

House GOP struggles to find a path on appropriations as shutdown deadline looms

House Speaker Mike Johnson, R-La., was forced this week to pull two fiscal year 2024 appropriations bills from the House floor—including one that would provide annual funding to the Internal Revenue Service—on account of GOP defections; meanwhile, House GOP leaders have remained mum on their strategy to keep the government's doors open past November 17, when the current stopgap appropriations measure is scheduled to expire.

Appropriations bills pulled

Speaker Johnson's appropriations troubles began on November 7, when GOP leaders were forced to pull a bill providing full-year funding for the Departments of Transportation and Housing and Urban Development due to dueling concerns among some Republicans about the inclusion of a \$1.5 billion cut to Amtrak funding.

"I've got about eight or 10 people on one side that want more money for [Amtrak] . . .," said Rep. Tom Cole, R-Okla., who chairs the Appropriations subcommittee that oversees the so-called "THUD" spending bill. "[And] I've got eight or 10 who'd probably like to get rid of Amtrak altogether."

That same push-and-pull among moderate and conservative Republicans was on display again two days later when Speaker Johnson pulled the plug on the fiscal year 2024 Financial Services and General Government (FSGG) appropriations bill which provides funding to dozens of federal departments and agencies, including the Treasury Department, IRS, and the Office of Management and Budget.

In this case, the intraparty GOP feud centered on an abortion-related policy rider opposed by some moderates, and funding for a new Federal Bureau of Investigations headquarters, which came under fire from a handful of conservatives including Rep. Matt Gaetz, R-Fla.

The FSGG measure that had been teed up for a floor vote this week would give the IRS \$11.2 billion for fiscal year 2024—\$1.1 billion less than the companion measure awaiting consideration in the Senate.

It is worth noting that the decision to cut bait on the THUD and FSGG appropriations measures, while embarrassing for House Republicans, is likely of little practical short-term import since the bills—both of which include sizable spending reductions relative to fiscal year 2023 levels—face strong opposition from Senate Democrats and the White House.

Johnson still mum on his stopgap funding strategy

Of more immediate concern is how House Republicans intend to prevent large portions of the government from shuttering after November 17. Although Democrats and Republicans remain far apart on fiscal year 2024 appropriations in general, they did come together on a bipartisan basis in late September to pass a "clean" continuing resolution (CR) that continued fiscal 2023 spending levels through next Friday—although Rep. Kevin

McCarthy, R-Calif., likely lost the speaker's gavel because he authored that legislation, which was only able to clear the chamber with support from Democrats. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 33, Oct. 6, 2023.)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/231006_1.html](https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/231006_1.html)

Johnson's ladder: For his part, new Speaker Mike Johnson still has not tipped his hand as to his strategy, though reports suggest he may be leaning toward a so-called "laddered" CR—a novel approach favored by some House conservatives that apparently would extend programs within particular appropriations measures along a staggered schedule, reportedly with deadlines of mid-January and mid-February of next year. In theory, laddering the stopgap deadlines would compel legislative action on individual spending bills as those various deadlines arrive and, in the process, help avoid the type of so-called "omnibus" spending measure that has drawn the ire of House GOP conservatives.

But this approach has come under heavy fire from both Democrats and Republicans in the Senate, raising a high level of doubt that such a plan could actually make it to President Biden's desk.

"That's the craziest, stupidest thing I've ever heard of," Senate Appropriations Committee Chair Patty Murray, D-Wash., said of a laddered CR.

Her GOP counterpart on the Appropriations Committee, ranking member Susan Collins of Maine, echoed Murray's sentiments.

"I have a lot of reservations," Collins said. "I don't see how that would work, and it seems unnecessarily complex. You'd have to go through the threat of shutdowns of part of [the] government over and over again."

A clean CR plus aid to Israel?: Pairing a clean CR with aid for Israel is also apparently under consideration by the speaker. However, last week Johnson pursued—and the House passed, on a largely partisan basis—a \$14.3 billion Israel aid package, offset by an equal amount of cuts to the mandatory funding stream provided to the IRS as part of the Inflation Reduction Act of 2022 (P.L. 117-169), an approach that Senate Majority Leader Charles Schumer, D-N.Y., called "stunningly unserious." (For prior coverage, see *Tax News & Views*, Vol. 24, No. 37, Nov. 3, 2023).

