

House GOP budget writers leave room for ‘pro-growth’ tax cuts in FY 2024 budget resolution

As the House and Senate continued their struggle to lock in an agreement on discretionary spending for fiscal year 2024, which begins in just nine days, the House Budget Committee this week approved a budget resolution for the coming fiscal year that appears to call for extending the temporary tax relief provisions enacted in the Trump-era Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), while also dismantling certain key provisions in President Biden’s Inflation Reduction Act of 2022 (P.L. 117-169).

[URL: https://budget.house.gov/imo/media/doc/fy24_concurrent_resolution_on_the_budget_legislative_text.pdf](https://budget.house.gov/imo/media/doc/fy24_concurrent_resolution_on_the_budget_legislative_text.pdf)

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

[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](https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc)

The resolution is a nonbinding document that lays out the panel’s budget priorities. It is unclear if the committee-approved measure will be brought up for a vote on the House floor, but even if it were to clear the chamber, it would be rejected in the Democratic-controlled Senate.

The Senate Budget Committee, meanwhile, is not expected to put forward a budget blueprint of its own. Democrats on that panel argue that the need for a fiscal 2024 budget resolution—and a fiscal 2025 blueprint, for that matter—was essentially negated by the Fiscal Responsibility Act (P.L. 118-5), the debt limit accord struck by President Biden and House Speaker Kevin McCarthy, R-Calif., that was signed into law in June and which placed statutory limits on discretionary spending for the next two years. (For details on the Fiscal Responsibility Act, see *Tax News & Views*, Vol. 24, No. 21, May 31, 2023.)

[URL: https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf](https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf)

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

House GOP budget plan

The 10-year blueprint cleared by the House Budget Committee on September 20 on a party-line vote of 20-14 purports to reduce the federal deficit by \$16.6 trillion over the next decade and create a \$130 billion budget surplus in fiscal year 2033 through a combination of cuts in discretionary and mandatory spending, regulatory reforms, and increased economic growth.

Tax cut reserve fund: The blueprint also includes a reserve fund to accommodate legislation from the House Ways and Means Committee that is intended “to advance pro-growth tax reforms and improve the tax code.”

Although the blueprint does not elaborate on specific reforms or other tax code changes, House GOP taxwriters noted in the budget views and estimates letter they submitted to the Budget Committee earlier this year that they intend to build on the TCJA by “prioritiz[ing] 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.” (For prior coverage, see *Tax News & Views*, Vol. 24, No. 7, Mar. 3, 2023.) Presumably, this

would mean long-term—if not permanent—extensions of a number of tax relief provisions for individuals in the 2017 legislation, such as income tax rate reductions, a higher alternative minimum tax exemption, an increased estate and gift tax exemption, and a 20 percent deduction for certain passthrough business income, all of which are currently set to expire after 2025.

[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)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230303_3.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230303_3.html)

Other items likely to be on the table include proposals to reverse certain taxpayer-unfavorable provisions related to the treatment of research expenditures, bonus depreciation, and business interest expense that were written into the TCJA for revenue reasons and took effect in recent years. Ways and Means Committee Republicans proposed to reverse these TCJA provisions through 2025 in the American Families and Jobs Act—the formal title of the “economic growth” tax package the panel approved in June along party lines; however, that legislation has not yet reached the House floor. (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)

Some clues on potential offsets: According to an overview of the blueprint released by the Budget Committee this week, the resolution assumes that “pro-growth tax policy is implemented in a deficit neutral way.” That could be an expensive proposition, given that an updated estimate from the nonpartisan Congressional Budget Office (CBO) released in May shows that a permanent extension of the TCJA’s expiring tax relief provisions would increase the deficit by roughly \$3.5 trillion (net) over the 10-year budget window (through 2033).

[URL: https://budget.house.gov/imo/media/doc/chairmans_mark.pdf](https://budget.house.gov/imo/media/doc/chairmans_mark.pdf)

[URL: https://www.cbo.gov/system/files/2023-05/59154-Budgetary-Outcomes.pdf](https://www.cbo.gov/system/files/2023-05/59154-Budgetary-Outcomes.pdf)

Parliamentary rules governing the congressional budget process provide that the legislative text of a budget resolution cannot be “prescriptive” as to policy. Thus, the resolution itself does not identify specific offsets for tax relief; however, the plan’s accompanying policy documents suggest that the blueprint will achieve the GOP’s deficit reduction goals by, among other things, eliminating most of the clean energy tax incentives in the Inflation Reduction Act and chipping away at the roughly \$80 billion in new mandatory funding (over 10 years) that was allocated to the Internal Revenue Service in the 2022 law to, among other things, beef up its enforcement programs.

