justice, a liberal lobbying group.

In the end, the most powerful argument may be who can pay. "There's a feeling" that the rich "enjoyed most of the tax and economic benefits of the 1980s, so whose taxes do you raise now?" asked Gary Burtless, a Brookings Institution economist.

A protect-the-rich pledge

The fabled capital community of Gucci Gulch is named after the footgear worn by lobbyists who prowl the corridors outside the tax-writing committees of Congress, buttonholing legislators to protect their clients' varied financial interests.

None of these Gucci-clad paladins, however, represents rich people in general. The rich need have no fear, because President Bush has volunteered to defend them. The president's strategy may fail politically in the long run, and in the short run it would close down the government.

The president is in the awkward position of pledging to veto any bill that tries to carry out the long-held Democratic urge to soak the rich. Democrats, whose populist instincts are rusty after the Reagan era of tax-cut prosperity, are likely to be clumsy in their attempts to make the rich pay more, but if the government closes down, they have an alibi and Bush will likely have the blame.

Bush's ostensible reason for vetoing a Democratic budget plan will be that it is "anti-growth." That argument may have worked when growth and optimism characterized the US economy. But now, amid the gloom of recession and inflation, the economic theory of growth is not as powerful as the growing political reality that the rich benefited in the '80s more than the middle class did.

In times of slow growth, anti-government fever subsides, particularly among those whose job security is shaky. By threatening to close down the government on behalf of an economic theory, Bush will make the final payment on the purchase of the political trouble he began buying last week by waffling on a deficit-reduction plan.

The government needs to pay its bills. Congress and the president must agree on that. Closing down the government benefits no one.

Yes, the Democrats are engaging in some demagoguery in their clumsy budget plan. But no credible accusation of demagoguery can come from a president who so often said, "Read my lips – no new taxes."

The budget message Bush failed to grasp

THOMAS OLIPHANT

WASHINGTON – Even as the House of Representatives was preparing to defy its leaders and reject the star-crossed, rich-favoring budget summit deal 13 days ago, two Midwest Democrats got together to meet the demanding challenge of their "no" votes – the preparation of a better plan.

Working on an easel in Rep. Byron Dorgan's office, the North Dakota five-termer and Rep. David Obey, a Wisconsin 10-termer, began moving numbers around, shifting tax increases up the income scale, eliminating or softening hits on average taxpayers, and limiting the damage to Medicare. Before the week was out they had produced a proposal to which more than 50 of their colleagues had subscribed.

By the time the House passed a second, bare-bones budget resolution on Oct. 7, the fairness movement to which Dorgan and Obey provided a critical shove was a rolling boulder in the House Democratic Caucus. Three days later, it was clear that the Democratic leadership had received the message; no less than Ways and Means Committee chairman Dan Rostenkowski (D-Ill.) – an original summit supporter – was giving President Bush indigestion over breakfast as he laid out specifics for his good friend. There would be a top tax rate of 33 percent on high incomes and a surcharge on million-dollar ones.

As the House prepared to take up deficit-reduction measures yesterday, with the Democrats' plan in the political and substantive ascendancy, Dorgan and Obey could bask in something far more important than pride of authorship. They are metaphors not for the details of the proposal by the Ways and Means Democrats, but for the belated insistence by the Democratic membership of the full House that their party stands for something more than secret negotiations between their leaders and the Bush administration.

"Sometimes," Dorgan said this week, "it is the shepherds who have to find the sheep. It was our caucus that did this, and I'm kind of proud of it for a change."

In a divided government, leadership summitry cannot secretly produce workable solutions to vexing issues that flout public opinion and flout the political parties' basic principles. The majorities in both parties that rejected the summit deal were not primarily grandstanding for parochial or constituency group interests.

House Republicans who saw it as a sell-out of low-tax, low-spending principles that they and Bush were elected on two years ago, cast "no" votes as consistent as they were responsible. That goes double for the House Democrats who refused to accept a plan whose main target was the middle class.

In the confusing days that followed, the Democrats in the House – and Republicans as well as Democrats in the Senate Finance Committee – rose to the tougher task of legislating, despite one minor and one major obstacle. The minor obstacle is the inability of the deeply divided House Republicans to propose a plan that meets the fundamental test of deficit reduction – savings of $40 billion in the first year, rising to $500 billion over five years. The result is that the House's product appears partisan, though in fact that is merely the result of Bush's party's inability to participate seriously.

The major obstacle is Bush's non-decision to combine the worst attributes of Pontius Pilate's leadership style with Nero's. His decision not to decide or to lead creates the kind of vacuum politics abhors. Because of his abdication, the House will proceed to pass the Democrats' more progressive tax proposal.

Also because of his abdication, the Senate may make the less progressive Senate finance measure more so. At any rate, the final legislative product will have to move toward Rostenkowski's position. At that point, a presidential veto will send a simple message: Bush shut down the government to protect the rich, which House Minority Leader Bob Michel of Illinois wisely counsels against.

Symbolically, this all began on Byron Dorgan's easel. He understood what his Republican colleagues and Bush have not; at crunch time, politics requires that politicians act, and quitters never win.

Thomas Oliphant is a Globe columnist.

Chicago Tribune

Wednesday, October 17, 1990

Democrats' tax plan appproved by House

By Elaine S. Povich
Chicago Tribune

WASHINGTON—The House Tuesday night passed a $500 billion deficit-reduction bill, adopting a Democratic tax-the-rich plan that party leaders say defines their differences with Republicans.

The budget action now moves to the Senate, which is expected to act on its own deficit-reduction bill later this week. The Senate package does not include as many of the tax-the-rich provisions, setting up a conflict between the chambers.

The House and Senate bills would go to a conference committee made up of representatives from both houses who would resolve differences. Optimists predict the committee could complete action by Friday, but pessimists said it still would be meeting next week.

The key House vote came on a package of tax increases and budget reductions sponsored by Rep. Dan Rostenkowski (D-Ill.). That 238-192 vote, with mostly Democrats in support, put the House on record in favor of a policy that raises tax bills for upper-income taxpayers more than for others, although almost all income groups would pay some higher taxes.

The House then approved the overall bill, 227-203. Ten Republicans joined 217 Democrats in supporting the bill; 163 Republicans and 40 Democrats opposed the measure.

President Bush labeled the bill a "Democratic tax plan" and promised to veto it.

Republicans complained that the bill fails to curb spending enough and that its tax increases are too high and would hurt the economy. But House GOP members were unable to craft a bill that met Bush's target of $500 billion in deficit reduction over the next five years, and the Democratic leadership refused to let the House consider a $400 billion GOP package.

Bush has expressed support for the Senate bill without the income tax increases and has threatened to shut down the government again if a bill to his liking is not approved by midnight Friday.

Rostenkowski, addressing a rapt House chamber, said, "Our alternative is bold, but it is fair enough to win broad public acceptance. That is why it is so popular with the American people.

"Unfortunately, too many of us have believed the pollsters' warning that higher taxes are the political kiss of death. Today we finally have an opportunity to shatter that myth and be honest with the American people and ourselves."

