

Obama to open talks with \$1.6 trillion plan to raise taxes on corporations, wealthy

By Zachary A. Goldfarb and Lori Montgomery

President Obama is taking a hard line with congressional Republicans heading into negotiations over the year-end “fiscal cliff,” making no opening concessions and calling for far more in new taxes than Republicans have so far been willing to consider.

Obama plans to open talks using his most recent budget proposal, which sought to raise taxes on corporations and the wealthy by \$1.6 trillion over the next decade, White House press secretary Jay Carney said Tuesday. That’s double the sum that House Speaker John A. Boehner (R-Ohio) offered Obama during secret debt negotiations in 2011.

Obama has been pressing to let the George W. Bush-era tax cuts expire at the end of the year for the wealthiest 2 percent of the nation’s households, a tax hike adamantly opposed by Republicans. But Carney suggested that even the revenue generated by letting those tax cuts end would not be enough to tame the national debt and reenergize the economy.

Meanwhile, Treasury Secretary Timothy F. Geithner and other senior Democrats on Tuesday said Obama would not be willing to maintain the Bush tax rates in exchange for a cap on deductions for households earning more than \$250,000 a year, a leading Republican alternative.

“I don’t see how you do this without higher rates. I don’t think there’s any feasible, realistic way to do it,” Geithner said at a conference in Washington. “When you take a cold, hard look at the amount of resources you can raise from that top 2 percent of Americans through limiting deductions, you will find yourself disappointed relative to the magnitude of the revenue increases that we need.”

Democrats said Obama is likely to maintain a tough stance Friday, when Boehner and other congressional leaders are due to gather at the White House for their first face-to-face discussions about how to avoid the fiscal cliff. Fresh off a resounding electoral victory in which they kept the White House and picked up seats in the House and Senate, Democrats said there is no reason to compromise now on a central plank of the president’s platform.

“It was an intrinsic part of his campaign, and the public supports it. So what more do you want?” said Rep. Sander M. Levin (D-Mich.), the senior Democrat on the tax-writing House Ways and Means Committee.

GOP reaction

Although Republicans have offered fresh revenue in a deal to avoid the fiscal cliff, they have not proposed a specific target. Boehner suggested that negotiations resume on terms discussed in 2011, when he offered to raise \$800 billion over the next decade through a rewrite of the tax code. Senate Minority Leader Mitch McConnell (R-Ky.) endorsed that general idea Tuesday but warned Obama not to overplay his hand, noting that the president's \$1.6 trillion tax request failed to receive a single vote in Congress in the spring.

"We're calling on him to lead, to take the initiative, propose a plan that's actually designed to succeed," McConnell said in a speech on the Senate floor. "I'm not asking the president . . . to adopt our principles. I'm simply asking him to respect our principles by not insisting that we compromise them. Because we won't."

Boehner spokesman Kevin Smith declined to comment directly on the president's opening bid. "The Speaker proposed a way both parties can work together to avert the fiscal cliff without increased tax rates, through a combination of entitlement reforms and revenue via tax reform," Smith said in a statement. "Republicans believe this is consistent with the president's call for a 'balanced' approach, and the Speaker looks forward to talking with the president about such a path."

The public is skeptical that a deal can be reached. By 51 percent to 38 percent, more Americans predict Obama and Republicans will not reach an agreement by the end of the year, according to a new Washington Post-Pew Research Center poll. The survey found widespread anxiety over the consequences of failure.

According to the poll, more than six in 10 Americans believe that missing the fiscal-cliff deadline would have an overall negative impact on the U.S. economy. Without a deal, taxes will jump for nine in 10 Americans, with the steepest hikes for top income brackets.

But Republicans in Congress may face more public pressure to make concessions. Should negotiations break down to avoid the \$500 billion of automatic tax hikes and spending cuts, 53 percent are inclined to blame Republicans in Congress while 29 percent single out Obama.

Carney said Tuesday that Obama would reprise his plan from earlier this year to raise \$1.6 trillion in taxes by raising tax rates, imposing a new special tax on millionaires and scaling back deductions and loopholes.

"We know what a truly balanced approach to our fiscal challenges looks like," Carney said. "The president has put forward a very specific plan that will be what he brings to the table when he sits down with congressional leaders."

Obama's budget request

Obama's 2013 budget sought to reduce borrowing over the next 10 years by about \$4 trillion, counting \$1.1 trillion in agency cuts already in force. In addition to raising taxes, Obama proposed to slice \$340

billion from health-care programs and to count about \$1 trillion in savings from ending the wars in Iraq and Afghanistan.

His budget request did not include reductions to health and retirement benefits, but Obama did consider such changes in his 2011 talks with Boehner, including raising the Medicare eligibility age from 65 to 67 and applying a stingier measure of inflation to Social Security.

Senior Democrats, meanwhile, threw cold water on a competing proposal to scale back deductions that disproportionately benefit upper-income taxpayers while keeping the top tax rates at their present level.

On Tuesday, former Clinton administration Treasury secretary Robert Rubin wrote in the New York Times that closing loopholes and deductions would not be an acceptable solution to the nation's fiscal challenges. And Sen. Patty Murray (D-Wash.), who is set to become chairman of the Senate Budget Committee, said she "has not seen how the math works to let you come up with the additional revenue."

In a meeting Tuesday, Obama offered no specific assurances to liberal leaders about what a final deal might look like and what entitlement programs might face cuts. But Dennis Van Roekel, president of the National Education Association and a participant in the session, said Obama did not have to make such assurances.

"He hasn't wavered through the whole campaign," Van Roekel said. "He's been consistent on [his] message, and I don't think he'll change it now."

Van Roekel described Obama and Vice President Biden as friendly, upbeat and attentive as the group leaders expressed support for the president's firm campaign-trail promises to roll back the Bush-era tax cuts for the wealthy. Obama mostly listened, Van Roekel said, occasionally asking questions.

"Everybody in that room had worked very hard for the reelection of President Obama, so there was a good feeling in the room from the very moment we walked in until the time we left," Van Roekel said.

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