

## House clears six-bill appropriations package, Senate hits speed bumps ahead of March 8 shutdown deadline

Almost halfway into fiscal year 2024, the House this week finally passed a six-bill “minibus” appropriations measure providing full-year funding for more than a dozen federal departments and agencies; but with action in the Senate delayed while leaders attempted to reach an agreement on amendments with Republican members, it appeared at press time as though a vote on final passage in that chamber might not take place before midnight on March 8, when a stopgap measure providing funding for federal departments and agencies covered under the package is set to expire. President Biden is expected to sign the measure into law as soon as it is presented to him.

### Where things stand

This week’s appropriations package—the Consolidated Appropriations Act, 2024 (H.R. 4366)—cleared the House on March 6 by a vote of 339-85, with Democrats supplying 207 of the “aye” votes, compared to just 132 from Republicans, in yet another demonstration of the continuing divide within the GOP facing House Speaker Mike Johnson, R-La.

**URL:** <https://docs.house.gov/billsthisweek/20240304/HMS31169.PDF>

As has been the case for several important votes this year, Johnson bypassed the House Rules Committee—where three members of the ultraconservative Freedom Caucus effectively hold veto power over what bills can advance to the floor—and instead brought up the measure under an expedited procedure known as “suspension of the rules,” which prohibits amendments, limits debate time, and requires a two-thirds majority for passage rather than the simple majority threshold which normally prevails in the House.

**Delayed in the Senate:** The bill subsequently encountered obstacles in the Senate, however, as Democratic and Republican leaders struggled to reach a time agreement on Republican-proposed amendments on issues such as earmarks and border security. The chamber voted 60-35 on the afternoon of March 8 to limit debate on the measure, which set up a vote on final passage late in the evening of March 8 or early in the morning of March 9. But that timeline presents the risk of a brief partial government shutdown given hard deadline (midnight on March 8) for funding these departments and agencies under the short-term continuing resolution currently in place.

**Policy ‘wins’ for both parties:** The roughly \$460 billion package would fund the Departments of Agriculture, Energy, Veterans Affairs, Transportation, Housing and Urban Development, Interior, Commerce, and Justice through the end of the fiscal year on September 30, 2024.

While both Democrats and Republicans touted various partisan policy wins in the funding measure—for example, Democrats argued that they secured more funding for nutrition assistance and the GOP lauded cuts to the Environmental Protection Agency—in general, the deal adheres to a top-line spending accord struck in January between Speaker Johnson and Senate Majority Leader Charles Schumer, D-N.Y., which itself mirrored a spending caps deal that was negotiated by President Biden and then-Speaker Kevin McCarthy, R-Calif., and

signed into law last June as part of the Fiscal Responsibility Act (P.L. 118-5). (For details on the January agreement, see *Tax News & Views*, Vol. 25, No. 1, Jan. 12, 2024.)

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

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240112\\_1.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240112_1.html)

**Still more difficult work ahead:** Once the current minibus is approved and signed into law, lawmakers will need to turn to the other six fiscal 2024 appropriations measures that still need to be completed, including those providing full-year funding for several departments and agencies that often prove to be politically divisive, including for Defense, Homeland Security, Labor, Education, Health and Human Services, and State. These operations are currently funded at last year's levels through March 22 under a continuing resolution enacted on March 1.

Also due by March 22 is the so-called Financial Services and General Government appropriations measure, which provides full-year funding for the Treasury Department and Internal Revenue Service, among myriad other agencies and offices.

Presumably, this next "minibus" will also include a \$20 billion reduction to the \$80 billion mandatory funding infusion (over 10 years) provided to the IRS as part of the Inflation Reduction Act of 2022 (P.L. 117-169). President Biden and then-Speaker McCarthy had agreed in their Fiscal Responsibility Act negotiations last June to trim that IRS allocation by \$10 billion in each of fiscal years 2024 and 2025 and redirect those amounts to other domestic spending priorities; however, the January deal struck by House Speaker Johnson and Senate Majority Leader Schumer accelerated the reallocation of the entire \$20 billion into fiscal 2024.

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

**No rest for the weary:** Even as lawmakers continue working to close the books on fiscal year 2024 appropriations, less than seven months remain until the start of fiscal 2025, meaning appropriators must move almost immediately toward drafting spending bills for the upcoming fiscal year.

To that end, the House Budget Committee on March 7 marked up a budget resolution (text; executive summary) for fiscal 2025 that purports to balance the federal budget within 10 years by reducing annual appropriations and reforming entitlement programs, while "locking in tax cuts for the middle class and small businesses." (See separate coverage in this issue for additional discussion of this week's House Budget Committee mark-up.)

