

Dole Pledges Cooperation on Tax Cut

Remark Called 'Good News' as Leaders Start Negotiations on Budget

By Eric Pianin
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House and Senate leaders yesterday began compromise talks on a budget plan amid growing signs that Senate Majority Leader Robert J. Dole (R-Kan.) is preparing to meet House Republicans more than halfway on their proposal for a major tax cut.

The budget approved by the House last week contains \$350 billion in tax cuts over seven years, the centerpiece of the Republicans' "Contract With America." The Senate plan approved Thursday, however, includes no specific tax cuts, only the promise of using \$170 billion of anticipated future interest savings for family tax relief and to spark economic growth.

However, Dole Thursday night vowed on the Senate floor to fight for major components of the House tax plan, including a \$500-per-child family tax credit, a reduction in the capital gains tax, expanded spousal individual retirement accounts, reduced estate taxes and other benefits targeted to families.

"I have always said that balancing the budget is my first priority," Dole said, "but we can balance the budget and cut taxes too."

House Budget Committee Chairman John R. Kasich (R-Ohio), who will lead the House negotiators, yesterday described Dole's statement as "good news."

"It's not a matter of will there be a tax cut, it's a matter of what policy will we put in place," Kasich said in an interview. "It sounds like we have pretty close agendas."

Even so, tax cuts loom as the thorniest issue in the upcoming House-Senate budget negotiations, largely because many moderate Senate Republicans, including Budget Committee Chairman Pete V. Domenici (R-N.M.) and Finance Committee Chairman Bob Packwood (R-Ore.), are opposed to them until Congress completes work on a plan

to eliminate the deficit by 2002.

Twenty-three Republicans voted with all 46 Democrats this week to crush an amendment offered by Sen. Phil Gramm (R-Tex.) to add the bulk of the "Contract With America" tax cut to the budget plan.

Even the relatively toothless compromise finally agreed to, promising tax cuts down the road when the government begins to accrue a projected \$170 billion of interest savings, was opposed by Sen. John H. Chafee (R-R.I.) and three other moderate Republicans, William S. Cohen (Maine), Frank H. Murkowski (Alaska) and Olympia J. Snowe (Maine).

"I think everybody—Senator Dole

and even Senator Domenici—would like it if we could do a tax cut honestly and forthrightly and still achieve balance," a Senate Republican aide said yesterday. "But we still have to pass a conference report, and the votes this week—particularly on the Gramm tax proposal—make it clear there are others who think we shouldn't have a tax cut now."

There are other differences as well between the two plans for dramatically downsizing federal government and wiping out the deficit. The House blueprint calls for deeper cuts or savings in Medicare, Medicaid, agriculture, housing and welfare, while it advocates more in spending for defense.

Moreover, the Senate approved an amendment Thursday, offered by Sens. Paul Simon (D-Ill.) and Snowe, restoring \$9.4 billion of \$13.7 billion that had been cut from a program covering interest costs on student loans. Kasich strongly opposes the funding, according to House aides, and will likely dig in his heels.

Senior House and Senate Republican budget committee aides met yesterday, as a prelude to a full blown conference after the Memorial Day recess, and reviewed a four-page summary titled "Major Differences" between the two chambers.

Kasich, who did not attend the meeting, said "I have a number of concerns," including the Senate's higher spending levels for Medicare, Medicaid and the earned income tax credit for working poor families. But he said, "There will be no lines drawn in the sand from our side."

Domenici, who will lead the Senate negotiators, declined earlier this week to speculate on the upcoming talks. But Sen. Charles E. Grassley (R-Iowa), a senior member of the Budget Committee with strong reservations about a tax cut, said Senate Republicans may have no choice but to go along with a tax cut in the neighborhood of \$250 billion over seven years to make good on GOP campaign promises.