President Barack Obama will call for $1.5 trillion in tax increases mostly targeting the wealthy over the next decade as part of a plan to cut the U.S federal deficit by $3 trillion, administration officials said.

Obama’s plan, which he is scheduled to unveil at 10:30 a.m. Washington time today at the White House, will form his recommendations to the 12-member congressional committee charged with finding ways to trim at least $1.5 trillion from the deficit. The panel has a Nov. 23 deadline to reach a deal.

The proposal puts Obama in direct conflict with Republican congressional leaders such as House Speaker John Boehner, who last week said his party wouldn’t accept tax increases and urged the bipartisan supercommittee to focus on scaling back entitlement programs such as the Medicare health-insurance plan for the elderly.

Obama will threaten to veto any deficit plan that reduces Medicare benefits unless wealthy Americans also are asked to pay more in taxes, according to the officials, who briefed reporters on condition of anonymity. While Obama will include Medicare-benefit cuts in his proposal, the administration will insist on tax increases as a condition, they said.

The administration and congressional Republicans are at odds over how to re-ignite the economy, drive down unemployment and grapple with the nation’s long-term deficit. Administration forecasters project the U.S. economy will grow at a sluggish 1.7 percent rate this year and the jobless rate will average 9.1 percent in 2011 and show little change in 2012, when the presidential election takes place.

Medicare Eligibility

To deal with the deficit, Obama won’t support any increase in the eligibility age for Medicare, as he did while trying to negotiate a broad deficit-reduction package with Boehner in July, said one of the administration officials. The officials said Obama only accepted the measure as a concession to Republicans to assure speedy passage of an increase in federal borrowing authority to avert a U.S. debt default.

The administration officials declined to specify what Medicare-benefit cuts Obama will propose, though one said the administration has previously supported a sliding scale of premiums based on income level.

Obama will seek $248 billion in Medicare cuts, including reductions in payments to health-care providers and $72 billion in savings from the Medicaid state-federal health program for the poor, the officials said.

Social Security Untouched

The president won’t propose changes to Social Security, White House officials said. Before negotiations with Boehner fell apart during the summer, Obama accepted altering Social Security’s cost-of-living adjustment formula, which would have lowered annual benefit increases.

Obama also plans to adopt billionaire investor Warren Buffett’s suggestion that the nation’s “mega-wealthy” pay more taxes, prompting one leading Republican to accuse the president of engaging in “class warfare.”

The provision, which the White House is calling the Buffett rule after the 81-year-old chairman and chief executive officer of Berkshire Hathaway Inc., would require taxpayers with incomes of $1 million or more pay at least the same percentage in taxes as middle-income Americans, according to an administration official.

“Class warfare will simply divide this country more,” Republican Representative Paul Ryan, chairman of the House Budget Committee, said on the “Fox News Sunday” program. “It will attack job creators, divide people, and it doesn’t grow the economy.”

Priorities
By proposing to put more of a tax burden on the wealthiest taxpayers and on corporations by ending some tax preferences, Obama is seeking to put pressure on Republicans and frame the argument he is making to voters about the nation’s priorities.

“Should we keep tax breaks for millionaires and billionaires -- or should we invest in education and technology and infrastructure, all the things that are going to help us out-innovate and out-educate and out-build other countries in the future?” Obama said Sept. 12 as he released the legislative text of his jobs plan.

During his bus tour last month through rural areas of Minnesota, Iowa and Illinois, Obama quoted from a New York Times opinion article in which Buffett wrote that the nation’s richest individuals have been “coddled long enough by a billionaire-friendly Congress.” Buffett argued for raising taxes for the “mega-rich” in the U.S.

**Buffett as Adviser**

Buffett has served as an informal adviser to the president since Obama’s 2008 election campaign. He plans to hold a Sept. 30 fundraiser in New York for Obama’s re-election bid.

While Obama hasn’t set a minimum tax for those with $1 million-plus in income, his prime target is the differential between the tax rates on capital gains and ordinary income. Today’s 20-percentage-point difference gives taxpayers an incentive to find ways to reclassify wage income as investment income.

In addition to the cuts in Medicare and Medicaid, Obama also will seek $260 billion in savings from other so-called mandatory programs not subject to annual appropriations, the officials said. While the officials wouldn’t specify which ones, farm subsidies and contributions to retirement programs for federal workers are among those programs.

Another $1.1 trillion would come from savings from winding down the wars in Afghanistan and Iraq, the officials said.

**Jobs Plan**

The jobs plan the president has proposed is a $447 billion package of tax cuts and spending. He proposes to pay for it largely by capping itemized deductions and some exclusions for individuals earning more than $200,000 a year and married couples earning more than $250,000.

He also would tax the carried interest, or profits-based compensation, of private equity managers, real estate investors and venture capitalists as ordinary income, instead of more lightly taxed capital gains, and limit the oil and gas industry’s ability to claim domestic manufacturing deductions for drilling.

Obama will incorporate all those tax proposals in his deficit plan, along with the expiration of the tax cuts passed under the administration of President George W. Bush for individuals making more than $200,000 and couples making more the $250,000, an official said.

The officials said Obama will frame specific changes as only suggestions to the panel and focus on a call for a tax overhaul that meets the revenue target, complies with his Buffett rule and lowers rates.

The tax increases and spending cuts Obama will propose would come on top of the more than $1 trillion in cuts to discretionary spending that he and Congress agreed to when they raised the national debt limit in August, for a total of more than $4 trillion over 10 years.

To contact the reporter on this story: Mike Dorning in Washington at mdorning@bloomberg.net

To contact the editor responsible for this story: Mark Silva at msilva34@bloomberg.net