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[21869001]

Senate Republicans have settled on a proposal that would cut the capital-gains tax for individuals and corporations .

[21869002]

At the same time , a small group of Senate Democrats are working on a similar plan and may introduce it soon .

[21869003]

Sen. Bob Packwood ( R. , Ore. ) , the lead sponsor of the GOP proposal , said he intends to unveil the plan today and to offer it as an amendment to whatever legislation comes along , particularly this month 's bill to raise the federal borrowing limit .

[21869006]

For individuals , the Packwood plan would exclude from income 5 % of the gain from the sale of a capital asset held for more than one year .

[21869007]

The exclusion would rise five percentage points for each year the asset was held until it reached a maximum of 35 % .

[21869008]

The exclusion would apply to assets sold after Oct. 1 , 1989 .

[21869010]

For corporations , the top tax rate on the sale of assets held for more than three years would be cut to 33 % from the current top rate of 34 % .

[21869011]

That rate would gradually decline to as little as 29 % for corporate assets held for 15 years .

[21869012]

The Packwood plan would also include a proposal , designed by Sen. William Roth ( R. , Del. ) , that would expand and alter the deduction for individual retirement accounts .

[21869013]

The Roth plan would create a new , non-deductible IRA from which money could be withdrawn tax-free not only for retirement , but also for the purchase of a first home and to pay education and medical expenses .

[21869014]

Current IRAs could be rolled over into the new IRAs but would be subject to tax .

[21869016]

Newly acquired assets would get a bigger break than those currently held .

[21869017]

An extra exclusion would be given to long-held stock in small and medium-size corporations just starting up .

[21869018]

No one in the Senate is considering the capital-gains plan passed by the House .

[21869019]

That plan would provide a 30 % exclusion to assets sold over a 2 1/2-year period ending Dec. 31 , 1991 .

[21869020]

After then , the House measure would boost the tax rate to 28 % and exclude from tax the gain attributable to inflation .

[21869021]

Senators are focusing on making a capital-gains differential permanent .

[21869023]

The current debt limit expires Oct. 31 .

[21869024]

He also urged House and Senate negotiators to rid the deficit-reduction bill of all provisions that increase the budget deficit , including the House-passed capital-gains provision .