Democrats said raising taxes on the rich would appeal to voters with Election Day just three weeks away. The Republican sentiment, however, was summed up by Rep. Jerry Lewis (R-Calif.), who called it a "half-baked recipe for depression" because of the tax increases that he said would hit many people too hard.

Bush, campaigning Tuesday in Du Page County for Illinois Republican candidates, said he would veto the House bill if it reaches his desk in its present form.

"I will veto it because it raises the income taxes of the working men and women of this country," he said in a speech at the College of Du Page in Glen Ellyn. "I believe the American people really know that the problem has been the failure of this one-party controlled Congress to hold down spending. We're not taxing you too little; we're spending too much."

But during the House debate, Rep. Richard Durbin (D-Ill.) said many of his constituents believe in the tax-the-rich philosophy. "They say to me, 'If you're fighting so people who can afford to pay taxes pay taxes, keep up the fight,'" Durbin said.

The House bill would extend the 33 percent tax rate to all families with income of more than $78,000 and includes a 10 percent surtax on those with taxable incomes of more than $1 million. It also would delay for one year an automatic adjustment for inflation in tax brackets and the personal exemption.

The bill would increase the cap on the amount of wages and salaries subject to the Medicare payroll tax to $100,000 from $54,300; raise taxes on liquor, cigarettes, beer and wine; and create a 10 percent excise tax on luxury goods such as furs, jewelry, boats and expensive cars.

Just as important to Democrats is what was excluded from the bill: an increase in the gasoline tax, extension of the Medicare payroll tax to all state and local employees and a reduction in itemized deductions for taxpayers with adjusted gross incomes of more than $100,000.

The Democratic House bill would provide a limited tax break for capital gains income, allowing taxpayers a lifetime exclusion of up to $100,000 in income gained from sales of assets, such as houses and stocks and bonds.

The House bill would reduce the hit on Medicare recipients, although their premiums and deductibles would still rise.

Spending cuts would hit hardest in agriculture subsidies and defense programs.

The bill attempts to fulfill the requirements of the budget goals that Congress passed last week just as the government was prepared to shut down. Bush has said another shutdown is possible at midnight Friday if a deficit-reduction bill to his liking is not approved by then.

House Speaker Thomas Foley (D-Wash.) urged Bush not to let the government shut down. "We are working day and night, literally, to conclude this process," Foley said. "Any disruption of the government is not an assistance to that effort; it is a hindrance to it."

Two prominent Senate Democrats, however, said Tuesday that they would move to increase income taxes on the wealthy in exchange for a cut in the tax rate on capital gains.

Sens. David Boren of Oklahoma and Sam Nunn of Georgia announced plans to introduce an amendment that would raise the top income tax rate to 33 percent for upper-income earners and lower the capital gains tax.

The two expressed no fear about Bush's insistence that he will not approve a higher tax rate for the rich. "This president can change his mind," Nunn said, "and we hope he will."

Nunn and Boren said their effort was aimed first at the Senate floor and then, if unsuccessful there, at the House-Senate conference committee.

Tribune reporters Kerry Luft and William Presecky contributed to this report.

Chicago Sun-Times
OCTOBER 17, 1990

House Dems ram bill for $180 billion taxes

By Jerome Idaszak
Washington Bureau / Chicago Sun-Times

WASHINGTON—House Democrats used their 3-2 majority to muscle through a bill to raise about $180 billion in taxes as part of a plan to cut the federal budget deficit by $500 billion over five years.

The bill passed by a vote of 238-192. Only 10 Republicans voted for the plan, and only 28 Democrats voted against it.

Among the Illinois delegation, all Democrats voted for the plan except Representatives Frank Annunzio, George E. Sangmeister and Gus Savage. All GOP members of the delegation voted against the measure.

Speaking at an Illinois Republican rally in Glen Ellyn, President Bush said he would veto the House plan "because it raises the income taxes of the working men and women."

Bush said he preferred a "Senate package that holds the line on income tax rates."

The spotlight now moves to the Senate, where debate will begin as early as today on different versions of bills that would meet the budget-cutting goal.

House approval came after more than five hours of highly charged debate over the role of taxes in cutting the deficit, which if unchecked will total at least $294 billion this fiscal year.

"Tonight, equity and fairness make a comeback. ... People should be taxed according to their ability to pay," said House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.). He helped design the measure that would raise taxes more for the wealthy than the first budget plan that was rejected two weeks ago.

But Republicans said the Democratic plan still raises a large amount of taxes from families earning less than $100,000 a year—in particular $36 billion would be raised over five years from a freeze on the personal income tax exemption.

"Soak the rich is a demagogic smoke screen for Democrats to ... pick the pockets of middle America," said Rep. Guy Vander Jagt (R-Mich.).

The Democrats pictured their bill as placing more than half of the taxes on the wealthy—families earning more than $200,000 a year.

Republicans blasted the Democrats for raising taxes too high.

"The rich may get a shot, but it is the middle- and low-income brackets that are going to take the biggest hit," said Rep. Philip M. Crane (R-Ill.)

Rep. Harris Fawell (R-Ill.), whose district includes part of Naperville, said, "The overwhelming feeling in my district is that [spending] cuts simply aren't there. Congress cannot cut. All they can do it to cut increases in spending, even in defense."

Among its chief features, the House bill would:

- Raise the tax rate to 33 percent from 28 percent on families earning more than $200,000 a year.
- Add a 10 percent surtax on those with taxable income above $1 million.
- Raise taxes on beer, wine and alcohol and on expensive cars, furs, boats and private planes.
- Aim a one-time capital gains tax cut of $100,000 at middle-income taxpayers.
- Take money out of the pockets of the middle class and others by suspending for one year inflation adjustments for tax brackets and personal exemptions.
- Impose the 1.45 percent Medicare tax on wages up to $100,000. The tax now stops at $51,300.
- Raise Medicare premiums, though somewhat less than proposed two weeks ago.

Despite easing the premium increases on the nation's 33 million Medicare recipients, several Democrats weren't happy about the plan.

"It's still $17 billion that the seniors must pay," said Annunzio. "It's a lifetime tax on the elderly. It's a penalty on seniors for living too long."

"I've got some people [on Medicare] who can't afford to pay what they're paying now," said Rep. Charles Hayes (D-Ill.). "I would have liked to see them take a bigger hunk from military spending. And they want to forgive $7 billion debt from Egypt while at the same time saying to our poor kids that if they default on [student] loans, they're going to pay. That's a basic contradiction."

"It's the best we can do," said Rep. Cardiss Collins (D-Ill.). "I'd take more out of defense, a little from foreign aid and a little bit from NASA."

Republicans wanted to offer an alternative that would freeze domestic spending while not raising taxes. Democratic leaders ruled against a vote because that bill would cut the deficit by $400 billion, 20 percent short of the amount Bush demands.

"We ... made real savings and came darn close to the summit targets without raising taxes," replied Rep. Lynn Martin (R-Ill.).

