

Congress forges last-minute compromise

WASHINGTON - President Bush and congressional leaders on Sunday forged a \$500-billion, five-year compromise package of tax increases and spending cuts, spurring Congress to quick action on a stopgap spending measure needed to avoid slashes in federal services Monday.

The House approved the temporary financing bill just three hours after the budget agreement was described by President Bush in a Rose Garden announcement, and the Senate quickly followed.

"It is balanced, it is fair, and in my view it is what the United States of America needs at this point in its history," Bush said in announcing an agreement that concluded budget negotiations that began in May.

The package contained \$134 billion in new tax revenues, including new taxes on gasoline, cigarettes, alcohol and luxury items. Medicare costs for the elderly and disabled were increased; defense spending was slashed as well.

On a 382-41 vote, the House passed

what is called a continuing appropriations resolution to keep the government operating at full speed through next Friday while lawmakers weight the proposed budget compromise.

The resolution, sent quickly to the Senate, also includes \$2 billion in new appropriations for the Desert Shield operations in the Persian Gulf.

House Speaker Thomas Foley, D-Wash., praised the compromise, but agreed with Senate Democratic leader George Mitchell of Maine, who said "Now comes the hard part," in pushing it past special interest groups and through Congress.

The compromise would shear \$40 billion off the deficit expected for the new fiscal year. Without action, the 1991 shortfall was projected to hit \$294 billion, \$73 billion higher than the previous federal record for red ink and almost triple the shortfall the administration said it anticipated in January.

White House budget director Richard Darman attributed the higher deficit projection to the deteriorating economy and growing projections of the

What the compromise means to taxpayers:

- Taxes on gasoline and diesel fuel would more than double. The current 9-cent levy would increase by 5 cents a gallon on Dec. 1, and another 5 cents next July.
- The federal tax on cigarettes, now 16 cents a pack, would rise 4 cents a pack on Jan. 1, and another 4 cents in 1993.
- Medicare taxes and fees would increase, while benefits go down. Medicare patients would pay more of their doctor bills. The annual deductible would double from \$75 to \$150; coverage for clinical testing would drop from full to 80 percent; and

monthly premiums would rise from \$28.60 to about \$34 next year.

State employees who currently don't pay the Medicare tax or Social Security would be brought into the system.

• Buyers of new cars, boats, jewelry and furs would pay a national sales tax on luxury goods. The fee would be 10 percent on the portion of car purchases above \$30,000, boats and yachts above \$100,000, and jewelry and furs above \$5,000.

• Most individuals or families with in excess of \$100,000 would pay more income taxes, with the government disallowing 3 per-

cent of itemized deductions. Medical expenses or investment interest would not count.

• Taxes on beer, wine and other alcoholic beverages would rise.

While taxpayers would be shelling out more money, government spending would be cut back in many areas.

• Farm support programs would be cut \$12 billion over five years.

• Providers of Medicare services would be forced to absorb a portion of rising costs equal to roughly \$32 billion over the next five years.

costs of rescuing the savings and loan industry.

With congressional leaders at his side, Bush said "I do not welcome" the tax increases -- which he opposed during his 1988 election campaign.

But he said they were needed to help the country's economy, and he said he would join in a bipartisan effort to get the package enacted by Oct. 19.

"I will do everything I can to generate support from the American

people for this compromise," he said.

The components of the final budget compromise was a delicate political balance between tax increases Democrats sought and spending cuts Republicans favored.

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Gulf Update

Saddam urges negotiations

Saddam Hussein adopted a more conciliatory stance Sunday in the nearly 2-month-old Persian Gulf crisis, urging peaceful dialogue instead of "threats and warnings."

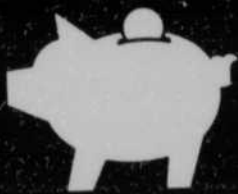
In a message broadcast on Iraqi TV and radio, Saddam also said he no longer opposed the involvement of foreign powers in the search for a settlement to the crisis, which was touched off by Iraq's Aug. 2 invasion of Kuwait.

The Iraqi leader's latest message came as world leaders meeting at the United Nations moved to shore up diplomatic efforts against Iraq. He said foreign countries could help in solving the crisis. But he again linked any solution to Israel's withdrawal from the occupied Gaza Strip and West Bank, and the pullout of Syrian forces from Lebanon.

Saddam said he wanted to launch a dialogue with France to explore the possibility of using French President Francois Mitterrand's ideas on the gulf crisis as the basis for a settlement.

In a speech Sept. 24 before the U.N. General Assembly, Mitterrand suggested settling the conflict over Kuwait together with other problems in the region, including the Israeli occupation of Arab territories and the Lebanese civil war.

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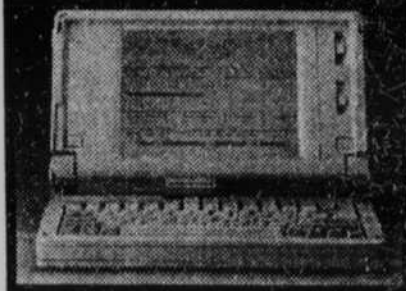
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