Spending leaders race to button-up FY 2022 'omnibus' bill before March 11 deadline

Leaders of the House and Senate Appropriations committees are eyeing floor action during the week of March 7 on a sprawling "omnibus" appropriations measure that would fund the government for the remainder of fiscal year 2022. Although the final contours of the bill are not yet agreed to, the package—which may also carry supplemental funding for Ukraine and coronavirus-related assistance programs—currently does not include any changes to the tax code.

Deal appears close

Enactment of the omnibus measure—should it occur next week—would come after lawmakers have resorted to a series of three so-called "continuing resolutions" (CR) to keep the government's doors open during fiscal year 2022, which began on October 1, 2021. The most recent CR was signed into law on February 18 and is scheduled to expire at midnight on March 11. (For prior coverage, see *Tax News & Views*, Vol. 23, No. 6, Feb. 18, 2021.)
URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220218_1.html

The top Democrat and Republican on the Senate Appropriations Committee expressed confidence on March 2 that the spending package—which would bundle together 12 fully fleshed-out appropriations bills funding the government for the remainder of fiscal year 2022 (from March 12 through September 30, 2022) while also directing larger outlays to both domestic and defense-related programs during that period—would come together before the impending expiration of the current stop-gap spending measure.

"We worked late last night and again this morning," said Senate Appropriations Committee Chairman Patrick Leahy, D-Vt. "We'll get it done."

The ranking Republican on that same panel—Sen. Richard Shelby of Alabama—also appeared optimistic about the prospects for a deal.

"We haven't sealed anything, but we're moving positively, and if we . . . keep this up, what we [have to] do is find the end game and close this out," Shelby said.

Additional Ukraine, coronavirus cash could hitch a ride: Adding some complication to the late-stage negotiations, however, is a push by the White House and congressional Democrats to add significant supplemental funding for the government's coronavirus response efforts, as well as military and humanitarian aid to Ukraine, to the omnibus spending bill. On March 3, the White House made formal requests of $22.5 billion and $10 billion, respectively, for those efforts.

"I urge the Congress to address these critical and urgent needs as part of a comprehensive government funding bill ahead of the March 11 funding deadline," Office of Management and Budget Acting Director Shalanda Young said in a letter to House Speaker Nancy Pelosi, D-Calif., and other congressional leaders.

URL: https://www.whitehouse.gov/wp-content/uploads/2022/03/COVID-and-Ukraine-Supplemental-Funding-Request-Pelosi.pdf

While congressional Republicans appear receptive to the aid for Ukraine, the coronavirus relief money could face GOP pushback, as Republicans have indicated that there are substantial unspent sums from prior coronavirus relief bills that should be drawn down before an additional appropriation is made. At press time, it remained unclear exactly how these issues would be resolved, both politically and procedurally.

In any event, close observers of the process do not expect there to be a government shutdown if a broader spending package (that is, the omnibus plus the supplemental spending requests) is not sealed before March 11. In that case, it is generally believed that lawmakers would attempt to buy themselves more time by approving another stop-gap continuing resolution.

Brady: Not expecting tax changes in omnibus

To the disappointment of certain stakeholders, hopes appeared to dim this week that Congress would utilize the omnibus spending measure to also reverse, at least temporarily, a change within tax code section 174—originally enacted as part of the Tax Cuts and Jobs Act of 2017 (P.L. 115-97)—that, as of January 1 of this year, requires certain research expenditures to be amortized over a number of years rather than deducted currently.

While acknowledging that the final details of the omnibus are not yet determined and that staving off the section 174 change has "strong support" from both Democrats and Republicans, the ranking Republican on the House Ways and Means Committee, Kevin Brady of Texas, expressed some doubt on March 1 that the omnibus would carry any tax-related provisions.

"To my knowledge, there are no tax provisions at this point; perhaps that changes," Brady told reporters. (There were indications at press time that congressional leadership and leaders of the taxwriting panels were contemplating the addition of a bipartisan retirement security package.)

In Brady's view, keeping a section 174 change off of the omnibus spending bill likely also would diminish the prospect of including the clutch of expired and expiring tax provisions known as "tax extenders," a number of which impact renewable energy and energy-efficiency investments and would be extended and reformed in a more wholesale way in the Democrats' Build Back Better legislation, which cleared the House last November but remains stalled in the Senate. (See related coverage in this issue for more information on efforts to advance a modified version of that legislation.)

"Tax extenders are the bane of my existence," Brady noted. "Hopefully we can find some common ground by the end of the year."

— Alex Brosseau
Tax Policy Group
Deloitte Tax LLP