But Rep. Thomas Downey (D-N.Y.) said, "If this were the Indianapolis 500, the Republicans would go 400 miles and want the checkered flag."

Rep. Charles Schumer (D-N.Y.) added that Americans wouldn't stand for a freeze on spending for education, the war on drugs, law enforcement and other domestic programs.

Replied Republican Whip Newt Gingrich (R-Ga.): "Three weeks from now, voters can decide if they want to vote Democratic for more taxes and higher spending or vote Republican for no taxes and lower spending."

The House vote was taken as congressmen tried to complete action before a deadline of midnight Friday, when the government will run out of money and face a rerun of the shutdown it went through two weeks ago.

In the Senate, Democrats Sam Nunn of Georgia and David Boren or Oklahoma said they would offer an amendment that would raise the top tax rate to 33 percent, allow a lower rate on capital gains and cut the gas tax boost.

Several other amendments are expected. And Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.) said 25 Democrats back a plan similar to the one passed by the House.

Contributing: *Basil Talbott, Washington bureau.*

THE PLAIN DEALER
WEDNESDAY, OCTOBER 17, 1990

House passes Democratic plan for deficit cut

By MARY DEIBEL
SCRIPPS HOWARD

WASHINGTON — The House passed a $500-billion, five-year Democratic deficit reduction plan last night after a "no-new-taxes" Republican alternative was blocked.

Passage came on a 227-203 vote largely along party lines.

Unlike the budget summit plan that met bipartisan defeat Oct. 5, mostly for being too burdensome on low- and middle-income taxpayers, the revised House plan would:

■ Exclude a 10-cents-a-gallon hike in the federal gasoline tax as well as a new 2-cents-a-gallon tax on refined petroleum fuels.

■ Include a "middle-income" capital gains tax break on profits from stocks, bonds and the like for families making less than $150,000 a year.

■ Slap a 10% surcharge on #1 million-a-year incomes.

■ Raise income tax rates on the wealthy from 28% to 33%.

All northeast Ohio congressmen voted "yes" on the bill except Ralph S. Regula, R-16, of Navarre, and James A. Traficant, D-17, of Youngstown, Associated Press reported.

Appearing at a Republican campaign rally in Glen Ellyn, Ill., President Bush said he will veto the House Democratic plan if it reaches his desk because it "raises the income taxes on working men and women in this country, and I'm not going to do that."

The House plan must be reconciled with a bipartisan Senate version, which is expected to pass later this week and is more to the liking of the White House.

The Senate version would shift more of the burden to upper-income taxpayers by limiting their itemized deductions and by subjecting up to $89,000 in wages to the Medicare payroll tax, but it doesn't touch income tax rates or trade them off for more favorable capital gains treatment.

Senate Democratic leader George Mitchell of Maine promised to "do our best to enact it promptly before the Friday deadline," when Bush has threatened to shut down the government for the second time in two weeks without a budget bill to his liking.

With partisan feelings running high in the House, Speaker Thomas S. Foley, D-Wash., called the House Republican alternative inadequate.

"It doesn't meet the president's standard, doesn't meet the leaders of the Republican Party's own stated desires," he said.

"Twelve House committees have been bleeding to come up with $250 billion in savings (that are also in the Democrats' package), but the Republicans can find only $125 billion with their 'freeze,'" complained House Budget Chairman Leon Panetta, D-Calif. "It's a recipe for disaster."

For all the GOP complaints about being "muzzled," Republicans appeared pleased they finally had an issue to rally around. Weeks of infighting had seen most House Republicans rebuff the budget summit plan despite Bush's personal appeals.

The House package includes budget summit "sin" taxes that would add 8 cents to the 16-cents-a-pack tax on cigarettes, double beer taxes to 34 cents a six-pack, raise wine taxes from 3 cents to 25 cents a bottle and hike liquor taxes by $1 to $13.50 a proof-gallon.

Also included is the summit's 10% luxury levy on cars worth $30,000 or more, boats worth at least $100,000, jewelry sales of $5,000 and up, furs worth at least $10,000 and private planes worth $100,000 or more.

In addition, the House package would:

■ Save $43 billion in the Medicare insurance program for 33 million elderly and disabled, a summit plan sore point. About $33 billion would come from hospitals and doctors, about the same as the defeated summit plan, but only $10 billion would come from raising the hospitalization deductible and increasing the monthly premium for doctor and outpatient services. The summit deal called for $28 billion to come from beneficiaries.

■ Cut $16 billion out of farm programs, largely by lowering income supports, making fewer direct farm loans and imposing new farm fees.

■ Save $1.7 billion by eliminating schools with defaults of 35% from the student loan program and by cutting federal interest subsidies to lenders who make student loans.

THE ATLANTA CONSTITUTION
WED., OCTOBER 17, 1990

House OKs tax increase for wealthy

By Mike Christensen
Journal-Constitution Washington Bureau

WASHINGTON — The House on Tuesday night passed a deficit-reduction package that would raise taxes on wealthy Americans, freeze tax indexing for a year, ease reductions in the Medicare program and eliminate a proposed increase in gasoline taxes.

The vote was 227-203.

The Senate is expected to act on its own plan today.

Republican House members, unable to fashion a package of spending cuts that alone would meet deficit targets, turned on the Democratic plan with a vengeance, vowing to make the tax increases a campaign issue.

Rep. Guy Vander Jagt (R-Mich.) said the package is a "wallop to the midsection of middle America."

Several Democrats in difficult races — including Reps. Ben Jones and Doug Barnard Jr. of Georgia — voted against the package.

Mr. Jones denied he was seeking political cover, only that he opposed the freeze on income-tax indexing. "I'm not afraid of taking tough votes," he said.

Mr. Barnard said he has consistently preferred spending cuts to tax increases. "I'm not a Johnny-come-lately as far as voting against appropriations bills," he said.

The Democratic plan's largest tax boosts are aimed at the wealthy — a 5 percent boost to 33 percent in the income tax rate paid by the richest Americans, a 10 percent surtax on incomes higher than $1 million and a 10 percent levy on luxury goods. Together the measures would raise $82.4 billion over five years.

The delay in inflation indexing of income tax brackets would generate $36 billion over five years.

White House officials said Tuesday that President Bush more than likely would veto the House measure if it passes Congress. The final plan, however, will emerge from a House-Senate conference later this week.

Late Tuesday, Mr. Bush canceled plans to attend the second game of the World Series tonight in Cincinnati.

White House press secretary Marlin Fitzwater said Senate Minority Leader Bob Dole (R-Kan.) and House Minority Leader Robert Michel (R-Ill.) advised the president that the talks were "all coming to a head in a day or two."

Included in the House budget package are:

- A $100,000 lifetime capital gains exclusion — on which profits would not be subject to taxation — a proposal aimed at the middle class.
- Excise tax increases. Luxury cars, boats, planes, jewelry and furs would be subject to a 10 percent excise tax on the price above a certain amount.
- A tax increase from 8 percent to 10 percent on airline tickets.
- A cut of $15 billion in agriculture programs, largely by reducing payments to growers of wheat, corn, rice, cotton and feed grains.

