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Tax Deal Steams Closer to Approval

By JANET HOOK

WASHINGTON—Congress moved toward final approval of President Barack Obama's tax plan on Wednesday, as the Senate approved it by a wide bipartisan margin and House leaders worked to keep liberal critics from derailing its passage.

The Senate vote, 81-19, was a resounding endorsement of the compromise Mr. Obama struck with GOP leaders just two weeks ago. The package would extend current income and investment tax rates for two years, resurrect a lapsed program of unemployment benefits, cut payroll taxes temporarily and reinstate the estate tax.

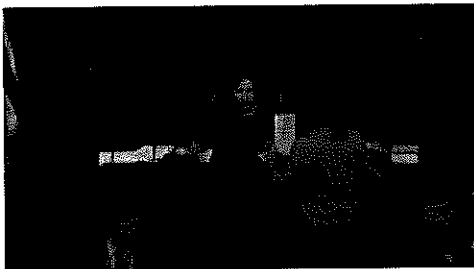
WSJ/NBC News Poll

The tax compromise maintains solid support across the ideological spectrum -- 59% approve, 36% disapprove -- a new **Wall Street Journal/NBC News** poll finds.

"Whether you agree with all the contents of the bill or not, everyone should understand this is one of the major accomplishments of any Congress where two parties, ideologically divided, have agreed on a major issue," said Senate Majority Leader Harry Reid (D., Nev.).

House floor debate is set for Thursday. Democratic leaders Wednesday tried to set ground rules that would allow persistent critics of the bill's estate-tax provisions to voice opposition without killing the bill.

The rules will allow a vote on an alternative bill that would raise the estate tax and make it apply to more inheritances, an approach favored by critics who remain unhappy with Mr. Obama's concessions on upper-income taxpayers. If the alternative is approved, that would send the bill back to the Senate, but even supporters of the higher estate tax have doubts about it passing.



The \$858 billion tax compromise worked out between President Barack Obama and Senate Republicans passed in an 81-19 vote.

If the alternative fails, and the House passes the Senate bill, it then would go to Mr. Obama for his signature, two weeks before the Dec. 31 expiration date of the Bush-era income tax cuts.

Steve LaTourette (R., Ohio), who works closely with incoming House Speaker John Boehner (R., Ohio), predicted House Republicans would vote for the bill in large numbers, but said party leaders weren't taking that for granted. Some conservative Republicans have blanched at the bill's cost, which would add about \$858 billion over 10 years to the federal deficit.

"We're going to supply a lot of votes," Mr. LaTourette said. According to Mr. LaTourette, Rep. Eric Cantor (R., Va.), the House GOP whip, said at a recent meeting of Republicans that

"people thinking of voting no should call him."



Associated Press

Sen. Joe Lieberman (I., Conn.), left, and Sen. Susan Collins (R., Maine) during the Senate vote on the tax deal.

Before a meeting with business leaders Wednesday, Mr. Obama urged Congress to pass the package "as swiftly as possible."

"I am absolutely convinced that this tax cut plan, while not perfect, will help grow our economy and create jobs in the private sector," he said. "I know there are different aspects of this plan to which members of Congress on both sides of the aisle object. That's the nature of compromise."

The package gives both parties much of what they wanted. As Republicans desired, the bill extends for two years the current income and investment tax rates for all income brackets, not just for income up to \$250,000, as Mr. Obama proposed. Democrats favored the bill's 13-month extension of unemployment benefits.

The temporary 2-percentage-point payroll tax reduction enjoys bipartisan support.

The bill reinstates the inheritance tax on terms that many Democrats view as too lenient, and House Speaker Nancy Pelosi (D., Calif.) has been under heavy pressure from her party's liberal wing to change it.

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Democratic leaders are trying to appease their restive rank-and-file by allowing the House to vote on an alternative bill, identical to the Senate passed bill but with an estate tax proposal by Rep. Earl Pomeroy (D., N.D.). It would set the estate tax at 45% and apply it to inheritances of \$3.5 million per person or more.

That would capture more revenue than the Senate legislation, which sets the estate tax at 35% and levies it on inheritances above \$5 million. Under current law, the estate tax was eliminated for 2010 and is set to rise to 55% next year on estates above \$1 million.

Democratic leaders were uncertain whether Mr. Pomeroy's amendment would pass, as it did in late 2009 on a 225-200 vote.

Republicans oppose any changes to the estate tax. "If they change the estate-tax language, the deal is off," said Rep. Tom Price (R., Ga.).

Mr. Pomeroy, in an interview Wednesday, said he was doubtful about passage this time: Lawmakers know approving his amendment would send the legislation back to the Senate and delay final action on the deal as they look to get home for the holidays. "Some may see a vote for [the amendment] as a sure-fire way to prolong an already too long lame duck," said Mr. Pomeroy, who was defeated in his reelection bid last month. He said he probably oppose the Senate bill if the estate tax provision isn't altered.

"I don't want the last vote I cast here to be one that profoundly impacts the deficit by an extraordinary tax giveaway to the wealthy," said Mr. Pomeroy, who cited estimates that the Senate estate-tax provision would cost \$90 billion more than his alternative over 10 years.

Democratic leaders may run into resistance from House Democrats who want to propose more far-reaching changes to the bill. Rep. Peter Welch (D., Vt.) has drafted an amendment that would allow tax rates to rise for upper income brackets, set a higher estate tax and replace the payroll tax cut with breaks targeted on lower-income people. However, the leadership did not allow a vote on that proposal.

House Democrats expected that any change would be opposed in the Senate, in part because the vote there for the bill was so overwhelming.

While House GOP leaders support the bill, they expect some defections. "Ultimately, the bill does not provide the certainty that businesses need," said Rep. Scott Garrett (R., N.J.).

The 81 senators voting for the bill were 43 Democrats, 37 Republicans and one independent, Joe Lieberman of Connecticut.

Voting against were 13 Democrats, five Republicans and independent Sen. Bernie Sanders of Vermont.

Before approving the bill, the Senate rejected three amendments. Sen. Jim DeMint (R., S.C.) proposed making the Bush-era tax cuts permanent and repealing the estate tax. Sen. Tom Coburn (R., Okla.) wanted to offset the cost of unemployment benefits with spending cuts in other federal programs. Mr. Sanders proposed setting higher tax rates for upper-income brackets.

—Patrick O'Connor
contributed to this article.

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