

## House rank-and-file present tax priorities at Ways and Means ‘Member Day’ hearing

The House Ways and Means Committee on September 14 held a “Member Day” hearing at which Chairman Jason Smith, R-Mo., and other taxwriters heard from lawmakers—mainly Republicans—who are not on the panel about their tax and nontax legislative priorities that fall under the committee’s jurisdiction. In addition to taxation, the expansive roster of issues that Ways and Means oversees includes tariffs and other revenue-raising measures, as well as programs such as Social Security, unemployment insurance, Medicare, enforcement of child support laws, Temporary Assistance for Needy Families, and foster care and adoption programs.

### TCJA concerns

A handful of GOP members made general arguments in favor of reversing certain provisions in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), such as mandatory expensing of research expenditures under section 174 which took effect in 2022 and permanently extending the TCJA’s myriad changes to the individual, estate, and partnership rules that are scheduled to lapse after 2025. Taxwriter Adrian Smith, R-Neb., referred to the pending 2025 cliff as a \$3 trillion “looming fiscal disaster.”

**URL:** <https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf>

Rep. Anthony D’Esposito, R-N.Y., made a forceful argument in favor of raising or eliminating the TCJA’s \$10,000 annual cap on the itemized deduction for state and local taxes (SALT) as part of any forthcoming tax legislation. D’Esposito, who has been an outspoken member of the so-called SALT Caucus, specifically touted the SALT Fairness and Deficit Reduction Act (H.R. 3098), which would extend the cap through 2032, but increase the limitation to \$60,000 (\$120,000 for married couples filing jointly) with annual adjustments for inflation after 2023.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/3098/text>

The issue of modifying or repealing the SALT deduction cap continues to divide Congress, with lawmakers representing jurisdictions with high local income and property taxes arguing for relief and those representing lower-tax jurisdictions generally preferring to leave the cap in place at least through its scheduled expiration after 2025. Disagreements over whether to include SALT relief in the “economic growth” tax package that the Ways and Means Committee approved this past June have impeded Chairman Smith’s efforts to bring that legislation to the House floor. (Efforts to add SALT relief to the Ways and Means legislation during the committee mark-up in June were unsuccessful. For prior coverage, see *Tax News & Views*, Vol. 24, No. 24 June 16, 2023.)

**URL:** [https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230616\\_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230616_1.html)

### Other tax priorities

Most House members who testified at the hearing focused on an assortment of narrower tax concerns.

**Energy-related issues:** Rep. Dan Meuser, R-Pa., spoke in favor of legislation he introduced, the USA Batteries Act (H.R. 1594), which would eliminate lead oxide and certain other chemicals used in batteries from the list of chemicals subject to Superfund excise taxes under section 4661(b).

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/1594>

Reps. Tony Gonzales, R-Texas, and August Pluger, R-Texas, urged the committee to take up the Promoting Domestic Energy Production Act (H.R. 5073) which seeks to ensure that expensing of intangible drilling costs under the tax code does not, in and of itself, lead to liability for the new 15 percent minimum tax on adjusted financial statement income enacted last year as part of the Inflation Reduction Act (P.L. 117-169).

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/5073>

**URL:** <https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc>

**Depreciation, capital gain rules for racehorses:** Rep. Andy Barr, R-Ky., spoke in favor of the Racehorse Cost Recovery Act (H.R. 2926) and the Racehorse Tax Parity Act (H.R. 2927) which would, respectively, make permanent the three-year depreciation schedule for racehorses and reduce the holding period for equine assets to be considered long-term capital assets.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/2926>

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/2927>

**Distilled spirits:** Barr and Resident Commissioner Jenniffer Gonzalez-Colon of Puerto Rico urged the panel to take up bicameral, bipartisan legislation which would make permanent the \$13.25 per proof gallon “rum cover over” that applies to excise taxes on imported rum that are transferred to Puerto Rico and the US Virgin Islands. After 2021, that cover over rate fell to \$10.50 per proof gallon.

**URL:** <https://gonzalez-colon.house.gov/media/press-releases/menendez-gonzalez-colon-cassidy-plaskett-renew-bicameral-and-bipartisan-effort>

Barr also testified in favor of the Duty Drawback Clarification Act (H.R. 4073), which he said would correct an anomaly in the law that advantaged foreign whiskey producers at the expense of Kentucky bourbon makers.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/4073/text>

**Floor plan financing:** Rep. Rudy Yakym, R-Ind., argued in favor of the Travel Trailer and Camper Tax Parity Act (H.R. 3624), which would amend section 163(j) to ensure that recreational vehicle dealers are able to deduct floor plan financing in a manner similar to other vehicle dealers. (The TCJA tightened the rules governing business interest deductibility after 2021, but car dealers were generally protected from that rule on their floor plan financing.)

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/3624>

**Tax-exempt organizations:** Rep. Victoria Spartz, R-Ind., called for passage of legislation she introduced, the Holding Nonprofit Hospitals Accountable Act (H.R. 2859), that would clarify the standards by which nonprofit hospitals can qualify for tax exemption.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/2859>

**Tax treatment of disaster relief payments:** Rep. Doug LaMalfa, R-Calif., urged passage of the Protect Innocent Victims Of Taxation After Fire Act (H.R. 4970), a measure he introduced that would provide an exclusion from gross income for compensation for losses or damages resulting from certain wildfires.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/4970/text>

Rep. Bill Johnson, R-Ohio, argued for legislation he introduced entitled the East Palestine Tax Relief Act (H.R. 1270) that would shield residents and businesses of that community from taxation on any compensation they receive related to the February 3, 2023, train derailment in that city.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/1270>

**Section 529 accounts:** Rep. Mike Collins, R-Ga., argued in favor of the Aviation Workforce Development Act (H.R. 1818), which would make training at Federal Aviation Administration-certified commercial pilot and aircraft maintenance technician schools a qualified expense under tax-favored section 529 plans.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/1818>

Rep. Rob Wittman, R-Va., touted the Freedom To Invest in Tomorrow's Workforce Act (H.R. 1477), which would expand the list of eligible expenses for section 529 plans to include certain career training and credentialing expenses.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/1477/text>

**Family-focused credits:** Rep. Zach Nunn, R-Iowa, spoke in favor of the Fight for Families Act (H.R. 2510), which would make the tax credit for the adoption of children with special needs refundable.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/2510>

Rep. Burgess Owens, R-Utah, argued in favor of the Educational Choice for Children Act (H.R. 531), which would provide charitable donation deductions for individuals and business that fund scholarship awards for K-12 and private education expenses. (In response to Owens' oral testimony, Ways and Means Committee Chairman Smith noted that his panel was planning a hearing on "education freedom" later this fall.)

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/531>

— Alex Brosseau  
Tax Policy Group  
Deloitte Tax LLP

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

#### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).