The House package would reduce the bite for the Medicare program to $43 billion in benefit cuts and premium increases over the next five years. The earlier budget summit agreement would have cost the program $60 billion.

Republican House members complained bitterly that their alternative plan, assembled hastily Monday, was barred from floor consideration. Rep. Bill Frenzel (R-Minn.) called it a "shameful day."

Democratic leaders said the Republican proposal was being ignored because a Congressional Budget Office review found that it falls far short of the deficit-cutting targets set by the budget resolution passed last week: $40 billion this year and $500 billion over five years.

"By their own admission," House Speaker Thomas S. Foley (D-Wash.) said, "their proposal ... does not meet the terms of the Budget Act, does not meet the terms of the president's requests ... does not meet the terms of their own stated objective."

The heart of the GOP plan was an alternate-year freeze on non-defense discretionary spending, including foreign aid.

"We offered a package that met the desires of well over three-quarters of the American people," said House Republican Whip Newt Gingrich of Georgia, "and the Democrats on the first day of the World Series promptly ruled that our team wasn't allowed on the field because we might win a game."

On the House floor later, Rep. Tom Downey (D-N.Y.) said that if the budget were the World Series, Republicans would want to win after three games.

"Face it, guys," Mr. Downey told the Republicans, "you can't cut it, and you can't cut it enough."

Across the Capitol, Sens. Sam Nunn (D-Ga.) and David Boren (D-Okla.) said that when the Senate considers its own budget package today, they will introduce an amendment to raise income tax rates for the wealthy, using the proceeds to cut capital gains taxes for some investors, lower the proposed gasoline tax increase in the Senate plan and start a "super IRA," which families could use to pay for first-time homes, college tuition and catastrophic illness.

Mr. Nunn said that while Congress must cut the budget deficit, "We've got to give a boost to economic growth."

The package put together by Democrats and Republicans on the Senate Finance Committee relies for much of its revenue on doubling the gasoline tax, higher excise taxes and a limit on tax deductions for upper-income Americans.

Senate leaders from both parties have said they would oppose any changes.

The Boren-Nunn plan, like the House Democratic proposal, would raise the top income tax rate on the wealthiest Americans to 33 percent, raising an estimated $44 billion over five years.

WEDNESDAY
OCTOBER 17, 1990

THE SUN

LIGHT FOR ALL

BALTIMORE, MARYLAND

GOP alternative falls short of goal by $100 billion

By Karen Hosler
Washington Bureau of The Sun

WASHINGTON — The moment of reckoning arrived yesterday for the House Republicans who had led the revolt against their own president's budget agreement. They had the chance to offer something better, and they came up about $100 billion short.

Democratic leaders would not allow a House GOP alternative to be offered on the floor because the Republicans refused to propose any sort of tax increase and couldn't figure out how to meet the $500 billion, five-year deficit-cutting target without one.

"Of course not," said Representative Newt Gingrich, R-Ga., House minority whip and leader of the rebel band, blithely acknowledging that without a tax increase the goal could not be reached unless they cut too deeply into government services. "That would be irresponsible."

From Mr. Gingrich's point of view, though, it doesn't matter. He and his fellow conservatives could still savor their sweet moment of power and revenge when the president's agreement first came up for a House vote two weeks ago. With a single blow, they not only KO'd a distasteful budget proposal but also struck back for years of perceived arrogance and neglect from presidents of their party and from the Democratic majority in Congress.

Further, they stood by their no-new-taxes pledge — and they figure that will serve them a lot better at the polls than accepting the combination of gasoline, liquor and other tax increases proposed in the budget package.

"If [the budget package] is more clearly seen to be a product of the Democrats in 1992, that will be a big advantage to us," Mr. Gingrich said.

But for Republicans interested in participating in the governing role of Congress, the cost of their grand gesture may be high.

The GOP ranks in Congress, already splintered between House and Senate, conservatives and moderates, ideologues and pragmatists, are now also embittered. In thumbing their noses at the budget summit agreement, the rebel Republicans also embarrassed longtime House Minority Leader Robert H. Michel, R-Ill.

For President Bush, the GOP standard-bearer who was riding high just a few weeks ago, the budget defeat not only highlighted his own reversal on the tax issue but also touched off a chain of miscues, misstatements and unfortunate events that seem to have seriously marred his image.

"The composite picture is of a president who is shrinking," said Representative Constance A. Morella, R-Md.-8th, a moderate who supported the budget agreement but was outraged at Mr. Bush's decision to shut down the federal government when the deadline passed without a deal.

And while the final shape of the budget agreement that ultimately emerges from this agonizing process is unknown, it will almost certainly be less attractive from the point of view of the House Republicans than the one they rejected.

"The income tax hikes will probably be higher, the entitlement cuts won't be as deep, there'll be no growth incentives and no budget reform," grumbled a Bush administration official who took part in the four months of negotiations on the rejected package.

Meanwhile, the liberal Democrats who propelled just such a package through the House last night were looking like big winners.

Many of them were as unhappy as Mr. Gingrich with the budget agreement their leaders negotiated with President Bush, and they also voted against it. Neither party was able to muster a majority to pass the proposal.

But the difference is that the liberal Democrats in the House now have a solid entry in the budget sweepstakes, and the conservative House Republicans don't.

The Democratic plan — which includes a tax rate increase for the rich, a capital gains tax break aimed at the middle class, a much smaller cut in Medicare benefits than the summit agreement's and no gasoline tax increase — would be the House's starting point in negotiations with the Senate. A more left-leaning proposal than the summit agreement is also under consideration there, although it has been moderated by the influence of Senate Republicans.

After being bashed for years by Republicans who dismissed their philosophy as "tax and spend," House Democrats chanting "fairness" and "tax the rich" now feel the skirmish over sloganizing is also going their way.

"There's a whole new esprit de corps in the Democratic caucus," said Representative George Miller, D-Calif., one of the liberal Democrats who voted against the summit agreement because of its heavy tax burden on the working class. "I think people came to view that definitely as a victory."

And so the House Republicans, who had more clout in the budget summit than their numbers earn them in the normal legislative process, returned yesterday to their usual status as critics rather than participants.

"House Republicans are not players in the budget anymore because they took themselves out of it," said a lobbyist with close ties to Mr. Michel.

Party-line vote favors tax increase despite veto threat

By Peter Osterlund
Washington Bureau of The Sun

WASHINGTON — With thoughts of Election Day hanging heavy in the air, a bitterly divided House of Representatives adopted a Democratic proposal last night to raise taxes on the well-off, the keystone of a plan to slash $500 billion from the federal deficit during the next five years.

After hours of tense, partisan debate, Democratic lawmakers brushed aside threats of a presidential veto and won passage on a 227-203 vote, largely along party lines. Democratic leaders earlier had blocked Republicans from bringing a budget-cutting proposal of their own to a vote.