[URL: https://budget.house.gov/fy-2024-budget-resolution](https://budget.house.gov/fy-2024-budget-resolution)

It’s worth noting that Ways and Means Committee Republicans voted to pare back a significant portion of the Inflation Reduction Act’s clean energy tax title in the economic growth package they marked up in June. Moreover, in one of their first legislative actions of the 118th Congress, House Republicans approved legislation to rescind some \$71 billion of the new IRS funding—specifically, the portions allocated for enforcement activities and operations support. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 2, Jan. 13, 2023.) That legislation—the Family and Small Business Taxpayer Protection Act (H.R. 23)—has not been taken up in the Senate; however, President Biden and Speaker McCarthy reached a “handshake deal” during their negotiations on the Fiscal Responsibility Act providing that subsequent spending legislation would claw back some \$21 billion of the IRS’s mandatory funding and reallocate those dollars toward domestic

discretionary spending accounts. It remains to be seen exactly how this issue will be handled as part of the ongoing fiscal year 2024 spending negotiations.

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230113_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230113_1.html)

[URL: https://www.congress.gov/bill/118th-congress/house-bill/23/text](https://www.congress.gov/bill/118th-congress/house-bill/23/text)

Government funding standoff continues, shutdown threat looms

Those spending negotiations, however, remained firmly stuck in neutral this week as efforts in Congress to advance a set of 12 measures to fund government operations before the new fiscal year begins on October 1—or, alternatively, to move a short-term continuing resolution (CR) that would fund the government at current levels and buy time for lawmakers to work out a more durable spending agreement—proved unsuccessful and the prospect of a partial government shutdown became more likely.

Spotty spending bill scorecard: The House has cleared only one spending bill to date. Efforts this week to move a second measure—authorizing defense appropriations—failed twice after Speaker McCarthy was unable to fend off challenges from some of the most conservative members of the Republican Conference who argued that they would not vote for any individual appropriations bill without first knowing the topline spending number for all 12 bills. (McCarthy leads a razor-thin majority in the House and can afford to lose just four of his members if he expects to pass legislation with only Republican votes.)

Across the Capitol, the Senate has not approved any of its spending measures. Majority Leader Charles Schumer, D-N.Y., had hoped to advance a three-bill appropriations “minibus” this week, but that effort became bogged down after Wisconsin Republican Sen. Ron Johnson raised a procedural objection. Although Johnson’s concerns appear to have been addressed, Senate leaders are now facing the possibility of additional delays in the wake of an objection from Kansas Republican Sen. Roger Marshall, who is demanding a vote on unrelated credit card legislation in exchange for his agreement to move ahead with a vote on the appropriations minibus.

Prospects for continuing resolution looking dim: The outlook for timely passage of a short-term funding measure ahead of the October 1 funding deadline appears equally poor. After initially rolling out a 30-day continuing resolution to the GOP Conference September 18 that was rejected by at least a dozen members, Speaker McCarthy gave in to conservatives’ demands later in the week and floated an alternative stopgap funding bill calling for \$1.47 trillion in discretionary spending—the amount House Republicans proposed this spring in their Limit, Save, Grow Act that is far below the spending caps that were ultimately signed into law in the Fiscal Responsibility Act. (The Limit, Save, Grow Act was approved in the House but was not taken up in the Senate. For details, see *Tax News & Views*, Vol. 24, No. 15, Apr, 28, 2023.)

[URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230428_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/TNV/230428_1.html)

The new draft CR also included an immigration package that the Biden administration opposes, and it would have created a commission to study the federal debt. It notably did not include additional funds for Ukraine aid or domestic disaster relief, priorities that have the backing of most members of the Senate.

There was a tentative plan to have the House vote on the CR Saturday, September 23, but after the vote to begin debate on the full-year defense appropriations bill unexpectedly failed for a second time September

21—leadership thought they had a narrow path to victory—that plan was scuttled. Even after the concessions McCarthy made to the right, it is far from clear whether there is a version of a CR that can win over almost all Republicans—especially considering that McCarthy’s already narrow majority has been squeezed even further recently as a result of some health-related absences on the GOP side of the aisle.

Former President Donald Trump put McCarthy in an even tighter spot on September 20 when he released a post on Truth Social calling for Republicans to use the CR and threat of a government shutdown to defund what he called “political prosecutions against me and other Patriots,” adding that the GOP “failed on the debt limit” (an echo of the complaint among some conservative House Republicans that the speaker made too many concessions to the White House in negotiating the Fiscal Responsibility Act). The former president’s post was viewed by some as the *coup de grâce* for McCarthy’s latest CR proposal.

