

Divided Ways and Means Committee approves budget-related legislative priorities, oversight plans for 118th Congress

The House Ways and Means Committee on February 28 approved a “budget views and estimates” letter for fiscal year 2024 identifying the committee’s legislative priorities for those areas of the federal budget that fall within its jurisdiction and a separate plan outlining the oversight activities that the panel and its subcommittees intend to carry out during the 118th Congress.

Both blueprints cleared the panel solely on the strength of Republican votes, with Democratic taxwriters united in the “no” column.

Ways and Means Committee Chairman Jason Smith, R-Mo., commented in his opening statement at the committee mark-up session that the policy priorities in the two measures reflect a mandate from voters to “hold the Biden administration accountable for abusing taxpayers and squandering their hard-earned money.” Smith specifically called out the American Rescue Plan Act of 2021 (P.L. 117-2), which included emergency COVID relief spending that he contended “sparked the [current] inflation crisis,” and the Inflation Reduction Act of 2022 (P.L.117-169), a measure that, in his view, “handed out billions of tax dollars to subsidize wealthy environmentalists.”

[URL: https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf](https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf)

[URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf](https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf)

Ranking member Richard Neal, D-Mass., defended the Biden administration’s legislative record in his opening statement and contended that the policy documents reflect a “Republican agenda [that] is grounded in using the tax code to benefit the wealthy while leaving workers behind” and appeared to be “crafted to force [Democratic] opposition.”

Views and estimates

The views and estimates letter, which is required under the Congressional Budget Act of 1974, will be sent to the House Budget Committee as that panel gets ready to develop its fiscal year 2024 budget resolution in the coming weeks. (Other House panels will send their own views and estimates letters to the Budget Committee outlining their respective priorities.)

[URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2023/02/Amendment-in-the-Nature-of-a-Substitute-to-VE-LEtter-FY2024.pdf](https://gop-waysandmeans.house.gov/wp-content/uploads/2023/02/Amendment-in-the-Nature-of-a-Substitute-to-VE-LEtter-FY2024.pdf)

On tax policy, the Ways and Means letter broadly pledges to build on the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) to “prioritize tax policies that benefit American workers, families, farmers, and small businesses,” with a specific focus on “reshoring investment and jobs, strengthening our supply chains, growing retirement savings, developing workforce skills and experience, and encouraging small business growth.”

[URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf](https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf)

The letter also notes that that House taxwriters “will closely review full and fair administration of the tax laws by the Internal Revenue Service” as well as the revenue provisions in President Biden’s upcoming fiscal year 2024 budget request. (The White House is expected to release its budget blueprint for the coming fiscal year on March 9. See separate coverage in this issue for comments from the president about some of the revenue provisions that the budget plan will include.)

In a nod to the nascent debate between congressional Republicans and the Biden administration over how to address the federal debt ceiling, the letter states that House taxwriters have “a responsibility to ensure that the United States meets its obligations” but also to “pursue policies to address the growth in the national debt and reduce the need for future increases in the statutory debt limit.”

The US hit the current \$31.381 trillion cap on federal debt on January 19 and the nonpartisan Congressional Budget Office estimated in a recently released report that without congressional action to raise or suspend the statutory debt limit, the government could be at risk of defaulting on its obligations during the third calendar quarter of this year when the agency anticipates the Treasury Department’s ability to use so-called “extraordinary measures” to pay the nation’s bills likely will be exhausted. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 6, Feb. 17, 2023.) Congressional Republicans have called for enactment of a spending reduction package as a condition of raising or suspending the statutory debt limit later this year. The White House and many Democratic lawmakers, for their part, continue to insist that the debt limit should be lifted unconditionally on a “clean” basis and that any deficit reduction talks should include revenue increases and be pursued on a separate legislative track.

[URL: https://www.cbo.gov/publication/58906](https://www.cbo.gov/publication/58906)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230217_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230217_1.html)

Oversight priorities

The Ways and Means Committee’s oversight plan lays out an extensive agenda of hearings and other activities for the panel in the coming two years. (The plan will be submitted to the House Oversight and Government Reform Committee and the House Administration Committee.)

[URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2023/02/Amendment-in-the-Nature-of-a-Substitute-to-118th-Oversight-Plan.pdf](https://gop-waysandmeans.house.gov/wp-content/uploads/2023/02/Amendment-in-the-Nature-of-a-Substitute-to-118th-Oversight-Plan.pdf)

IRS budget and enforcement activities: Notably, the plan states that the committee intends to focus on the IRS’s implementation of the roughly \$80 billion in mandatory funding (over 10 years) that was appropriated to the agency under last year’s Inflation Reduction Act, the massive tax-and-spending package that moved through Congress under budget reconciliation protections and with no Republican support.