"Bound and gagged in the most important debate of the year," fumed Representative Mickey Edwards, R-Okla.

"The kind of bullying arrogance we've come to expect from the muscle-bound Democratic majority," harrumphed Representative Newt Gingrich, R-Ga.

The House measure was expected to be merged later this week with a Senate version. The White House has indicated that any bill from Capitol Hill that increases income tax rates would invite a veto by President Bush.

The political significance of the day's deliberations was lost on no one, coming just three weeks before the Nov. 6 elections and just three days before the government runs out of money.

Yesterday, President Bush reiterated an earlier promise to let the government shut down after midnight Friday if Congress has not passed legislation implementing a budget plan to his liking. The Democratic bill, he made clear, was not acceptable.

"It's a Democratic tax plan," the president said at a political rally in Glen Ellyn, Ill. "If it reaches my desk, the one that comes out of the House of Representatives, I will veto it because it raises the income taxes of the working men and women in this country, and I am not going to do that."

Mr. Bush has endorsed companion legislation drafted last week by Democrats and Republicans on the Senate Finance Committee that, in turn, mirrored a pact constructed earlier by the House Ways and Means Committee. Both of those plans stand in stark contrast to the Democratic plan passed by the House but hew closely to the broad outlines of the now-defunct budget summit compromise announced Sept. 30.

The House bill passed last night would increase a variety of taxes by $149 billion over five years, including one-time income tax boosts for all but the poorest Americans and a permanent increase in the top rate levied on the highest incomes, while cutting Medicare and agriculture spending.

It serves as the centerpiece of a larger plan to cut $40 billion from the current year's deficit and an additional $460 billion during the succeeding four years. Further deficit reduction would come in separate legislation reducing defense spending, as well as from reduced interest payments on the government's outstanding debt.

"The American people are willing to undergo unpleasant things to get this deficit under control, but they must be confident that no one is singled out, especially the poor and middle-class," said House Majority Leader Richard A. Gephardt, D-Mo.

Earlier, House Republicans had rallied around their own deficit-reduction package, which would have relied on deep spending cuts and would have raised just $23 billion in additional taxes to reduce the deficit over five years by $400 billion. However, Democrats blocked the GOP measure from coming to a floor vote because it fell short of the $500 billion savings target agreed on by congressional leaders and the Bush administration.

"You're unable to meet the president's targets because you're unwilling to tax your rich friends," charged Representative Thomas J. Downey, D-N.Y.

Countered House Minority Leader Robert H. Michel, R-Ill.: "The Democrats say sock it to the rich: Their definition of rich is anyone who didn't vote for Carter, Mondale and Dukakis."

Actually, the Democratic bill would reach into the pockets of rich and middle-class alike, reducing the budget shortfall by $26.2 billion this year and about $195 billion over five years.

It would raise the income tax rate levied on better-off Americans — individuals earning in excess of $109,100 and couples making more than $208,690 — from 28 percent to 33 percent, while imposing a 10 percent surtax on annual incomes above $1 million. Upper-middle-income wage earners, too, would pay higher Medicare taxes: The 1.45 percent Medicare charge would apply to the first $100,000, compared with the $51,300 limit currently in effect.

Yet it would also delay automatic inflation adjustments of income tax brackets and the personal exemption for one year, while increasing taxes on liquor and cigarettes.

The effect of this would be to increase the tax bill for almost all Americans.

On the other hand, Democrats attached a provision providing a reduction in the capital gains tax rate geared toward middle-income wage earners.

Across the Capitol, the Senate prepared last night to debate the compromise plan assembled by its Finance Committee. That plan would not raise income tax rates, nor would it affect the capital gains tax rate, though it would limit the deductions taken by the well-off. Unlike the House Democrats' legislation, it would also double the 9-cent-per-gallon gasoline tax and increase from $51,300 to $83,000 the wage base from which Medicare taxes are deducted.

Ultimately, the two bills must be merged into one and signed by the president. The White House has indicated that any bill increasing income tax rates would invite a veto.

NEW YORK POST

WEDNESDAY, OCTOBER 17, 1990

House OKs tax-the-rich plan

By ELI TEIBER
Post Correspondent

WASHINGTON — House Democrats pushed their deficit-cutting plan further toward a showdown with President Bush last night in a preliminary vote.

Despite Bush's threatened veto, the House voted, 238-192, largely along party lines, to give preliminary approval to the measure to impose a whopping tax increase on the wealthy.

Final House approval of the measure was expected.

Last night's vote followed several hours of bitter partisan debate — with Democrats championing their soak-the-rich proposal while Republicans charged that it overtaxed all Americans.

As the debate raged on Capitol Hill, Bush blasted the Democratic House plan from the campaign trail in Glen Ellyn, Ill.

"If it reaches my desk, the one that comes out of the House of Representatives," Bush warned, "I will veto it because it raises the income taxes of the working men and women in this country, and I am not going to do that."

The Democratic House bill reduces the budget shortfall by $26.2 billion this year and $195 billion over five years.

It would also raise the income-tax rate paid by the wealthiest Americans from 28 percent to 33 percent, which is what those who earn slightly less pay.

The Democratic plan also would impose a 10 percent surtax on annual incomes above $1 million.

"The American people are willing to undergo unpleasant things to get this deficit under control, but they must be confident that no one is singled out, especially the poor and middle-class," said House Majority Leader Richard Gephardt, (D-Mo.)

Now the attention shifts to the Senate where a bipartisan plan praised by Bush has been hammered out by the leaders of both parties.

That plan would not raise tax rates on the wealthy, but it would limit the deductions they could claim.

It would also double the 9-cent-per-gallon gasoline tax, and increase from $51,300 to $125,000 the wage base from which Medicare taxes are deducted.

DAILY NEWS
NEW YORK'S PICTURE NEWSPAPER® Wednesday, October 17, 1990

Budget push

House Dems use muscle

By SUSAN MILLIGAN
News Washington Bureau

WASHINGTON – House Democrats yesterday brushed aside Republican objections and moved toward passage of a budget package that softens the bite on the middle class and makes the rich pay more for deficit reduction.

The Democrats blocked a Republican alternative from coming to the floor, contending that the GOP plan cut the deficit by only $400 billion over five years instead of the $500 billion target originally set by President Bush and congressional leaders.

"If the Republican budget were entered in the Indy 500, it would go 400 miles and expect a checkered flag," said Rep. Thomas Downey (D-N.Y.).

The House Republicans, seeking to paint themselves as the anti-tax party, proposed to get their $400 billion in deficit reductions by cutting spending and leaving tax rates alone.

The House and Senate are struggling to produce a new budget agreement by Friday, when a stopgap government funding bill runs out.

Bush has threatened to shut down the government for the second time if Congress does not come up with a deficit reduction plan.

House Speaker Thomas Foley (D-Wash.) and Senate Majority Leader George Mitchell (D-Maine) said it would be difficult to meet the deadline, but hoped Bush would allow the government to continue running while negotiations continue.

