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Minimum Wage Hike Passed By House

GOP Bill Also Cuts Estate Tax

By Jonathan Weisman
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The House last night voted to boost the minimum wage for the first time in nearly a decade while also permanently slashing the estate tax, a coupling that GOP leaders calculated might garner enough Senate support to become law.

House lawmakers also approved the biggest overhaul of the nation's pension laws in 30 years.

In the rush to bolster their party's accomplishments before leaving today on a five-week summer break, House Republican leaders effectively took a gamble. If the Senate follows the House and passes legislation shoring up the pension system, raising the minimum wage, permanently cutting the estate tax, and extending such measures as a research-and-development tax credit, Republicans can say they departed for the summer in a flourish of accomplishments.

But the maneuvering by House and Senate GOP leaders to package the measures over the objection of some Senate chairmen caused severely bruised feelings. Lawmakers from both parties said last night that the legislation could easily collapse in the Senate, underscoring Democratic contentions that Congress has become dysfunctional.

"It's a risk," said House Majority Leader [John A. Boehner](#) (R-Ohio), "but I think it's the only way to proceed."

Democrats were incensed that the GOP leadership would couple the minimum wage hike, the first increase since 1997, with an estate tax cut that would reduce federal revenue by \$268 billion over the next decade, to the overwhelming benefit of the country's richest families.

"This is beyond cynical. This is disgraceful," said Rep. Jim McGovern (D-Mass.).

Senate Minority Leader Harry M. Reid (D-Nev.) signaled he would try to scuttle the tax bill next week. "Republicans have made perfectly clear who they stand with and who they are willing to fight for: the privileged few," he said.

But Republicans believed they had found a way to snatch the minimum-wage issue away from Democrats, who had been using it as a cudgel, while securing passage of a central plank of their economic program: all but eliminating the estate tax.

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"I know why you're mad," said [Rep. Zach Wamp](#) (R-Tenn.). "You've seen us really outfox you."

The minimum wage and estate tax measure passed around 1:30 a.m., 230 to 180.

The pension bill passed earlier with bipartisan support, 279 to 131, and it is seen as critical to more than 44 million Americans who receive traditional defined-benefit pensions. The Labor Department has reported that companies have underfunded their pensions by more than \$450 billion, threatening to dump much of their pension liabilities on the federal taxpayer.

The federal Pension Benefit Guaranty Corp., which insures traditional pensions, reported a \$22.8 billion deficit this year as companies such as bankrupt airlines ditched their pension plans and left payouts to the PBGC. If that deficit becomes too burdensome, a congressional bailout may be necessary.

To avoid that, the pension bill would have more than 30,000 companies increase payments into their pension plans. Companies that switch to hybrid retirement plans combining the fixed benefits of a traditional pension with the market-driven returns of a 401(k) would receive legal protection from employees who sue over the conversion. And companies such as Fidelity Investments that offer 401(k) plans would, for the first time, be able to offer investment advice to employees.

The estate tax and minimum wage bill proved far more contentious. Many conservatives disagreed with the provision to raise the hourly minimum wage from \$5.15 to \$7.25 over three years.

"Every principled conservative knows this is horrible stuff," [Rep. Tom Feeney](#) (R-Fla.) said.

Democrats, meanwhile, overwhelmingly condemned the estate tax cut as a gift to the rich that a government running a \$300 billion budget deficit could ill afford. Under the bill, estates worth \$5 million -- or \$10 million for a married couple -- would be exempted from taxation. Inheritances above that threshold and up to \$25 million would be taxed at capital gains rates, currently 15 percent. Estates worth more than \$25 million would be taxed at 30 percent.

To make that the price for a minimum wage increase amounted to "legislative extortion," said [Rep. Earl Pomeroy](#) (D-N.D.).

Some House Republican moderates hailed the legislation as a smart compromise that would preserve an estate tax that Republican leaders have been trying to eliminate since they came to power more than a decade ago. Once fully phased in, the cost of that compromise, however, would reach \$62 billion a year, three-quarters the cost of full estate tax repeal.

To sweeten the deal for balking Democrats, especially in the Senate, GOP leaders larded the tax bill with special-interest breaks. Over the strenuous objections of Senate Finance Committee Chairman [Charles E. Grassley](#) (R-Iowa) and Senate Health, Education, Labor and Pensions Committee Chairman [Mike Enzi](#) (R-Wyo.), they stripped a package of popular business tax extensions from the pension bill and added them to the estate tax cut.

Against the wishes of Senate Budget Committee Chairman [Judd Gregg](#) (R-N.H.), they included a measure that would shift costs of health care and environmental reclamation from coal companies to the federal government at a cost of nearly \$4 billion over the next decade. Another measure, aimed at Washington state's two Democratic senators, would give timber companies a tax break worth \$428 million over five

years.

In total, the tax package would cost the Treasury nearly \$310 billion through 2016.

The marrying of the minimum-wage boost with the estate tax cut and other tax breaks, engineered by House Republican leaders and Senate Majority Leader [Bill Frist](#) (Tenn.), stemmed from a highly unusual move that came at Grassley's and Enzi's expense. The two had been leading difficult negotiations over the pension bill over the past eight months.

But the final sticking point came over Grassley's insistence that the pension bill contain a package of tax cut extensions such as the research-and-development tax credit, a credit for hiring workers off welfare, and a credit to promote wind energy. Frist and House Ways and Means Committee Chairman [Bill Thomas](#) (R-Calif.) wanted to use those tax credits to entice Senate Democrats to vote for their permanent estate tax cut. Grassley tried to force a showdown Thursday night, calling a public meeting of negotiators and daring House Republicans to vote to strip out the tax measures.

Instead, House Republicans boycotted the meeting. Then GOP leaders effectively shut down negotiations and took the pension bill to the House floor without the tax measures, infuriating Grassley.

"When my credibility is abused and used, I resent it," Grassley shouted Thursday night, saying he had been "stabbed in the back."

To become law without another round of negotiations, the Senate will have to pass the pension and tax measures exactly as they pass the House, a tall order considering the ill will created in the past two days.

But Eric Ueland, Frist's chief of staff, said yesterday that he thinks the leadership has found the combination of incentives to pass the hard-fought measures, without procedural maneuvers that would send them back to square one.

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