

Bush may compromise on capital gains tax

WASHINGTON (AP) — President Bush may be willing to drop his insistence for a cut in the capital gains tax, Republican congressmen said Wednesday, a demand that has been the major obstacle to a budget deal.

But the apparent softening of Bush's position was revealed on a day when Bush and congressional Democrats had their most withering public flare-up over the talks in weeks.

The two sides accused each other of endangering their stalled bargaining, just five days before disruptive cuts in government services will be imposed if the negotiations fail.

The White House signaled a willingness to consider keeping the current capital gains tax rate — the same as ordinary income — but exempting gains due to inflation. Democrats brushed aside the idea.

Bush said nothing about his reported change in his capital gains stance as he campaigned for Republican candidates

in Ohio.

"The hang-up is with the Democrats," he said, accusing them of refusing to do their part to cut the deficit.

"If and when the ax falls, the Democratic Congress knows that it will be held accountable," he said. "And I will take that message to every state in the union. It is their fault."

He also told reporters while flying to Ohio that Democrats "have not come forward with a package" at the talks, a remark that touched off a Democratic uproar.

Senate Majority Leader George Mitchell, D-Maine, and House Speaker Thomas S. Foley, D-Wash., said Democrats have made several offers in recent bargaining sessions.

"To begin a series of charges or countercharges ... at this stage is not helpful," Foley said. "It is damaging to the talks, though we're determined it not be critically damaging."

Mitchell said the president must have

been "badly misinformed" to have made the comment, and called it "highly misleading and damaging."

The Foley-Mitchell complaints led Bush to apologize at a later speech in Chicago: "Earlier today, I said the Democrats have not come forward with a package. They say they have put a package, or at least a series of proposals, on the table in private negotiations. I accept the fact that in private negotiations there have been such proposals. I apologize for misspeaking on that point."

However, he said, "We have yet to see a comprehensive plan" that encompasses the goals of serious spending cuts, budget process change and incentives for economic growth.

Hundreds of unionized federal workers rallied outside the Capitol at noon to demand a quick solution to the budget crisis. They carried signs reading, "Your furlough begins Nov. 6, Election Day," and "Congress, you do your jobs so we can do ours."

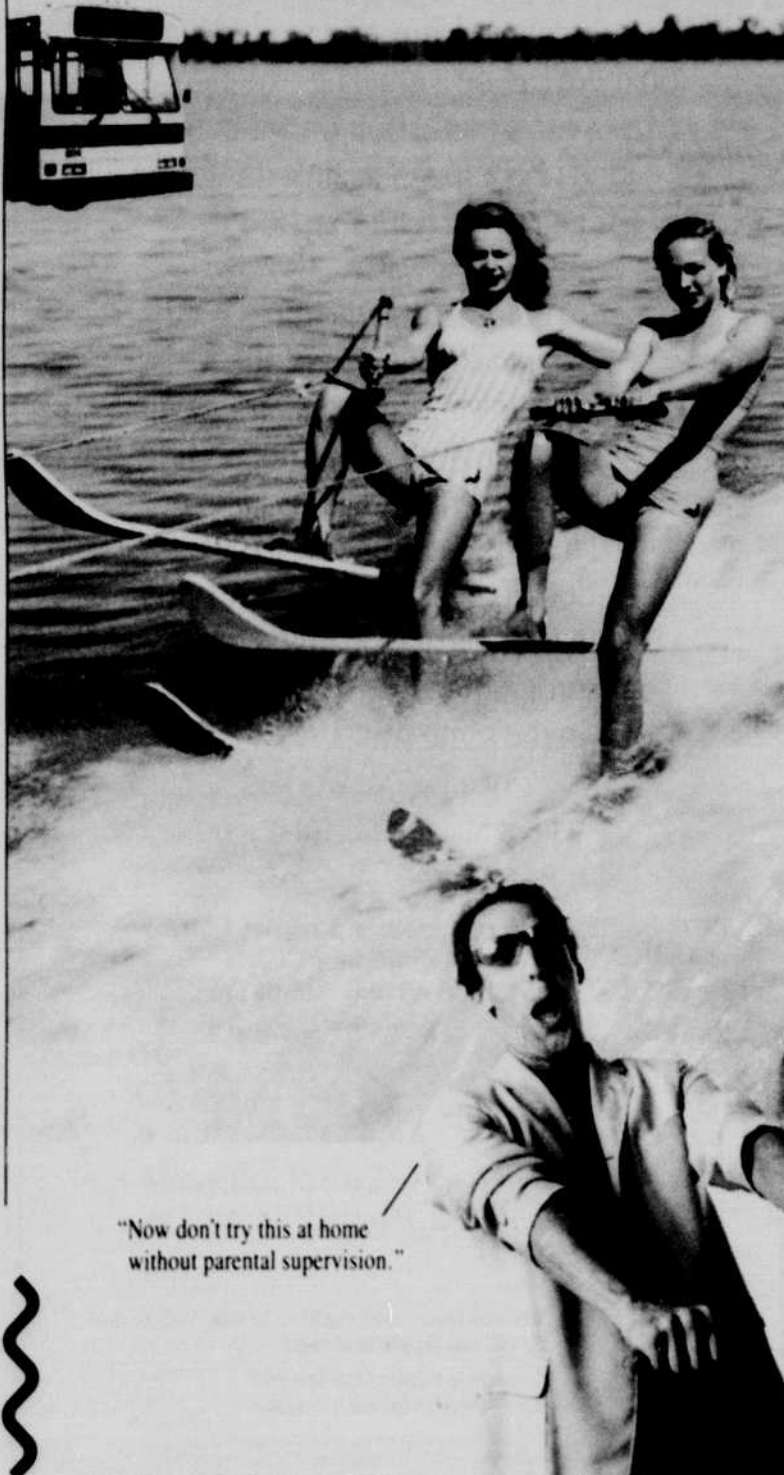
The rally was organized by the American Federation of Government Employees, which represents 700,000 federal workers.

Inside the building, the Senate voted overwhelmingly to apply the spending cuts to the salaries of members of Congress and top executive branch officials, including Vice President Quayle and members of the Cabinet—items now exempt under the Gramm-Rudman budget-cutting law.

After a morning meeting at the White House, GOP lawmakers said Bush was signaling compromise. Instead of lowered capital gains tax rates, Bush might accept other items he believes would spur the economy, they said.

Rep. Newt Gingrich of Georgia, the No. 2 House Republican, said the alternatives could include corporate tax breaks designed to encourage research and to prod businesses to operate in ailing urban and rural areas.

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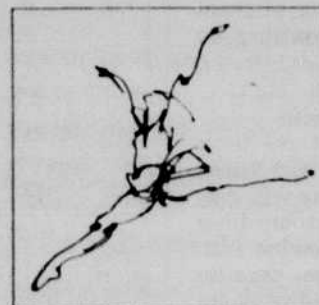


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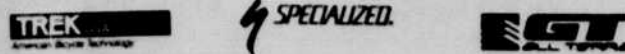
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