Campaign fodder

With Election Day approaching, the House Democratic plan was crafted to appeal to middle-class voters who would have been hit hard by the original deficit-reduction proposal defeated earlier this month.

Their package raises the top tax rate for the highest-income taxpayers to 33% from the current 28% and adds a 10% surtax on millionaires' incomes. The House Democrats' version drops the idea of raising gasoline taxes.

The Democratic plan scales back increases in Medicare fees that were contained in the defeated plan. It creates a capital gains tax cut aimed at benefiting taxpayers making less than $100,000 a year. However, the plan imposes a one-year delay in adjusting income tax brackets for inflation, a move that would hurt middle-class taxpayers.

Bush prefers a Senate Finance Committee plan that does not touch tax rates, and he has threatened to veto the House measure. The Democratic National Committee has even prepared a campaign commercial designed to blame Bush and the Republicans for the budget impasse.

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The Philadelphia Inquirer

Wednesday, October 17, 1990

House OKs Democrats' budget plan

By Charles Green
and R.A. Zaldivar
Inquirer Washington Bureau

WASHINGTON — Brushing aside the threat of a presidential veto, the House yesterday approved a Democratic budget plan that would impose new and higher taxes on upper-income Americans and spare the elderly large fee increases for health care.

The Democratic plan, the centerpiece of a package of bills designed to reduce the federal deficit by $500 billion over the next five years, was incorporated into the House budget bill on a largely party-line vote of 238-192. Only 28 Democrats voted against it, and 10 Republicans voted for it.

Final passage of the budget bill came on a 227-203 vote, with 40 Democrats joining 163 Republicans in voting against it. Ten Republicans voted for it.

House Democrats rallied behind the plan as a ringing declaration of party doctrine that the rich should sacrifice the most for deficit reduction. "Tonight, equity and fairness make a comeback," said Rep. Dan Rostenkowski (D., Ill.), a main author of the plan.

"The Reagan revolution is dead," declared Rep. Thomas J. Downey (D., N.Y.). "May it rest in peace."

But House Minority Leader Robert H. Michel accused Democrats of appealing to the middle class with a message of "economic McCarthyism" that unfairly tars the Republican Party as the party of the rich.

"The problem with the federal deficit is not that the American people have been taxed too little, but that the people who run the Congress have spent too much," Michel said.

The cantankerous budget deliberations now move to the Senate, where a bipartisan deficit reduction package approved by the Finance Committee and acceptable to the White House is awaiting debate.

Republicans could face headaches there as well: Emboldened by their House colleagues, Senate Democrats are increasingly voicing support for the House Democratic plan. But the rank-and-file uprising must overcome the grudging support for the bipartisan Finance Committee plan from Senate Democratic leaders.

Any differences between the House and Senate budget bills would be ironed out in a conference committee.

The outcome could determine whether the federal government continues operating past Friday, the expiration date of an emergency spending bill enacted during a temporary government shutdown over the Columbus Day weekend.

President Bush warned yesterday that he would allow the government to close its doors again if Congress did not produce a deficit-cutting bill to his liking. Bush has specifically objected to extending the 33 percent income tax rate to upper-income taxpayers, a key feature of the House Democratic bill, and predicted the Democrats would not stop there.

"The liberal crowd that runs the Congress, when they talk about tax the rich, they're going to be after you because that's the way it works," Bush said yesterday in a campaign swing for Republican candidates in Illinois.

A statement issued yesterday by the administration's budget office said that the President's senior advisers would recommend he veto the House Democratic plan.

That means, in the House-Senate conference, Democrats would be faced with the choice of adopting a bill that satisfies Bush or risking a veto.

Bush also faces risks in the budget battle: Political analysts warn that he could damage his presidency and his party if he is seen as vetoing a budget bill because it would levy higher taxes on the rich.

"We are positioned so poorly on this thing we would be fools not to be worried," said Republican political consultant Eddie Mahe. "Defending the rich ... is not a winning position."

Bush canceled a trip to the World Series at Cincinnati's Riverfront Stadium planned for today after congressional leaders said the baseball trip could interfere with Bush's efforts to help in the budget battle.

The theme of taxing the rich was cited repeatedly yesterday during debate on the deficit-cutting bill.

Democrats gleefully accused Republicans of siding with the wealthy against tax increases, while Republicans said the Democrats were less interested in controlling spending than in raising taxes for both the middle class and the rich.

The House Democratic bill would raise taxes by $149 billion over the next five years. Major provisions would:

- Extend the 33 percent income tax rate to people with taxable incomes of more than about $200,000.
- Impose a one-year delay in the upward adjustment of tax brackets and personal exemptions for inflation.
- Levy a new 10 percent surtax on taxable income of more than $1 million.
- Apply the 1.45 percent Medicare payroll tax to the first $100,000 in income in 1991, rather than the first $51,300 that was taxed in 1990.
- Lower the capital-gains tax for middle-income taxpayers. The first $1,000 in capital gains received each year would be exempt from taxation for people with income below $100,000, and partially exempt if income is under $150,000. An additional $100,000 in capital gains would be exempt from taxes over a person's lifetime. Stocks could not be included in the lifetime exemption.

Unlike the budget plan awaiting Senate action, the House Democratic plan would not increase the federal gasoline tax. But it would raise taxes on cigarettes, beer, wine and liquor.

The Democratic package would also result in substantially lower fee increases for Medicare beneficiaries than an earlier budget summit plan negotiated by White House and congressional leaders.

Monthly premiums for Part B of Medicare, the portion that covers doctors visits and outpatient hospital care, would continue to cover 25 percent of the program's cost, instead of the 30 percent proposed in the earlier plan. Monthly premiums would increase from their current level of $28.60 to $46.20 by 1995.

The annual deductible for Medicare Part B would be raised from $75 to $100, instead of the $150 level proposed in the budget summit.

The day began with a partisan flap over the decision by the Democratic majority on the House Rules Committee to keep a Republican budget plan from being offered on the House floor.

The plan, which would have relied almost exclusively on spending cuts to trim the deficit, was ruled out of order because it would have fallen about $100 billion short of the $500 billion target to reduce the deficit over five years.

White House officials and congressional leaders have agreed that any budget plan approved by Congress must meet the $500 billion target. Even with the deficit reduction, the $1.2 trillion federal budget is expected to post a deficit of about $250 billion this year.

Budget director Richard G. Darman said last week that any plan that did not achieve $500 billion in savings would not be considered credible.

House Republicans angrily accused Democrats of bully tactics in blocking a vote on their plan.

"The Democrats are so committed to tax increases, they had to stop the Republicans from offering the no-new-taxes budget," charged Rep. Newt Gingrich (R., Ga.).

Representatives from the Philadelphia area who voted for the House budget bill were Robert A. Borski (D., Pa.), Thomas R. Carper (D., Del.), Thomas M. Foglietta (D., Pa.), William H. Gray 3d (D., Pa.), William J. Hughes (D., N.J.), Peter H. Kostmayer (D., Pa.).