Even if the House ultimately succeeds in passing a stopgap CR with only Republican votes, that package would stand no chance of being accepted by the Senate, where there is bipartisan support for adhering to the fiscal year 2024 spending caps agreed to in the Fiscal Responsibility Act.

Rep. Steve Womack, R-Ark., laid out the challenge facing House Republicans in comments to *Politico* after a September 20 meeting of GOP members to discuss the most recent proposed stopgap.

“We all get wrapped around the axle about what we’re doing right now, but . . . eventually the Senate is going to get an opportunity to weigh in, and they’re going to send something back to us, and it’s going to look a lot different.” Womack said. “Then we’ll have another bigger decision to make—and that’s when the most emotional, strategic vote will have to take place.”

That “emotional, strategic vote” could be one in which McCarthy decides whether to put a Senate-passed version of the CR—which is expected to include funding at the level agreed on in the Fiscal Responsibility Act, plus Ukraine aid and disaster relief money—on the House floor and relies on Democratic votes to pass it. While that strategy would avert a government shutdown for now, it would also likely trigger an effort by members on the far right to oust McCarthy from his leadership position using a “motion to vacate.” Under new rules McCarthy agreed to this year in order to win the speakership, any one member can force a vote on such a motion in the House—a threat that McCarthy’s opponents have held over him all year. In the face of that threat, there is doubt as to whether the speaker would even bring such a Senate-passed bill to the floor, spurring discussions among some Democrats and Republicans about possible work-arounds to force the issue.

Tax package as part of a year-end omnibus?

If Congress proves unable to reach an agreement on the 12 spending bills needed to fund the federal government before the new fiscal year begins on October 1—an outcome that appears all but certain at this point—it becomes increasingly likely that the eventual funding vehicle will be some type of omnibus spending measure that is approved later this year or early in 2025. Although an omnibus bill potentially could serve as a vehicle for a tax title, some observers see heightened risk that a prolonged partisan spending fight in the coming months (plus Democratic frustration with the new GOP-led impeachment inquiry against President

Biden) could sap the energy and political good will that House and Senate negotiators would need to strike a deal on tax code changes.

House Ways and Means Committee Chairman Jason Smith, R-Mo., nonetheless commented in an interview with *Punchbowl News* on September 20 that an omnibus presents a “good opportunity” for a tax package, noting that he has met several times in recent weeks with Senate Finance Committee Chairman Ron Wyden, D-Ore., to discuss the contours of a potential deal. Smith said that the American Families and Jobs Act should be the foundation of a tax title and that he hopes the House can pass his legislation once he resolves differences within his party over whether to include a provision that relaxes the TCJA’s \$10,000 cap on the deduction for state and local taxes, or “SALT.” (Objections from members of the so-called SALT Caucus, which includes lawmakers in both parties who represent jurisdictions with high state and local income and property taxes, have impeded Smith’s efforts to bring the legislation to the House floor.)

Hinting at the contents of a potential tax bill, Smith specifically cited provisions related to the treatment of research expenditures, bonus depreciation, and business interest expense as ripe for action this year, but he also said that lawmakers could address “traditional” tax extenders, noting that “many of [these] have bipartisan backing.”

[URL: https://www.jct.gov/publications/2023/jcx-1-23/](https://www.jct.gov/publications/2023/jcx-1-23/)

According to Smith, Chairman Wyden is also interested in reforms to the low-income housing tax credit as well as other tax incentives to promote affordable housing.

One potential stumbling block to a deal between the two taxwriting leaders could involve differences over possible enhancements to the child tax credit. Wyden and many Democrats in both chambers have called for expanding the current-law credit—for example, by increasing credit amounts, adjusting refundability thresholds, and making the benefit available in advanceable monthly installments, similar to what Congress did on a temporary basis in the American Rescue Plan Act of 2021 (P.L. 117-2). In the wake of US Census Bureau data released on September 12 showing that child poverty rates increased dramatically after the expiration of the American Rescue Plan provisions, Wyden stated in a news release that “[a]ny end of year tax package must include expansions to the child tax credit.”

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

[URL: https://www.finance.senate.gov/chairmans-news/wyden-calls-for-expansion-of-child-tax-credit](https://www.finance.senate.gov/chairmans-news/wyden-calls-for-expansion-of-child-tax-credit)

Smith, for his part, has in the past suggested that he could accept enhancements to the child tax credit as long as they were coupled with work requirements. In this week’s interview with *Punchbowl News*, however, he appeared to favor narrower changes, stating that he wants to ensure that the credit amount doesn’t fall to \$1,000 (from its current level of \$2,000) after 2025 as currently scheduled under the Tax Cuts and Jobs Act.

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