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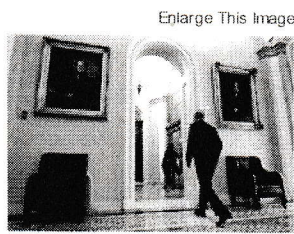
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FIFTY EIGHT

House Set to Follow Senate in Approving Tax Deal

By DAVID M. HERSZENHORN
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WASHINGTON — The Senate on Wednesday approved the \$858 billion tax plan negotiated by the White House and Republican leaders, and House Democrats said they expected to pass the bill on Thursday after a final, and seemingly futile, effort to change a provision that benefits wealthy estates.



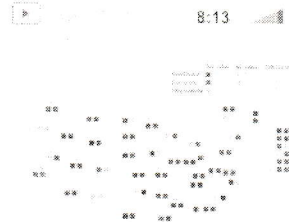
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Senator Mitch McConnell, the Republican leader, on Wednesday in Capitol Hill. His negotiations with Vice President Joseph R. Biden Jr. helped seal the tax deal.

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The Senate vote was 81 to 19 as Democrats yielded in their long push to end the Bush-era lowered tax rates for high-income taxpayers. Republicans agreed to back a huge economic stimulus package, including an extension of jobless benefits for the long-term unemployed and a one-year payroll-tax cut for most workers, with the entire cost added to the federal deficit.

It was the first concrete product of a new era of divided government and acid compromise.

In the House, Democratic leaders said they would bring the bill to the floor on Thursday along with an amendment to tax more estates at a higher rate. Democrats predicted privately that the amendment would be rejected and the package approved, but the House speaker, Nancy Pelosi, was not ready to concede.

"We will make our point," Ms. Pelosi said at a news conference Wednesday evening, in which she repeated her opposition, shared by many Democrats, to the provision granting a tax exemption to estates of up to \$5 million per person, or \$10 million per couple. Republicans have said they will not accept any change.

Other Democrats predicted the tax plan would be passed as is on Thursday, making clear that their initial fury at the prospect of extending Bush-era tax rates even on the highest incomes had given way to acceptance that the White House, its leverage weakened by midterm election losses, had negotiated the best compromise it could. President Obama urged Congress again on Wednesday to pass the bill unchanged and without delay.

Mr. Obama praised the Senate action, calling the bill "a win for American families, American businesses and our economic recovery," even as he nodded to the tough bargain he had struck, adding, "It includes some provisions

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Tax Package Is Passed by the Senate - ... that I oppose.”

Some Democrats said they had concluded that the administration had won important concessions to help middle-income Americans as well as the unemployed while giving a short-term jolt to the struggling economy. Others said they simply could not be held responsible for allowing all of the Bush-era tax cuts to expire at the end of the month, raising taxes on everyone.

The Senate's overwhelming approval of the tax plan was a brief flash of bipartisan cooperation amid the deep partisan acrimony in the waning days of the 111th Congress. The tax plan was supported by 43 Democrats, 37 Republicans and Senator Joseph I. Lieberman, independent of

Connecticut. Opposed were 13 Democrats, 5 Republicans and Senator Bernard Sanders, independent of Vermont. Mr. Lieberman and Mr. Sanders caucus with the Democrats.

“A tremendous accomplishment,” the Senate majority leader, Harry Reid of Nevada, declared shortly before the vote on Wednesday. “Whether you agree with all the contents of the bill or not, everyone should understand this is one of the major accomplishments of any Congress where two parties, ideologically divided, have agreed on a major issue for the American people.”

The two-year tax measure will touch virtually every American — poor and rich, old and young, married or single, with children or living alone, and even those who die. And, with a reprise of this year's contentious debate now slated for the height of the 2012 presidential campaign, the bill is likely to be a precursor to a broader effort by Mr. Obama to overhaul the nation's labyrinthine tax code and begin tackling the long-term deficit.

The tax plan would extend all of the lowered income tax rates enacted under President George W. Bush, as well as the 15 percent rate on capital gains and dividends, which were due to expire at the end of this month.

And it would set new estate tax parameters, including the exemption of \$5 million per person, or \$10 million per couple, and a maximum rate of 35 percent. All these provisions would last for two years. The estate tax lapsed entirely this year, but was set to return on Jan. 1 with an exemption of \$1 million per person and a maximum rate of 55 percent.

The bill would also keep jobless aid flowing to the long-term unemployed for 13 more months, maintaining extended limits, which now range from 60 weeks in states with less than 6 percent joblessness to 99 weeks in states where the unemployment rate is more than 8.5 percent. Benefits normally last for 26 weeks.

The one-year payroll tax cut would reduce to 4.2 percent the 6.2 percent Social Security tax levied on income up to \$106,800. For a family with \$50,000 in annual income, the cut would yield tax savings of about \$1,000. For a worker paying the maximum tax, it would provide savings of \$2,136.

The bill also contains an array of other tax breaks for individuals and businesses, aimed at pumping up the economy. It continues a college tuition credit for some families, an expanded child tax credit and the earned income tax credit. It also includes a two-year adjustment to the alternative minimum tax to prevent as many as 21 million more households from being hit by it, and it contains a provision allowing businesses to write off certain expenses more quickly.

The tax deal was sealed in back-channel talks between Vice President Joseph R. Biden Jr. and the Senate Republican leader, Mitch McConnell of Kentucky. It offered a glimpse of a new power dynamic that is likely to characterize the next two years, as Republicans take control of the House and occupy six more seats in the Senate.

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Democratic opponents of the plan said it would overly benefit the wealthiest Americans and not do enough for the working class and the poor, and that the money used to continue reduced tax rates on the highest incomes could be better spent on other steps to stimulate the economy. Before the vote on Wednesday, Mr. McConnell denounced the effort by Democrats to approve a \$1.1 trillion spending bill that would finance the government through the end of the federal fiscal year on Sept. 30.

Mr. McConnell called on Democrats to approve a stop-gap spending measure that would last only through the early part of next year instead, and to abandon everything else on their agenda and adjourn for the year.

Democrats, however, are refusing to back down on any of their priorities, which include the omnibus spending bill, the New Start arms control treaty with Russia, a bill to repeal the military's "don't ask, don't tell" policy barring open service by gay men and lesbians, and an immigration measure that would create a path to citizenship for certain illegal immigrants brought to the United States as children.

The spending bill in particular has incited a contentious battle. Senator Daniel K. Inouye, Democrat of Hawaii and chairman of the Appropriations Committee, said he believed he had the votes to pass it. Senate Republicans have denounced the bill, which includes hundreds of lawmaker-directed spending items known as earmarks, only to face blistering questions about earmarks they themselves had requested.

Aides to Mr. Reid said they had mapped out a path to securing votes on all of the legislation, which would mean staying in session until next Thursday, two days before Christmas, and potentially returning the week before New Year's Day.

Janie Lorber contributed reporting.

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