

**Congressional Memo;  
Fight or Flight? G.O.P. Split Over Tax Credits**

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The 47 Republican senators who voted on Thursday to increase the child tax credit for 6.5 million low-income families were not, for the most part, a happy band. Only a few spoke in favor of it, and most of those cited the military families who would benefit. Trent Lott of Mississippi made a gagging sound as he joined 93 other senators in voting aye.

Republicans made little effort to disguise the fact that they had essentially been dragged into the vote by two weeks of bad publicity and unending Democratic accusations that President Bush's new tax bill was heartless for denying the families the credit.

Senator Charles E. Grassley, the Iowa Republican who is chairman of the Finance Committee, sounded a bit sarcastic when he said his party was suddenly confronted by "a great big enlightenment that it was a very important, unfair treatment of one segment of people." He said there was one other reason for the consensus: "The political volatility of it."

Democrats, who created that volatility and have had little else to boast about during this Congressional term, did a brief and rarely seen dance of triumph.

"The Democrats in the House and the Senate made this issue too hot to handle for the Republicans," said Representative Nancy Pelosi, the House Democratic leader, on Friday.

Representative Jan **Schakowsky**, an Illinois Democrat, said: "It seems as if we have hit a nerve here. We are supposedly talking about a bill that would make it easier to get checks, and the Republicans are clearly embarrassed that there are a whole lot of people, in fact 12 million children, whose families are not going to get checks."

That embarrassment, however, does not appear to have seeped into the chambers of House Republican leaders, where officials say they have no intention of rubber-stamping the Senate bill. House leaders say they will provide refunds of the \$400-per-child increased credit to families making \$10,500 to \$26,625 only as part of a much broader tax-cut bill. They want to make the child credit permanent for 25 million wealthier families, as well, and to drop the Senate provision that would pay for the cut by raising customs fees.

As a result, the House bill could cost up to \$100 billion over the next 10 years, while the Senate bill is projected to have no cost to the Treasury. The rival bills ensure many weeks of wrangling between the two chambers, which would probably prevent the 6.5 million families from getting refund checks at the same time as middle-income families.

The difference in approaches between House and Senate Republicans illustrates what Representative Rob Portman, Republican of Ohio, says is a split in the party's thinking on the subject. One group of Republicans, he said, thinks the party cannot win the contest over the political perception of the tax credit issue, and should just approve it and move on.

A second group, he said, feels strongly that Democrats have been misrepresenting the issue to the public, and wants at least to have a debate over the tax credits before the bill is passed. This group, he said, includes him and other House conservatives who are not comfortable with giving increased government checks to people who do not owe federal income tax.

"Probably, as in most things in Congress, the political pressure will win out," said Mr. Portman, chairman of the House Republican leadership group. "But I still don't think we've explained this enough. This is not a tax issue -- it's a government transfer payment to people who do not pay income taxes."

People who would benefit from the Senate bill do not pay federal income taxes, though most pay Social Security and Medicare taxes. For many, the \$400-per-child check they would receive under the bill would come on top of the existing \$600 child credit and the earned income tax credit, which can be several thousand dollars a year depending on income and the number of children.

Although cash refunds to low-income working people who do not pay taxes were first approved under a Republican administration in 1975, and were increased again under the Bush administration in 2001, many Republicans now argue that further payments would be too much.

At least two Republican senators, Don Nickles and James M. Inhofe, both of Oklahoma, say they agree with that criticism, and they were the only two to vote against the credit on Thursday. Mr. Inhofe issued a statement on Friday calling the bill "a redistribution of taxpayers' money to those who do not pay taxes."

Their isolation from their party colleagues on the vote, however, makes clear that most Republican senators are among those cited by Mr. Portman who want a political problem to go away. Their political base is much broader than their House colleagues', and every senator has

thousands of constituents who would benefit from the increased credit. House members, most with safer seats, can afford to take a sharper ideological position.

"With a senator representing an entire state, they know they'll have to get some votes from the other political party," said Glen Bolger, a Republican pollster. "But lots of House members aren't in swing seats anymore, and it's easier for them to stick to their guns."

Democrats made it clear this week, however, that they would try to exact a political price if Republicans stalled the approval of the increased credits. Although they have not been particularly successful up to now in generating populist anger against the tax bill, the leaders of the two Democratic Congressional campaigns said they considered the issue the illustration they have been waiting for.

"We now have a visible and tangible issue that I think everyone understands," said Senator Jon Corzine of New Jersey, chairman of the Democratic Senatorial Campaign Committee. "It's as clear a choice as possible between the children of people who are working hard and playing by the rules, or people who earn money from dividends and capital gains. It's kids versus capital."

Representative Robert T. Matsui of California, chairman of the Democratic Congressional Campaign Committee, promised that his candidates would use the issue heavily in next year's races against Republicans. He said, in fact, that he was a bit surprised that Republicans were presenting his party with such a clear-cut campaign issue.

"I think the Republican House members are being led off the cliff by Tom DeLay," he said, referring to the House Republican leader, who opposes the Senate bill in its current form. "They're so intimidated and afraid of him that they won't take him on. Eventually they're going to pay a price for this."