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Obama postpones tax talk until after election

By: [Julie Mason](#)

Examiner White House Correspondent

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Putting off any tough decisions until after the election, President Obama warned that grim financial choices are coming -- including a look at the tax system.

"I hope some of these folks who are hollering about deficits and debt step up, because I'm calling their bluff," Obama said. "And we'll see how much of the political arguments they're making right now are real, and how much of it was just politics."

"These folks" referenced by Obama include congressional Republicans, who have criticized his deficit spending while balking at rolling back tax cuts or cutting spending.

Republicans in the Senate recently cited the deficit in blocking an effort by Democrats to again extend the time Americans can receive unemployment benefits.

And a looming issue for both parties is whether to extend the so-called Bush tax cuts, passed in 2001, which are set to expire in January.

But the real problem is bigger than all of that. The federal deficit is expected to reach \$1.5 trillion this year. And economic recovery has been slow -- slower than lawmakers would like to see in an election year.

"Tax cuts and opposition to tax hikes are a real unifying force for Republicans," said Chris Edwards, director of tax policy studies at the libertarian Cato Institute. "But Republicans also use that to avoid proposing any meaningful spending cuts of their own."

Edwards also had a harsh take of Democratic fiscal policymaking, saying Democrats are "hiding behind this ridiculous notion of stimulus spending," noting the economy could stay weak for years, while the deficit grows.

Obama earlier this year named a special fiscal commission to study the federal budget and ways to raise revenue and cut costs. Many critics believe the commission is a Trojan horse for imposing a value-added tax or other tax on consumption.

The commission as been at work and Obama said he expects to hear back in November -- after the midterm elections.

That means neither party will have to seriously address how to tackle the deficit until after the vote, while the tab runs up on government spending.

Obama said that separate from the recession, issues including Medicaid, Medicare, Social Security and more are putting serious pressures on federal budget making and must be addressed.

"And we've got to look at a tax system that is messy and unfair in a whole range of ways," Obama said.

Republican Sen. Orrin Hatch of Utah last week wrote to former Federal Reserve Chairman Paul Volcker, now chairman of the President's Economic Recovery Advisory Board, to protest any consideration of a value-added tax.

"I believe the mere discussion of a VAT overlay on top of our current tax system is dangerous and could move some Washington policymakers further toward an inclination to increase spending by providing more revenue," Hatch wrote.

The advisory board is separate from the fiscal commission Obama created, but Obama has shown a notable deference to the opinions of Volcker, who has spoken out in favor of considering a value-added tax, among other options.

A value-added tax taxes products and materials at every stage of production.

jmason@washingtonexaminer.com

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