

TOP STORY

House May Try a Trimmed-Down Corporate Tax Bill

Democrats scuttle Senate bill; House leaders talk of helping manufacturers

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As the GOP leadership pulled a corporate tax overhaul bill from the Senate floor Wednesday, House lawmakers were trying to revive their stalled version of the legislation by seeking to emphasize tax breaks for manufacturers.

House Speaker J. Dennis Hastert, R-Ill., and other GOP leaders are discussing moving a stripped-down version of the House corporate tax overhaul (HR 2896) that would focus on helping the nation's troubled manufacturing sector.

The new version would be similar to a rival bill (HR 1769) that had been offered by Philip M. Crane, R-Ill., and Charles B. Rangel, D-N.Y.

The Senate corporate tax overhaul bill (S 1637) immediately lost steam after Senate Republicans failed to circumvent debate on

a pending Democratic amendment that would block a Bush administration plan to end overtime pay for some workers. By a 51-47 vote, the Senate failed to win the 60 votes necessary to invoke cloture.



Hastert is considering a slimmer version of the corporate tax bill.

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It was the second time this month that partisan wrangling prompted Senate GOP leaders to pull the corporate tax bill from the floor, leaving its prospects uncertain.

Yet the lack of movement in the Senate appears to have spurred a new round of talks in the House, where Ways and Means Chairman Bill Thomas, R-Calif., has been thwarted in efforts to move his corporate tax bill to the floor.

Rep. Jim McCrery, R-La., a close ally of Thomas, told a conference of tax lobbyists Wednesday that he believes a scaled-back version of Thomas' bill focusing on tax breaks for manufacturers — similar

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to the original approach taken by Crane and Rangel — would likely be the measure that could pass the House in coming months. "That's probably what's going to happen," he said. "Get ready to declare your business as manufacturing."

Rep. Donald Manzullo, R-Ill., whose opposition to tax breaks for the overseas operations of U.S. multinationals in Thomas' version of the bill led him and 24 other GOP members to block it in the House, said he was in talks with Hastert about a new bill that would effectively cut the corporate tax rate for manufacturers from 35 percent to 32 percent. "We've been talking about expanding the Crane-Rangel bill," he said.

Manzullo said the main change in the bill would be to expand the lower tax rate to apply to more small businesses, including limited liability companies and S corporations, which are similar to partnerships.

Hastert would not discuss his talks with Manzullo, or whether he would take the lead in negotiating a settlement before the April recess. "It's an evolving process," he said.

Thomas, for his part, said Wednesday he doubted that the House would proceed with any version of a corporate tax overhaul bill in the near future. He said companies were trying to stall the bill to preserve at least for another year a disputed export tax break for manufacturers.

"The House is not going to be able, in the short term probably, to be able to move forward," Thomas said. "It only takes that intense negative activity by a few to make sure that the broader common good is lost. That's pretty much where we are headed."

House Majority Leader Tom DeLay, R-Texas, said he was uncertain when the House would try to move the bill.

Both chambers' versions of the bill aim to lift European trade sanctions by repealing an export tax break that has been ruled a prohibited trade subsidy, and replacing it with a host of corporate tax cuts. On March 1 the European Union began imposing 5 percent duties on a range of U.S. goods. Those sanctions are set to increase each month unless the break is repealed.

After the cloture vote Wednesday, senators spent much of the day blaming one an-

other for the bill's demise.

Senate Majority Leader Bill Frist, R-Tenn., said it was a "terrible mistake" for Democrats to insist on unrelated amendments to the bill. "Our Democrat colleagues have voted in effect in support of the Euro tax on manufacturing," he said, referring to the sanctions.

Democratic Sen. Tom Harkin of Iowa, whose amendment caused the furore, charged that Republicans were "more willing to pay tariffs to Europe than overtime to American workers." His amendment would stop the Bush administration from changing overtime pay rules.

Only one Democrat, Zell Miller of Georgia, supported the effort to limit debate. Frist switched his vote from "yes" to "no" at the last minute to preserve the option of seeking reconsideration.

By day's end GOP leaders said they were open to a compromise to revive the Senate bill, but complained that Democrats wanted to introduce more unrelated amendments. Democratic leaders denied that, saying they had significantly whittled their amendment wish list. ♦