

Democrats blast House-passed bill that cuts IRS funding to pay for Israel assistance

In one of his first major moves since taking the top spot in the House of Representatives just days ago, Speaker Mike Johnson, R-La., shuttled legislation through the chamber this week that would rescind \$14.3 billion in mandatory funding provided to the Internal Revenue Service as part of the Inflation Reduction Act of 2022 (P.L. 117-169) in order to offset an equivalent amount of military assistance to Israel. But Senate Democrats and the White House quickly blasted the proposal and challenged the veracity of GOP claims that the proposed IRS spending cuts are budgetary “savings.”

URL: <https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf>

The Israel Security Supplemental Appropriations Act, 2024 (H.R. 6126) passed the House on November 2 by a vote of 226-196. Although a dozen House Democrats crossed over to support the legislation, President Biden and Senate Majority Leader Charles Schumer, D-N.Y., have consistently castigated the bill since its introduction, dimming its prospects for success as spending talks continue.

URL: https://rules.house.gov/sites/republicans.rules118.house.gov/files/ISRAELFINAL_xml.pdf

Dead-on-arrival in the Senate

Although most House Democrats may have been eager to support the aid for Israel—including the amount proposed in this bill, which aligns with the Israel component of a recent White House supplemental spending request—the vast majority of the caucus had a relatively easy time dismissing the Republican-drafted aid package as overly partisan.

At the most basic level, “emergency supplemental appropriations” legislation—as the House GOP’s Israel assistance measure was designated—is not customarily offset, by either party, with other budgetary measures.

And the “pay-for” House Republicans chose to offset the Israel aid—that is, clawing-back an equivalent amount of IRS funding that had been provided through the Inflation Reduction Act, most of which is set to be dedicated to enhanced tax enforcement efforts over the coming years, especially with respect to large corporate and high net worth taxpayers—was cast by Democrats as a budget ploy that stands no chance in the Democratic-controlled Senate.

“Speaker Johnson is failing his first test,” Rep. Jake Auchincloss, D-Mass., wrote in a social media post. “Conditioning aid to Israel on helping the rich avoid taxes is cynical partisanship, not leadership.”

Across the Capitol, Senate Majority Leader Charles Schumer, D-N.Y., urged Speaker Johnson before the vote to “quickly change course . . . because this stunningly unserious proposal is not going to be the answer.”

And at the White House, President Biden announced in a statement of administration policy that he would veto the House bill if it reached his desk, adding that the GOP measure “would create a dangerous precedent

of demanding partisan poison pill offsets in return for meeting core national security needs of the United States.”

URL: <https://www.whitehouse.gov/wp-content/uploads/2023/11/Israel-Security-Supplemental-Appropriations-Act-SAP.pdf>

The budget offset that wasn't

Democratic opposition to the measure was cemented further when the nonpartisan Congressional Budget Office (CBO) released a formal estimate—prepared in response to a request from Reps. Steny Hoyer, D-Md., and Brad Schneider, D-Ill.—of the budgetary effects of House Republicans' proposed IRS rescissions.

URL: https://www.cbo.gov/system/files/2023-11/Letter_to_Hoyer.pdf

In that assessment, the CBO projects that the bill's \$14.3 billion cut to the IRS's mandatory funding stream provided by the Inflation Reduction Act would actually increase the deficit by a net amount of about \$12.5 billion over the next 10 years, through the combined effects of a roughly \$14.3 billion reduction in direct spending and a \$26.8 billion reduction in revenues because of forgone tax collections. (It's worth noting that the CBO recently estimated that a proposal by Kentucky Republican Sen. Rand Paul to slice \$25 billion from the IRS's newly increased enforcement budget, which he offered as an amendment to a three-bill “minibus” appropriations package in that chamber, would result in a net increase to the federal deficit of nearly \$23.8 billion over 10 years. Paul's proposed amendment was defeated this week by a vote of 23-74. The minibus appropriations package was subsequently approved by a vote of 82-15.)