Voting against the bill were R. Lawrence Coughlin, (R., Pa.), H. James Saxton (R., N.J.), Richard T. Schulze (R., Pa.), Christopher H. Smith (R., N.J.), Robert S. Walker (R., Pa.) and Curt Weldon (R., Pa.).

Every bracket would be affected by 'hidden tax'

By Robert A. Rankin
Inquirer Washington Bureau

WASHINGTON — The budget backed by House Democrats contains a "hidden tax" that the Bush administration has portrayed as a punishment to the middle class.

However, this provision would drive up taxes owed by taxpayers in every bracket, not just the middle class.

What's more, the House Democrats' plan would raise middle-class taxes the least of all competing deficit-reduction plans and create the most progressive tax-rate structure overall, according to the nonpartisan Joint Committee on Taxation.

The "hidden tax" involves a one-year delay on indexing — that is, adjusting for inflation — tax brackets and the $2,050 exemption for individual taxpayers and their dependents.

The delay would drive up taxes for everyone but the richest one million taxpayers, who cannot claim the personal exemption. It would raise an estimated $36 billion over five years.

Under current law, a married couple with two children and a 1991 taxable income of $34,000 pays $5,100 in federal income taxes. If their tax bracket is not adjusted for inflation, as the Democratic plan would mandate, their tax bill would rise to $5,413.50 — a 6 percent increase.

A single person with no dependents and a 1991 taxable income of $21,000 pays $3,150 under current law. But the "hidden tax" would boost that tax bite to $3,301.50 — an increase of nearly 5 percent.

Those examples were provided by the Treasury Department, whose officials took the initiative in publicizing them in an effort to discredit the House Democrats' plan — which would impose stiff tax increases on people making more than $200,000 a year and a special surtax on those making more than $1 million a year.

"This is an across-the-board tax increase for all Americans," said Assistant Treasury Secretary Roger Bolton. "It reduces the value of the personal exemption, which is especially important to lower-income and middle-class taxpayers. It restores bracket creep. It's one of the old silent tax increases which were the favorite tool of the 'tax and spenders.' "

However, Bruce L. Fisher, a tax lawyer with Citizens for Tax Justice, a reputable liberal tax-reform lobby, disputed the Treasury Department's emphasis on the indexing delay, terming it a "political ploy."

By highlighting the proposed indexing delay, Fisher contended, the administration is trying to shift attention from its real objection, which is that the Democratic plan would make people with annual incomes over $200,000 pay the lion's share of new taxes for deficit reduction.

The indexing delay "hits every group," Fisher said.

Overall, the House Democrats' plan raises middle-class taxes the least among all competing deficit-reduction plans, Fisher said. Analyses by the Joint Committee on Taxation support that point.

The House Democrats' plan would raise taxes less than the Senate Finance Committee's plan for every income group up to $200,000, according to tables published by the Joint Tax Committee. And the House plan would raise taxes more than would the Senate Finance Committee for those earning more than $200,000.

The Bush administration favors the Senate Finance Committee plan. "It's fair, it's equitable, it's something that will pass, in my opinion, and it's something the President would probably sign," Treasury Secretary Nicholas F. Brady said yesterday.

DAVID S. BRODER

Conventional wisdom has Democrats surging, but one writer isn't convinced

Fairness is back as a political issue and the Democrats are on the rise. That at least is the wisdom du jour of political Washington, from which I would enter an unfashionable dissent.

I do so with some trepidation. When the No. 1 Republican slips as much as President Bush has slipped in his recent bungling of the budget battle, it's plausible to assume that the opposition Democrats will be boosted by the teeter-totter dynamics of partisan politics.

Certainly the Democrats feel ebullient. They have managed to shake off — or forget — the repudiation their leadership suffered in the House, when most of the rank-and-file Democratic members voted against the the budget agreement forged and endorsed by Speaker Tom Foley (D., Wash.) and the rest of the party leadership. When I saw House Majority Leader Dick Gephardt (D., Mo.), the man who presided over the aborted summit negotiations, last week, he seemed to have dismissed that fiasco entirely. "I have never seen greater unity on our side than we have now on a tax package that emphasizes fairness and progressivity," he said.

"Moderate Democrats like Dave McCurdy of Oklahoma and conservative Democrats

> "*People are sick and tired of paying taxes and getting nothing in return. . . . And yet there are still people who want them to pay more taxes!*"

like Charlie Stenholm of Texas are as enthusiastic as the liberals," Gephardt said, about the bill Ways and Means Committee Chairman Dan Rostenkowski (D., Ill.) put together after the summit's collapse. That bill would raise about $160 billion in additional taxes over the next five years, mainly by boosting the tax rate for the upper brackets from 28 to 33 percent and hitting millionaires with a 10 percent surtax.

A series of polls showed voters saying by a 3-1 ratios that if taxes have to be raised, the rich should take the heaviest hit. The Brookings Institution's Thomas E. Mann told the Washington Post that Democrats could "play their 'fairness card'" and win "as many as 15 or 20 House seats," a remarkable gain from the high base they already hold.

Even more dramatically, the Wall Street Journal, the bible of supply-side economics, reported in its lead story on Oct. 12 that "class warfare, it seems, is making a comeback." The Journal quoted Rep. Jim Leach (R., Iowa) as saying, "It has suddenly dawned on people that the fairness issue is very big."

Well, maybe. But we have heard this tune before. Back in 1984, the Democrats were convinced that the fairness issue would bounce President Ronald Reagan right out of the White House. Democratic nominee Walter F. Mondale proposed raising taxes on the rich to reduce the budget deficit. But somehow, people didn't hear the phrase "on the rich," and thought Mondale was talking about them.

Now, we are told, the public is much more aware of the growing inequality in America, the widening gulf between the rich and everyone else. They are ready to punish the greedy.

I'm not convinced. First of all, it's darn hard to raise big money in revenues without hitting the middle class. The Rostenkowski tax bill, for example, though advertised as a soak-the-rich measure, raises $36 billion over the next five years by postponing indexing of exemptions and tax brackets for one year. That means you lose your protection against inflation, a hit that is felt proportionately harder by the lower- and middle-class taxpayers than anyone else.

Second, some Democratic operatives outside Washington are convinced that the middle-class voters are angry about the taxes they pay themselves, not those other people don't pay.

Mike McKeon, a down-to-earth pollster who still lives in his blue-collar hometown of Joliet, Ill., told me: "People are sick and tired of paying taxes and getting nothing in return. They're convinced government isn't working. The schools don't educate, the streets aren't safe, and the traffic gets worse all the time. And yet there are still people who want them to pay more taxes!"

McKeon's analysis is driving the Illinois gubernatorial bid of state Attorney General Neil Hartigan, a Democrat, who has come from underdog status into a virtual tie with Secretary of State Jim Edgar by opposing extension of a temporary 20 percent surtax Edgar wants to continue. If Hartigan is right, then the Washington Democrats are barking up the wrong tree.

