

By Russell Berman - 12/03/2012 - The Hill

House Republican leaders on Monday made a counteroffer to President Obama in the "fiscal cliff" negotiations that would cut \$2.2 trillion from the deficit with a combination of spending cuts, entitlement reforms and \$800 billion in new tax revenue.

Republican officials said their 10-year plan contained more deficit reduction than the offer the White House presented last week while standing firm against Obama's demand to increase tax rates on the wealthy.

The White House quickly panned the offer, saying it contained "nothing new" and did not "meet the test of balance."

The Republican offer came in the form of a three-page letter to the White House signed by House Speaker John Boehner (R-Ohio), Majority Leader Eric Cantor (R-Va.) and four other senior Republicans, including Rep. Paul Ryan (Wis.), the party's just-defeated vice presidential nominee.

The offer marks the second significant movement in the fiscal talks in the last week, after Treasury Secretary Timothy Geithner outlined an Obama proposal that called for \$1.6 trillion in tax increases, \$400 billion in entitlement program savings and \$50 billion in new stimulus spending, among other provisions. The president is also seeking to permanently limit the ability of Congress to block an increase in the debt ceiling.

"What we are putting forward is a credible plan that deserves serious consideration by the White House," Boehner told reporters in a brief appearance at the Capitol. He characterized it as a response to what he called the "la-la land" offer that Geithner presented to congressional leaders last week.

The Speaker last spoke to Obama on Wednesday and indicated he did not plan to personally present his offer to the president. "I think the letter's appropriate," he said.

Boehner was scheduled to attend the White House holiday party on Monday evening. Asked if he might speak to Obama there, the Speaker smiled and replied, "I might run into him."

Republicans said their offer was based on a proposal outlined by Erskine Bowles, the former chief of staff to President Clinton, in testimony last year before the congressional "supercommittee" on deficit reduction. That offer is distinct from the widely cited Simpson-Bowles deficit plan released two years ago.

Bowles rejected the comparison, and said that while he was "flattered" by the citation, the GOP letter "does not represent the Simpson-Bowles plan, nor is it the Bowles plan."

The Republican counteroffer does not include an increase in the debt ceiling, but a GOP aide said the party remained open to negotiating additional borrowing authority for the Treasury before the end of the year.

GOP officials said their offer amounted to \$4.6 trillion in deficit reduction when compared directly to the White House offer, because in its own \$4 trillion deficit plan, the White House counts legislation that has already been enacted, savings from future interest on the debt, and savings from the end of the wars in Iraq and Afghanistan. Republicans do not count those as new savings, so their offer amounts to \$2.2 trillion in future deficit reduction.

The \$800 billion in new tax revenue matches what Boehner offered Obama during their 2011 negotiations for a grand bargain. Republicans are holding the line against tax rate increases, and believe the \$800 billion in revenue can be raised from the wealthy through other means, which their offer does not specify.

The GOP also did not specify what kind of revenue the party would accept as an immediate down payment in 2013, and aides said their goal remained a comprehensive tax overhaul that would generate \$800 billion in new revenue while lowering overall rates.

Democrats rejected that approach.

"The Republican letter released today does not meet the test of balance," White House communications director Dan Pfeiffer said in a statement. "In fact, it actually promises to lower rates for the wealthy and sticks the middle class with the bill. Their plan includes nothing new and provides no details on which deductions they would eliminate, which loopholes they will close or which Medicare savings they would achieve.

"Until the Republicans in Congress are willing to get serious about asking the wealthiest to pay slightly higher tax rates, we won't be able to achieve a significant, balanced approach to reduce our deficit our nation needs," Pfeiffer added.

Senate Majority Leader Harry Reid (D-Nev.) and House Minority Leader Nancy Pelosi (D-Calif.) also criticized the GOP proposal, saying it would force the middle class to pay higher taxes.

"Republicans have made an offer, but now it is time for them to get serious about forging a balanced approach," Reid said.

Pelosi said Democrats would move ahead with a discharge petition on Tuesday to try and force Republicans to bring up a Senate-passed bill extending current tax rates on annual family income up to \$250,000.

A spokesman for Boehner responded by challenging Democrats to come up with something better.

"If the president is rejecting this middle-ground offer, it is now his obligation to present a plan that can pass both chambers of Congress," said Boehner spokesman Brendan Buck.

Senior Republican aides argued that their offer represented a "fair middle ground" because unlike the White House, they did not use their budget proposal as their opening bid. The House budget contains no revenue increases and included far-reaching changes to Medicare and Medicaid that Democrats consider non-starters.

"We're not doing that today, because we don't have time," one top GOP aide said, speaking on condition of anonymity during a background briefing.

The House counteroffer drew immediate praise from Senate Republican Leader Mitch McConnell (Ky.), who issued a statement calling it a "good-faith effort to find common ground."

The letter sent by the full House leadership, along with Ryan, indicates Boehner has the full support of key players in his conference.

"This is by no means an adequate long-term solution, as resolving our long-term fiscal crisis will require fundamental entitlement reform," the leaders wrote in their letter to Obama. "Indeed, the Bowles plan is exactly the kind of imperfect but fair middle ground that allows us to avert the fiscal cliff without hurting our economy and destroying jobs. We believe it warrants immediate consideration.

"If you are agreeable to this framework," they continue, "we are ready and eager to begin discussions about how to structure these reforms so that the American people can be confident that these targets will be reached."

In addition to the \$800 billion in revenue, the Republicans are proposing \$600 billion in health savings, \$300 billion in savings from other mandatory spending and \$300 billion in further cuts to discretionary spending.

The GOP is also proposing to raise \$200 billion through changes to the way inflation is calculated for the purpose of determining benefits and tax policy across a range of programs, including Social Security.

The offer is consistent with a framework that leaders in both parties have agreed to: averting the looming tax hikes and spending cuts with a "down payment" of deficit reduction while settling on targets for tax and entitlement reform in 2013.

The Republican proposal does not specify what would be immediately enacted as a down payment, and aides said it could replace the \$1.2 trillion in automatic spending cuts set to begin taking effect next year, although it does not explicitly eliminate them.

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