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

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If Johnson again tries to offset the Israel component of such a bill—with spending cuts to the IRS or to other agencies—it surely would again run into a buzzsaw of resistance from congressional Democrats and from President Biden, who has promised that he would veto such a proposal even if it could get through the Senate and reach his desk.

[URL: https://www.whitehouse.gov/wp-content/uploads/2023/11/Israel-Security-Supplemental-Appropriations-Act-SAP.pdf](https://www.whitehouse.gov/wp-content/uploads/2023/11/Israel-Security-Supplemental-Appropriations-Act-SAP.pdf)

House Minority Leader Hakeem Jeffries, D-N.Y., alluded to this reality November 9 when we said House Democrats would not "pay a single right-wing ransom demand" in exchange for keeping the government open.

In Jeffries' view, a clean CR—like the stopgap that is currently in place—that simply extends fiscal 2023 spending levels is the only way to avoid a government shutdown next week.

“A continuing resolution that is at the fiscal year 2023 levels is the only way forward because that's the status quo,” Jeffries said.

Schumer tees up Tuesday CR vote

In a possible attempt to jam the House by sending the chamber bipartisan funding legislation close to the November 17 deadline, Senate Majority Leader Schumer on November 9 began taking steps to advance a piece of legislation that would become the vehicle for a Senate CR. A first procedural vote on that “shell” bill is expected to occur on Tuesday, November 14.

Though the exact contours of that forthcoming CR—including its end date—are still unknown, reports have suggested that Senate Democrats are eyeing a mid-December deadline, potentially setting up another cliff before the holidays that Senate leaders hope will compel action on a broader “omnibus” spending bill that wraps together full-year funding for all 12 federal appropriations measures.

Although it remains to be seen how Senate Republicans will react to Schumer's proposal, at least one GOP senator said that he was not totally averse to such an approach.

“I hate saying this because I don't want to be here for the holidays, but a December date that doesn't require a lot of extensions of other legislation is useful,” said Senate Appropriations Committee member Jerry Moran, R-Kan. “I certainly hope we avoid a later date . . . because it means we'll have less incentive to actually get out of a CR.”

Size of potential tax title comes into focus

In related news, the price tags associated with tax policies that Democratic and Republican taxwriters are angling to attach to a year-end spending bill—or potentially another suitable legislative vehicle—should one materialize—came into clearer focus this week.

Reversing some TCJA business tax provisions: According to Politico, Ways and Means Committee member Kevin Hearn, R-Okla., said November 7 that Republicans were eyeing a \$35-\$40 billion business tax relief package, which presumably would include provisions reversing certain changes that have taken effect pursuant to 2017's Tax Cuts and Jobs Act (TCJA, P.L. 115-97) that have curtailed deductions for research expenditures and business interest expense, and dialed-back immediate write-offs for capital investments.

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

Rep. Ron Estes of Kansas, another House GOP taxwriter, noted separately this week that reversals of those three policies would “ideally . . . last until 2025”—an approach that would line up their next scheduled lapse with the expiration of the vast majority of individual tax code changes made by the TCJA, as well as a host of

other traditional tax extenders—such as the Work Opportunity Tax Credit and the controlled foreign corporation “lookthrough” rule under Subpart F.

Expanding the child tax credit: Meanwhile, also according to Politico, a Senate Democratic aide remarked that Democrats in that chamber have been eyeing a potential short-term expansion of the child tax credit that would come in at around \$49 billion—roughly in the same ballpark as the business-focus package referenced by Rep. Hearn.

Democrats have consistently demanded that any business tax relief this year be paired with a more generous child tax credit, though exactly what changes they are pursuing remains unclear. (Modifications that have been discussed in the past include some combination of increasing the size of the credit, enhancing its refundability, making it payable in advanceable monthly installments, and accelerating the phase-in of the credit’s full value.) And it should be noted that Senate Finance Committee Chairman Ron Wyden, D-Ore., when asked this week, would not divulge any details about ongoing tax talks among his members.

Republicans, for their part, have consistently demanded coupling an expanded child tax credit with parental work requirements, something that was temporarily done away with during 2021, when the credit was significantly expanded—for that year only—as part of Democrats’ American Rescue Plan (P.L. 117-2).

URL: <https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf>

Hurdles remain: The revelation that Republicans and Democrats may be targeting similarly-sized tax packages would seem to be a good sign for those striving to fold a tax title into a year-end spending bill. It is important to note, however, that details remain scarce and, as discussed above, it remains difficult to predict whether any suitable legislative vehicle that could carry such deal will even come together.

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