The final reason for skepticism that fairness is the magic elixir for the Democrats has to do with the hidden issue in American politics: race. No one wants to talk about it publicly, but if you ask any campaign consultant or pollster privately, you can confirm the sad reality that a great many working-class and middle-class white Americans are far less hostile to the rich and their tax breaks than they are to the poor and the minorities with their welfare and affirmative-action programs.

Contrary to the Washington wisdom, the real, ill-suppressed anger on the doorsteps where I've interviewed is directed toward people further down on the economic ladder, especially if they are black, not toward the wealthy.

The "fairness" issue, to many, is still a code word for welfare-coddling. And the antipathy to that has grown, not declined, as the economic squeeze tightens on the middle class.

David S. Broder is a syndicated columnist based at the Washington Post.

Newsday
WEDNESDAY, OCT. 17, 1990

Democrats' Spending Plan OKd

Little GOP backing for the package

By Myron S. Waldman
WASHINGTON BUREAU

Washington — House Democrats last night rolled their $500 billion budget-cutting machine over protesting Republicans, approving a deficit reducing package.

With Democrats raising the banner of taxing the rich and sparing the poor, the House voted 227-203. Only 10 Republicans, including Raymond McGrath of Valley Stream and Susan Molinari of Staten Island, voted for the package that eliminates proposed gasoline tax increases and raises the income tax rate for the wealthiest Americans. President George Bush has vowed to veto the plan.

The Senate is expected to vote on its own deficit reduction plan today. It includes no income tax increases.

Even before the vote in the House was taken, the Democratic National Committee and the Democratic Congressional Campaign Committee, three weeks before Election Day, had a television commercial ready for national distribution, comparing the rich, middle class and poor. The ad targeted Bush, proclaiming: "The battle over the budget isn't about politics — it's about American values . . . We're fighting for fairness . . ."

The National Republican Congressional Committee, according to its chairman, Rep. Guy Vander Jagt (R-Mich.), is preparing an ad to counter the Democrats.

House Republicans, who have been divided and quarreling, united at the last minute behind a plan that adds no new taxes and claims to achieve $400 billion in deficit reduction over five years basically by freezing budget outlays across the board.

But the Democratic majority wouldn't let it come to the floor.

The Democrats said the Republicans had come up $100 billion short. The budget resolution passed by Congress last week called for a $500 billion five-year reduction.

On the House floor, Republicans and Democrats pointed fingers at each other and sneered. "The chamber is awash in the crocodile tears from the Republicans whining and crying that their too little, too late budget will not be offered here on the floor," said Rep. Tom Downey (D-Amityville). "You want to rewrite the rules.

"Why, if the Republican budget entered the Indy 500, it would go 400 miles and they would want the checkered flag. If the Republican budget was returning an opening kickoff, it would go 80 yards and you would want a touchdown. Under the Republican rules, if you hit a triple it would be counted as a home run . . . Face it, guys, you cannot cut it and you cannot cut it enough."

Rep. Pat Schroeder (D-Colo.) rose and gave the White House telephone number, urging rich people to call it and volunteer to have their taxes raised. In revenge, Rep. Don Sundquist (R-Tenn.), rose and gave Schroeder's office number, urging citizens to call her to protest having their taxes raised.

But the protests seemed to be of little help. The Democratic proposal, which hikes income taxes to 33 percent for couples who earn over $208,690 in taxable income or $109,100 for taxpayers filing single returns, seemed too attractive to fail in the Democrat-led House — particularly when coupled with a new 10 percent surtax on taxable income over $1 million.

The unpopular gas tax proposal was eliminated, along with a heating oil tax proposal and another recommendation that would have limited itemized deductions for those earning more than $100,000 a year in adjusted gross income. It does raise taxes on cigarettes, beer, wine and hard liquor, as well as tacking a 10 percent luxury tax on furs, yachts, planes and expensive autos.

Medicare beneficiaries would pay $10 billion more over the next five years — originally, they were to be hit with a $30 billion hike. And for all wage earners, the level of salary subject to the Medicare payroll tax would be boosted from the current $51,000 a year limit to $100,000.

Despite the tax-the-rich argument by the Democrats, their package actually raises the taxes of the middle class by $58 billion over five years and the rich, with incomes over $200,000, by about $60 billion. The proposal also would freeze tax indexing for one year — a move that would cost the taxpayers $36 billion over five years.

Since the Senate and House plans are so different, the conference to resolve them into a compromise by the Friday midnight deadline is predicted to be difficult. And the president has repeatedly vowed to veto any stopgap legislation to keep the government funded until the budget is finally resolved.

House Budget Plan Promises 'Tax Equity'

By Jack Sirica
WASHINGTON BUREAU

Washington — The Democratic budget passed by the House last night would have little impact on big-time purchasers of gasoline and people with perennially sizable tax deductions for mortgage interest and state and local taxes.

But the plan would sock consumers of alcohol and tobacco products and raise Medicare premiums. And wealthy Americans would be hit by a nearly 18 percent increase in their top tax rates and 10 percent surtaxes on incomes above $1 million, and on the purchase prices of aircraft and luxury automobiles.

"I guess what we're saying is that there'll be more people sharing the burden of the revenue package that really have been excluded for a decade by Ronald Reagan, and now President Bush," Rep. Charles Rangel (D-Manhattan), a House Ways and Means Committee member, said of the new hits on the wealthy.

"The bottom line is it restores a great deal of tax equity," said Rep. Charles Schumer (D-Brooklyn), a member of the House Budget Committee.

Schumer's and Rangel's words echoed those of prominent supporters of the measure such as House Ways and Means Committee Chairman Rep. Dan Rostenkowski (D-Ill.), who had termed the tax portions of the bill a "bold package" tilted toward making the tax code as palatable as possible for middle-income and lower-income workers.

And although some supporters still are uncomfortable with the Medicare and excise tax hikes, they say the package definitely is preferable to a budget summit agreement rejected by the House two weeks ago.

Under the House package, Part B Medicare premiums for physicians' services and outpatient hospital care would rise in increments from the current $28.60 a month to $46.20 in 1995. The summit agreement would have put the premiums at $54.30 at the end of five years.

The House bill also drops summit proposals including a 12-cent-a-gallon gasoline tax increase and limitations on federal deductions, including those for mortgage interest and state and local taxes.

To recoup, the House bill would raise tax rates on joint taxable incomes above about $185,000; impose a 10 percent luxury tax on the price of an automobile above $30,000, and on the price of yachts and private airplanes in excess of $100,000; extend wages subject to the 1.45 percent Medicare tax from about $51,000 currently to $100,000.

In addition, "sin" taxes on distilled spirits would rise by $1 a gallon, to $13.50, the tax on beer would double to 32 cents a six-pack and taxes on a pack of cigarettes would rise by a total of 8 cents by 1993.

"I'd just as soon say let's not raise any taxes [three] weeks before an election," said Rep. Raymond McGrath (R-Valley Stream), but the Democratic plan better "protects the interests of Long Islanders and the residents of New York State."