URL: https://www.cbo.gov/system/files/2023-10/Whitehouse_letter-SA1226_10-16-2023_1.pdf

This dynamic between enhanced tax enforcement and deficit reduction is well-known to Democratic taxwriters and Democrats relied on it as a key offset when they drafted the Inflation Reduction Act last year, so the results of the CBO's analysis of the House GOP's aid package prompted a wry response from Ways and Means Committee ranking member Richard Neal, D-Mass.

“Told you so,” Neal said in a November 1 news release.

URL: <https://democrats-waysandmeans.house.gov/media-center/press-releases/neal-statement-deficit-increasing-cbo-score-republicans-political-ploy>

Senate GOP has its own views

The House GOP's Israel assistance bill also prompted concerns from a number of Senate Republicans, who were disappointed that the bill does not include additional assistance for Ukraine.

“[T]he threats facing America and our allies are serious and they're intertwined,” said Senate Minority Leader Mitch McConnell, R-Ky., on October 31. “If we ignore that fact, we do so at our own peril.”

McConnell, for his part, supports a \$106 billion aid package put forward by the Biden administration that would not only provide military assistance to Israel and Ukraine, but also provide assistance to Taiwan, fund humanitarian relief efforts, and shore up security on the US southern border.

Senate Appropriations Committee ranking Republican Susan Collins of Maine also gave her backing to a more expansive aid package.

“It’s not only a bill to help our ally Israel, and to assist the Ukrainians in repelling the Russian invasion,” Collins said of the White House proposal. “It also includes funding to help discourage China from its ambitions, and it has absolutely critical money for border security.”

Senate Democrats—led by Majority Leader Schumer—are also standing firmly behind the White House proposal.

It is important to note, however, that the views espoused by McConnell and Collins this week on a global aid package are by no means a consensus position among Senate Republicans, a number of whom would prefer to bifurcate the issues and begin by passing an Israel-only bill. Support for a unified measure like the president’s request faces even more challenges among House Republicans, who are more reluctant than their Senate counterparts to continue to fund the war effort in Ukraine.

November 17 appropriations deadline also looms

The discussion over billions in global aid spending is coming at a time when the nation is also once again moving toward a possible government shutdown, as the current continuing resolution (CR) keeping the government’s doors open is set to expire in just two weeks, on November 17.

In a letter to his GOP colleagues penned during his brief campaign to lead the House, now-Speaker Johnson outlined what he characterized as an “ambitious schedule” for the chamber to clear all 12 individual spending measures required to fund federal government operations for the remainder of fiscal year 2024 which began on October 1. He noted, though, that if a broad-scale agreement on funding is not in place by the time the current CR expires—a near-certainty at this point—he would be open to a stopgap measure “that expires on January 15 or April 15 . . . to ensure the Senate cannot jam the House with a Christmas omnibus.”

During a November 2 press conference, Johnson reiterated that he would favor a CR through January 15. But—somewhat confusingly to many observers—he also mentioned a possible “laddered” CR that would apparently extend programs within particular appropriations measures along a staggered schedule that, in theory, would be designed to compel legislative action on individual spending bills as those various deadlines arrive and, in the process, avoid the type of so-called “omnibus” spending measure that has drawn the ire of conservatives.

Regardless of the duration and structure of any stopgap measure (or measures), Johnson will also have to determine whether funding would be set at the fiscal year 2023 levels in place under the current CR—as supported by congressional Democrats—or if he would instead insist on spending cuts as demanded by more conservative House Republicans during the last round of House and Senate negotiations on a funding patch in the days leading up to the close of fiscal year 2023 on September 30.

Also unclear is whether Johnson would accept a “clean” CR (that is, with no extraneous provisions) or if he would instead demand certain policy riders that are favored by some factions within the Republican Conference but are generally viewed as nonstarters by the Senate and the White House.

Any decisions around whether Congress will move a year-end omnibus spending package or a continuing resolution that extends into next year—and what a CR, if adopted, might look like—will, of course, have to be hammered out by Johnson, Senate Majority Leader Schumer, and Senate Minority Leader McConnell (since such a measure would be unable to overcome a Senate filibuster if all Republicans oppose it), and also be acceptable to President Biden.

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