

# Tobacco Legislation Is Revived by Compromise

## Attaching Amendment for Marriage Tax Cut

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WASHINGTON—Bob Hope and the tobacco bill now have this much in common: Declared dead by Republican congressional leaders in recent days, both turn out to be very much alive.

The Senate yesterday began moving on a bipartisan compromise attaching an unrelated marriage tax cut, personally blessed by President Clinton, that not only would resurrect the huge tobacco legislation there but would greatly raise the political pressure on a resistant GOP House to go along. The stakes are enormous in this congressional-election year, and Republicans' slim House majority could ride on the outcome.

The Senate amendment cutting some couples' so-called marriage-penalty tax, a top priority for antitax and conservative

family groups, would give the tobacco package some appeal for conservative lawmakers. At the same time, the bill would remain attractive to many others in both parties who want to use billions of dollars in revenues from tobacco-industry payments and penalties to fund health and antismoking programs. The White House and Democrats



Sen. John McCain

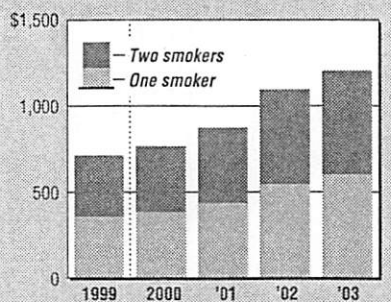
initially had objected that Sen. Phil Gramm's proposed tax cut would siphon too many revenues from social spending, but the Texas Republican agreed to pare it significantly—though a last-minute hitch arose as Treasury Department officials questioned the proposal's total projected cost.

President Clinton also showed his willingness to get directly involved in order to get tobacco legislation. Mr. Clinton reached out to both Senate Majority Leader Trent Lott of Mississippi and Senate Democratic Leader Tom Daschle of South Dakota in separate phone calls Tuesday, signaling his assent to "a mini-*Gramm*" tax cut just as the Senate was at an impasse that could have halted the tobacco bill after a desultory two weeks' debate. While Mr. Clinton avoided the "nuts and bolts" of the legislation, Sen. Daschle said, he was "encouraging the nuts to get together."

The tax-cut agreement in turn made other compromises possible in the Senate. While contentious issues such as limiting attorneys' fees in tobacco lawsuits and compensating tobacco farmers have yet to be resolved, senators in both parties say the way is clear for the tobacco bill's expected Senate passage as early as next week.

### Up in Smoke

Estimated annual cost of the Senate tobacco bill for one- and two-smoker households, in 1998 dollars\*



\*Assuming that underage smoking declines by the amounts specified in the legislation

Source: Tax Foundation

"This is a strong bill," said deputy White House press secretary Barry Toiv. "There's going to be a lot of momentum for the House side."

The bill's way there is hardly going to be easy, however. House Republicans deride the bill as a big-tax, big-government behemoth. Just yesterday, House Speaker Newt Gingrich of Georgia reiterated his interest in a much narrower bill than GOP Sen. John McCain of Arizona is pressing in the Senate—and, importantly, more narrow that Mr. Clinton would sign. And House Majority Leader Dick Armey of Texas insists he has no interest in helping pass "a cash cow" for Democratic spending wishes.

As Sen. Daschle put it yesterday, "Anybody that would declare victory today would be a fool."

The actual compromise that gave the tobacco bill its new lease on life was the work of Sens. Gramm and McCain. Mr. Gramm is better known for his uncompromising conservatism on budget and tax cuts. But he and Sen. McCain are particularly close; Sen. McCain was an early and active campaigner for Sen. Gramm's futile 1996 presidential campaign, even though it put the Arizonan at odds with the then-Senate leader and ultimate GOP nominee, Robert Dole. "The nice thing about doing battle with Gramm is that it doesn't get personal," Sen. McCain said.

The Gramm proposal wouldn't end the so-called marriage penalty but would dilute its impact for couples making as much as \$50,000 a year. To hold down the cost of the proposal, Sen. Gramm agreed to phase in the benefit over 10 years. Even so, the proposal would cost \$16.8 billion over five years and widen beyond that. The proposal would create a new tax deduction from gross income that, if fully implemented in 1999, would be valued at \$3,400. For couples in the lowest tax bracket, who make up the bulk of those targeted by Sen. Gramm, that

would translate into a \$510 tax benefit.

But Sen. Gramm vexed fellow GOP conservatives, such as Senate Majority Whip Don Nickles of Oklahoma, who wanted to kill the tobacco bill. "This is a tax-and-spend bill," Sen. Jeff Sessions of Alabama said.

In the House, conservatives pledged to step in to provide the bill's graveyard. GOP Rep. David McIntosh of Indiana said Sen. Gramm's compromise tax cut is "too little and it takes too long to phase in," and he objected to linking it to the tobacco bill—"a dying vehicle." Rep. Lindsey Gramm, a South Carolina Republican, chimed in, "My goal is to kill this thing. We need to finance a tax cut by controlling spending."

Liberals, meanwhile, appear to accept the inevitability that a tax reduction will be added to the tobacco bill, but they vowed to oppose a cut that would, in their view, gut the proposed social programs. "A lot of people are saying that if you diminish these public-health provisions too much, you degrade the bill in a rather severe way," said Democratic Sen. Edward Kennedy of Massachusetts.

The House would be certain to demand bigger tax cuts in any tobacco bill, yet the Senate's version already brought loud protests from public-health groups. "The Senate is stripping out all the money for the public-health programs," said Matthew Myers of the National Center for Tobacco-Free Kids. "You can't say you're for reducing tobacco use and strip all the money out of the programs."

Cutting the "marriage penalty" is a top demand of Republicans, though in fact more than half of taxpayers pay lower income taxes when they marry and start filing jointly. The Clinton administration never has opposed the idea publicly, recognizing it could well be the price of a deal with Republicans this year.

For Republicans who oppose a tobacco settlement, the Senate action reflects the unwelcome prospect that such a bill could well be the only vehicle for tax cuts this year. Further evidence of that is a separate piece of the Gramm amendment, which would give self-employed individuals a 100% deduction for their health-insurance costs beginning in 1999 instead of 2007.

Whether it has tax cuts or not, Republican moderates and party strategists fear that the House's failure to pass a popular tobacco bill could cost congressional seats—and Republicans are struggling to hold an 11-vote margin. Antitax conservatives are just as convinced that needed GOP voters will revolt over a tobacco measure aimed at raising about \$516 billion in revenue over 25 years.

This GOP divide leaves Democrats believing they are in a win-win situation.

—Greg Hitt contributed to this article.