Much of that \$80 billion allocation is directed to the agency’s enforcement budget, which the White House and congressional Democrats contend will enable the IRS to invest in customer service and technology upgrades and deploy highly specialized audit teams focused on top-tier corporations, large partnerships, and ultrawealthy individuals to help reduce the “tax gap”—that is, the difference between the dollar amount of taxes legally owed to the federal government and the amount actually paid and collected on a timely basis.

Republicans, meanwhile, have countered that an increased enforcement budget will embolden the IRS to ramp up audit activity directed toward small businesses and middle-class taxpayers—a position that Ways and Means Chairman Smith reiterated at the February 28 mark-up. In a signal that GOP taxwriters remain intent on keeping the agency’s enforcement efforts in check over the coming two years, the oversight plan promises “hearings to discuss and consider restricting the . . . IRS with a service-first focus to better align the tax administrator with a simpler, pro-growth tax code.”

Ways and Means Democrat Bill Pascrell of New Jersey, the ranking member on the panel’s Oversight Subcommittee, objected to that language, arguing that delivering effective customer service and ensuring that all taxpayers pay what they legally owe are not mutually exclusive objectives and that prioritizing service over enforcement will only lead to more tax avoidance among the wealthiest taxpayers.

“Saying that the IRS should be restricted from focusing on tax enforcement is code for protecting the rich,” he said.

More broadly, the committee will look at “IRS funding and staffing levels needed to provide taxpayer assistance and enforce the tax law effectively and efficiently and modernize IRS information technology systems,” as well as the proposed funding and staffing levels recommended in the administration’s budget blueprints for fiscal years 2024 and 2025. Other IRS-focused priorities include the agency’s audit selection procedures and its efforts to monitor tax-exempt organizations, the security of taxpayer data, tax code and tax form simplification, taxpayer identity theft, and fraud and improper payments in certain current-law tax credit programs.

OECD global tax agreement: Also singled out for attention are the Biden administration’s efforts to implement the 2021 global tax reform agreement being advanced by the OECD/G20 Inclusive Framework on BEPS, which would overhaul the tax treatment of certain multinational businesses by creating new nexus rules for allocating taxing rights between countries and imposing a 15 percent global corporate minimum tax.

Chairman Smith and GOP taxwriters on both sides of the Rotunda have contended that, in negotiating the agreement, the Biden administration abrogated congressional prerogatives and made concessions that would leave US businesses at a competitive disadvantage in the global marketplace. (For coverage of Smith’s most recent critiques of the global tax pact, see *Tax News & Views*, Vol. 24, No. 6, Feb. 17, 2023.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230217_3.html

Other priorities: The oversight plan includes more general calls to examine the implementation of tax provisions in legislation enacted in the 116th and 117th Congresses. In addition to the Inflation Reduction Act and the American Rescue Plan, these measures include the Families First Coronavirus Response Act (P.L. 116-127); the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136); the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139); and the Consolidated Appropriations Act, 2021 (P.L. 116-260).

URL: <https://www.congress.gov/116/plaws/publ127/PLAW-116publ127.pdf>

URL: <https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf>

URL: <https://www.congress.gov/116/plaws/publ139/PLAW-116publ139.pdf>

[URL: https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf](https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf)

Economic field hearing set for March 7

In other Ways and Means Committee developments, Chairman Smith announced this week that the panel will hold a field hearing on March 7 to hear from “American workers, farmers, and families” on the state of the US economy in “the heartland.”

The hearing will take place at Express Clydesdales, a horse ranch located in Yukon, Okla. Invited witnesses as of press time include Bryan Jackson, co-founder of Route 66 Processing; Chuck Mills, owner and president of Mills Machine Company, Inc.; Kelli Payne, former president of the Oklahoma National Stockyards; and Joe Brevetti, founder and managing member of Charter Oak Production Co., LLC.

Smith convened a similar hearing last month to discuss economic issues facing taxpayers in Appalachia. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 5, Feb. 10, 2023.) He noted at the Ways and Means Committee’s organizational meeting for the new Congress on January 31 that he intends to hold a series of such events away from Capitol Hill so that House taxwriters can learn “firsthand from Americans about the challenges facing their families and communities and potential ideas to help.”

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230210_3.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230210_3.html)

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