

Cantor pulls out of White House budget talks

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House Majority Leader Eric Cantor on Thursday pulled out of White House budget talks led by Vice President Joe Biden, saying the two sides had reached an impasse over tax increases.

“We have worked to find areas of commonality to meet the goal of identifying spending cuts commensurate with or exceeding the amount of the Obama Administration’s request for a debt limit increase,” Cantor (R-Va.) said in a statement.

“I believe that we have identified trillions in spending cuts, and to date, we have established a blueprint that could institute the fiscal reforms needed to start getting our fiscal house in order,” Cantor said. “That said, each side came into these talks with certain orders, and as it stands the Democrats continue to insist that any deal must include tax increases. . . . Given this impasse, I will not be participating in today’s meeting and I believe it is time for the President to speak clearly and resolve the tax issue.”

House Democrats are urging President Obama to fight for as much as \$400 billion in fresh revenue as part of a debt-reduction package being negotiated with congressional Republicans, according to Democrats familiar with the talks.

In a meeting Thursday morning at the White House, House Minority Leader Nancy Pelosi (Calif.) and other senior House Democrats plan to press Obama to commit to securing a significant increase in taxes as part of the emerging deal, which is intended to reduce borrowing by as much as \$2.4 trillion over the next decade, according to senior Democratic aides.

Congressional Republicans have emphatically rejected any move to raise taxes, arguing that such a package could not pass the House and would invite a filibuster in the Senate. But Democrats in both chambers say they cannot support deep cuts to programs that benefit low- and middle-income Americans unless wealthy households are also forced to make sacrifices to restrain the nation’s spiraling debt.

Cantor said in his statement that, “There is not support in the House for a tax increase, and I don’t believe now is the time to raise taxes in light of our current economic situation.”

Democrats say they are growing increasingly concerned that the White House is more interested in cutting a deal that will satisfy Republicans than in ensuring that the final package contains a balance of spending cuts and revenue increases.

The government risks defaulting on its obligations unless Congress acts to raise the legal limit on government borrowing by Aug. 2; the debt-reduction package is aimed at persuading reluctant lawmakers to approve the legislation.

Specifically, House Democrats are pressing for a package of revenue provisions that would eliminate a variety of tax breaks for corporations and the wealthy, including a oil and gas companies and hedge fund managers. They have also proposed to cap the value of deductions for households earning more than \$500,000 a year at 10 percent of adjusted gross income, according to people familiar with the talks.

The latter idea is a variation on a proposal by Marty Feldstein, a Harvard economist who was a top economic adviser in the Reagan administration.