

Ford's Surtax, Jobless Aid Meet Opposition in Congress

By Peter Milius

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President Ford's proposed "inflation-fighting" tax increase and his program to aid the unemployed both met with congressional opposition yesterday as key committees opened hearings on the complicated economic program he announced Tuesday.

Members of both parties on the tax-writing House

Ways and Means Committee said the proposed one-year tax surcharge would be too high on middle-income families.

Meanwhile, members of both parties on the House and Senate Labor committees were saying that the aid recommended for the unemployed was much too low. (Details on Page A5.)

In the House, however, Chairman George H. Mahon

(D-Tex.) of the Appropriations Committee introduced a nonbinding resolution to set \$300 billion as a federal spending target for this fiscal year. Of the steps the President proposed, that was the only one on which he asked Congress to act before it goes home for a month Friday.

And the Senate took up legislation authorizing the government to pour more mortgage money into the sagging housing market, still another of the steps Mr. Ford endorsed.

The \$300 billion spending ceiling would require budget cutbacks of more than \$5 billion. The President has said he will propose specific cutbacks to

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Dow Index Rises 28 Points

Stock prices soared yesterday in the first session after President Ford's anti-inflation speech. The Dow Jones industrial average climbed 28.39 points, its sixth-biggest gain in history.

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Congress when it comes back after the elections Nov. 5.

Treasury Secretary William E. Simon told the Ways and Means Committee yesterday that that is when opposition really will begin. "That's going to be a political nightmare," Simon said.

The President told Congress Tuesday that his tax proposal was "the acid test of our joint determination to whip inflation." He proposed a one-year-only surtax of 5 per cent on corporations and "upper-level individual incomes," generally those earnings over \$15,000 for a typical family filing a joint return.

At the same time, he proposed some permanent tax reductions for business.

Mr. Ford also endorsed a pending Ways and Means bill that, among other things, would raise the oil industry's taxes by phasing out the oil depletion allowance. The money would be used to give some limited tax reductions to the poor and to lower taxes on capital gains, a step that would mainly benefit the rich.

No member of Ways and Means supported the President's proposals yesterday. Ranking Republican Herman T. Schneebeli (R-Pa.) told Simon, "Your department has a big selling job ahead."

Rep. Joel T. Broyhill (R-Va.) told the secretary that the surtax has become an election issue "whether you like it or not." He indicated he might favor imposing it on corporations only, and not on individuals.

Acting Chairman Al Ullman (D-Ore.) indicated he would want to impose a surtax only at some higher income level, telling Simon that "you're getting down into pretty low brackets" with the proposed \$15,000 cutoff for a typical family's income.

Ullman also noted that the business tax reductions would remain on the books when the offsetting surtax lapsed after one year, thereby adding to the federal deficit. Simon said the lost revenue could be made up by cutting spending further, but Ullman said it might be necessary instead to "re-enact" any surtax for two years and "possibly longer."

Ullman said he personally favored a surtax "in some form," but quickly added he could not speak for the full committee, which he said was "obviously divided."

No action will be taken until after the election.

One issue then will be whether to tack the President's proposals to the committee's tax bill or take them up separately. Simon, seem-

ing to back off somewhat from the President's endorsement of the committee's bill, said yesterday that he would want them taken up separately.

Simon, whom the President has named his "principal economic spokesman," also told inquiring members from all states that the administration still opposes phasing out the oil depletion allowance, even though the President said he favored the pending bill as a whole.

The President, however, quickly contradicted him. At his news conference three hours later, he said he does favor phasing out the allowance, which saves the oil industry about \$3 billion a year in taxes.

Ullman, meanwhile, told Simon he would fight a separation of the President's proposals from the Ways and Means bill, which has been bogged down. Ullman wants both voted on together to improve the Ways and Means bill's chances of passage.

Without the Ways and Means Committee bill, the President's program would contain none of the tax reductions he has said that he backs for the poor.

Simon noted at the hearing that the proposed surtax would apply to about 28 per cent of U.S. taxpayers. He and the President later at the press conference also pointed out that the surtax would not take that much

money away from middle-income families.

A typical family of four with a \$20,000 gross income, they said, would owe about \$2,000 in federal income taxes under present law, and with the surtax, an additional 1.5 per cent of \$42. That works out, said Mr. Ford, to only 12 cents a day.

For the same family with a \$15,000 gross income, Simon continued, the surtax would be \$1, less than a penny a day. For a \$30,000 family of four, the surtax would be 1.2 per cent or \$432.

The President said he did not think the surtax would "have to be extended beyond Dec. 31" of next year because "we are in a temporary situation."

While some members of Congress have been critical of him for going too far, especially with his surtax proposal, others have said that his program does not go far enough.

Sen. Edward M. Kennedy (D-Mass.) said yesterday that, instead of a surtax on "the hard-pressed ordinary taxpayer," Mr. Ford should have proposed tax reform and raised more money from "those who use the innumerable gaping tax loopholes in existing law to escape their fair share of taxes."

Kennedy added that "the President's endorsement of the pending Ways and Means... bill is a cop-out on meaningful tax reform... because that bill

is inadequate in many respects to qualify as real reform."

Mr. Ford, defending his program, said once again yesterday that there is no "quick fix" for the economy.

"I do not think the United States is in a recession," he told reporters, but "we have to be very, very careful to make sure that we don't tighten the screws too tightly."

That, he indicated, is why he went so far in proposing retrenchment.

At the same time, he went on, "I am convinced that if the Congress responds to the recommendations made and if the American people respond in a voluntary way, that we can have, hopefully early in 1975, some meaningful reduction in the rate of inflation."