Democrats in House Propose a Package Rivaling Bush's

By SHERYL GAY STOLBERG

WASHINGTON, Jan. 6 — Setting the stage for a partisan fight in Congress over how to revive the sagging economy, House Democrats today unveiled a $136 billion stimulus plan that they said would create as many as one million jobs, increase consumer spending and help states out of their fiscal straits.

The announcement was timed to give the Democrats a one-day jump on President Bush, who is to outline a much larger package, with an estimated 10-year cost of $600 billion, in Chicago on Tuesday. The centerpiece of Mr. Bush's plan is the elimination of taxes that shareholders pay on dividends, a provision that Democrats say would benefit the wealthiest Americans almost exclusively.

The Democrats' plan calls for a 26-week extension of unemployment benefits and a tax rebate of up to $300 for every working American. It would permit businesses to increase their write-off on new investments, and provide $31 billion to state and local governments to help defray the cost of domestic security, Medicaid, highway projects and other programs.

"This is about the job market rather than the stock market," Representative John M. Spratt Jr. of South Carolina, the senior Democrat on the House Budget Committee, said in outlining the plan this afternoon.

Mr. Spratt called the proposal "front-loaded and fast-acting." By that, he meant that it would provide a quick lift to the economy without increasing the deficit in future years, as opposed to the White House plan, which Democrats describe as fiscally irresponsible.

Democrats also said that while their package called for spending $136 billion, the net cost to the Treasury over 10 years would be only $100 billion, in part because of the added economic activity that they said would be generated by the plan.

Republicans, who now control both houses of Congress, immediately criticized the initiative as shortsighted and too narrow.

"The Democrat plan offers little stimulus beyond an increased appetite for more federal spending," said Representative Tom DeLay of Texas, the House majority leader in the new Congress. "To put people back to work, a stimulus must contain the dynamic elements that can empower economic growth and job creation."

Mindful that they failed to make headway in the November elections in part because the public perceived them as lacking an economic plan, Democrats have been working on an economic agenda since shortly afterward. Representative Nancy Pelosi of California, the new House minority leader, said her party had been determined to come up with "a package that has clarity, that has credibility and that
has consensus within our caucus.”

In addition to extending unemployment benefits and offering a tax rebate, the plan would allow small businesses to write off up to $50,000 of the cost of new investments made in 2003, as opposed to the current maximum write-off of $25,000. The plan would also permit companies to depreciate 50 percent of the cost of new plants or equipment in 2003; current law permits them to depreciate only 30 percent.

The plan would give states, which are struggling with budget shortfalls, a one-time increase in the federal share of Medicaid payments, amounting to $10 billion. It would also give them $10 billion in grants to help pay for domestic security needs like airport protection and public health preparedness, as well as $5 billion in federal aid for highways and $6 billion for "critical state needs" to help those most hurt by unemployment and the lackluster economy.

But the package does not offer long-term solutions, which Ms. Pelosi said Democrats would begin considering on Wednesday.

In proposing that all workers receive a refundable income tax rebate of up to $300 per person, or $600 per working couple, Democrats said they wanted to put money in the hands of people who needed it most and who would quickly spend it: those of lower or middle income. They were also seeking to draw what Representative George Miller, a senior Democrat from California, described as "a clear distinction" between themselves and Mr. Bush.

"The president really is investing, you know, $600 billion on an old, old Republican theory of trickle-down economy," Mr. Miller said. "We're saying no: give it to the people who need it."

Mr. Spratt said that extending unemployment benefits was one of the plan's most important features. But while there is general consensus in Congress on a need to help people who have lost their jobs, there are serious divisions between the parties over how long the benefit extension should be.

The House Democrats are calling for a 26-week extension, beyond the standard 26 weeks of benefits. Many Republicans, however, are talking about a shorter extension, of 12 or 13 weeks, and today Senator Charles E. Grassley, the Iowa Republican who heads the Senate Finance Committee, said his party would introduce legislation on Tuesday to extend benefits for 12 weeks.

Democrats said today that they had developed a plan they believed would create common ground with Republicans. But asked if he thought the plan demonstrated common ground, Mr. Grassley shook his head.

"No," he said, without elaborating.