

# Obama's plan to link corporate tax reform, jobs spending is quickly rejected by GOP

By Zachary A. Goldfarb and David Nakamura

President Obama on Tuesday proposed spending more on creating jobs in exchange for an overhaul of business taxes. But the idea quickly devolved into the type of partisan finger-pointing that shows why any agreement will be so difficult.

With great fanfare, Obama and his aides promoted what they called a new "grand bargain" that would sidestep disagreements and focus on a longtime Republican goal: a rewrite of the business tax code to lower corporate rates.

The overhaul, administration officials said, would generate new revenue that could be used to pay for Obama's priorities, including hiring workers to build roads, bridges and other infrastructure.

"Here's the bottom line: I'm willing to work with Republicans on reforming our corporate tax code, as long as we use the money from transitioning to a simpler tax system for a significant investment in creating middle-class jobs. That's the deal," Obama said Tuesday during a speech at an Amazon.com warehouse in Chattanooga, Tenn.

The visit was part of his summer campaign to highlight his economic message and frame the fall debate over the federal budget.

"If folks in Washington want a 'grand bargain,' how about a grand bargain for middle-class jobs?" Obama asked rhetorically.

But within hours, Republican leaders in the Senate and House had rejected and ridiculed the idea as a tired repackaging of old proposals.

"It's just a further-left version of a widely panned plan he already proposed two years ago, this time with extra goodies for tax-and-spend liberals," said Senate Minority Leader Mitch McConnell (R-Ky.), saying he had learned of the proposal late Monday night.

David Plouffe, a longtime Obama adviser, tweeted that the Republican reaction to the proposal "lays them bare again." He wrote: "Not serious, Pavlovian opposition to even mainstream ideas."

The White House proposal's long odds were also underscored by opposition from the Business Roundtable, which represents the nation's biggest companies.

"All revenues from corporate base-broadening measures should be applied to corporate rate reduction and to modernizing our international tax system, not for unrelated spending," said Business Roundtable President John Engler, a former Republican governor of Michigan.

In principle, an overhaul of the corporate tax code could offer room for compromise for both sides. Republicans and Democrats generally agree that the corporate tax code is unnecessarily complex, has excessively high official rates and hurts U.S. competitiveness globally.

The Obama administration and key congressional Republicans, such as House Ways and Means Committee Chairman Dave Camp (Mich.), also agree that U.S. companies that have amassed profits overseas should pay a tax or fee to bring those funds home. About \$2 trillion in such profits remain abroad.

A fee on foreign profits could go a long way toward paying for the jobs proposals Obama wants, which also include opening manufacturing institutes and investing in community colleges to train workers. Obama has proposed \$50 billion in jobs-related spending.

White House officials said Tuesday that it makes sense to try to strike a broad agreement on what the two sides agree on even if compromise remains elusive on more contentious topics, such as a long-term budget deal that involves cuts to the social safety net and new tax revenue.

"We should take a look at what we all do agree on," White House communications director Jennifer Palmieri said during a conference call Tuesday. "This is something that would create jobs in the short term and be a big boost for the middle class."

But Obama's proposal did little to bridge the huge disagreements that remain. While the White House has advocated a new corporate tax rate of 28 percent, Republicans are pushing for a lower rate and have rejected the idea of using added revenue for new federal spending.

"This proposal allows President Obama to support President Obama's position on taxes and President Obama's position on spending, while leaving small businesses and American families behind," said Michael Steel, a spokesman for House Speaker John A. Boehner (R-Ohio).

In his remarks in Chattanooga, Obama challenged Republicans to lay out their own proposals and accused them of trying to gut federal investments in education and energy and roll back the administration's landmark health-care program.

"If they've got a better plan to bring back more manufacturing jobs . . . then let me know, let me hear them," Obama said.

The White House first introduced a proposal for revamping corporate taxes early last year — one that was almost identical to the one released Tuesday. But at the time, it didn't address what would happen

with the revenue raised as a result of the changes, mainly from a fee on past foreign profits of U.S. companies.

Republicans have argued the revenue should be put toward further reducing corporate tax rates. But administration officials say that doesn't make sense because the lower rates would be in place indefinitely while the revenue would be a one-time event.

Camp and Senate Finance Committee Chairman Max Baucus (D-Mont.), who are working on their own tax-reform plan, did not endorse the proposal but expressed satisfaction with the president's interest in the issue. They said in a joint statement that the "outdated tax code is making it harder for U.S. companies to compete."

A number of congressional Democrats, meanwhile, backed the proposal while stressing their support for a broader package to replace the deep spending cuts known as sequestration.

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