

Default averted as debt limit legislation clears Senate, heads to White House

The Senate has approved and will send to the White House legislation that would suspend the federal debt limit through January 1, 2025, averting the risk of a default on the government's credit obligations that Treasury Secretary Janet Yellen has said would have occurred on June 5 without congressional intervention.

URL: <https://docs.house.gov/billsthisweek/20230529/BILLS-118hrPIH-fiscalresponsibility.pdf>

The Fiscal Responsibility Act—which reflects an agreement negotiated by President Biden, House Speaker Kevin McCarthy, R-Calif., and their respective lieutenants—cleared the upper chamber on June 1 by a vote of 63-36. It was approved in the House on May 31 by a bipartisan vote of 314-117. And like the vote in the House, the measure was opposed by some of the Senate's most conservative members, who felt the associated policy changes did not do enough to trim the size of the government, and by the most liberal members, who thought those changes went too far.

Majority Leader Charles Schumer, D-N.Y., was able to fast-track consideration of the measure after he reached a deal with Republican senators to allow debate and votes on a limited number of amendments. As expected, all of the amendments failed but the process allowed senators who objected to certain elements of the bill a chance to have their position put on the record. (Approval of any amendments would have required the Senate to send the revised legislation back to the House for reconsideration—an outcome that Schumer told his colleagues June 1 would be “entirely unacceptable” and “would almost guarantee default” given the Treasury Department's warning about the June 5 deadline facing lawmakers.)

Schumer also informally agreed to GOP demands to take up a supplemental defense spending bill later this year and to lock-in a timeline for moving the 12 federal appropriations bills for fiscal year 2024 through the chamber by December 31.

Without a unanimous agreement among all 100 senators to expedite the measure, Senate leaders would have had to move it under normal procedural rules—a process that could have taken several days and put the government on a collision course toward default had any member forced all available time to be used.

In addition to suspending the debt limit, the Fiscal Responsibility Act includes extraneous fiscal policy changes such as limitations on federal spending, a reduction in recently enacted supplemental funding for the Internal Revenue Service, new work requirements for participants in certain federal benefits programs, a rescission of unspent COVID relief funds, and an end to the pandemic-related pause in student loan repayments. The Congressional Budget Office has estimated that the bill would reduce the federal deficit by just over \$1.53 trillion between 2023 and 2033. (For additional details, see *Tax News & Views*, Vol. 24, No. 21, May 31, 2023.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230531_1.html

President Biden is expected to quickly sign the Fiscal Responsibility Act into law once it reaches his desk. In a statement released after the legislation was passed in the House, Biden called it “good news for the American people and the American economy. It protects key priorities and accomplishments from the past two years, including historic investments that are creating good jobs across the country. And, it honors my commitment

to safeguard Americans' health care and protect Social Security, Medicare, and Medicaid. It protects critical programs that millions of hardworking families, students, and veterans count on."

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