[URL: https://docs.house.gov/meetings/BU/BU00/20240307/116938/BILLS-118NAih.pdf](https://docs.house.gov/meetings/BU/BU00/20240307/116938/BILLS-118NAih.pdf)

[URL: https://budget.house.gov/imo/media/doc/executive\\_summary1.pdf](https://budget.house.gov/imo/media/doc/executive_summary1.pdf)

However, it is important to note that the House budget resolution stands almost zero chance of being reconciled with any companion budget plan drafted by Senate Democrats and, in any case, the Fiscal Responsibility Act (as affirmed by the Johnson-Schumer top-line spending accord) already includes a statutory cap on fiscal year 2025 appropriations, which as a practical matter negates the need for a budget resolution this year at all.

The Biden administration is also set to unveil its fiscal year 2025 budget plan on March 11. (See related coverage in this issue about the president’s State of the Union address, in which he previewed several of his upcoming budget proposals.)

### **Bipartisan tax bill languishes amid continued Senate bickering**

In theory, the March 22 deadline for approving the second and final tranche of fiscal 2024 appropriations could leave time for Senate leaders to resolve disagreements in that chamber over the \$78 billion Tax Relief for American Families and Workers Act (H.R. 7024), the bipartisan tax bill negotiated between House Ways and Means Committee Chairman Jason Smith, R-Mo., and Senate Finance Committee Chairman Ron Wyden, D-Ore., that was approved in the House by a margin of 357-70 on January 31.

**URL:** <https://www.congress.gov/118/bills/hr7024/BILLS-118hr7024eh.pdf>

The House-passed bill would, among other things, temporarily reverse certain business-unfriendly tax provisions related to the treatment of research expenditures, bonus depreciation, and the deduction for business interest expenses that were included in the Tax Cuts and Jobs Act (P.L. 115-97) but did not take effect until several years after that measure was enacted; enhance the child tax credit and the low-income housing tax credit; and impose new strictures on the pandemic-era employee retention tax credit program.

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

Stand-alone tax bills in the Senate have been rare in recent years, so attaching this one to a larger vehicle such as a must-pass government funding bill has been seen as the more likely route to success for tax legislation this year. But with key Republicans in the Senate continuing to hold out against the package and Senate Finance Committee ranking member Mike Crapo, R-Idaho, insisting that the GOP won’t “rubber stamp” the deal, it currently is unclear if work on the tax bill will be completed in time to move it in concert with appropriations legislation.

In a lengthy statement released February 28, Crapo pointedly noted that “efforts to pressure the Senate to ‘take it or leave it’ and categorically dismiss a Senate regular order process have only amplified calls for changes and amendments. This was the risk of announcing a deal without my support and with no near-term path forward in the Senate.”

**URL:** <https://www.finance.senate.gov/ranking-members-news/crapo-statement-on-status-of-tax-negotiations>

In addition his oft-stated opposition to a “lookback” provision that would allow individuals to claim the child tax credit based on prior-year income (for tax years 2024 and 2025), Crapo also has contended that there are “dozens” of problems that other members have with the bill. For example, he said some Senate Republicans would like to attach additional provisions such as technical corrections to the SECURE 2.0 Act (the retirement security package enacted in 2022) and extensions of some traditional tax “extenders” (for example, the more generous depreciation schedule for racehorses and an increase in limit on cover over of rum excise tax revenues to Puerto Rico and US Virgin Islands, both of which expired at the end of 2021). He also has argued that because Democrats succeeded in adding enhancements to the low-income housing tax credit to the bill,

Senate Republicans should have an opportunity to address their priorities. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 8, Mar. 1, 2024.)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240301\\_1.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240301_1.html)

**Wyden, Crapo spar in the hallway:** But Chairman Wyden argued to reporters March 6 that Crapo’s demands, at this late stage, amount to an “amorphous smorgasbord” of proposals.

“We don’t have a list of what amendments they would like,” Wyden said. “We still don’t have a description of the process they would like.” (Crapo reportedly has asked for a Finance Committee mark-up of the House-passed bill, a request Wyden so far not been inclined to accommodate. Certain senators not on the taxwriting panel have said they would like a chance to offer amendments when the legislation is brought up for a floor vote.)

Told of Wyden’s remarks, Crapo—who happened to be walking by—responded that Democrats “know exactly what I want.”

“They know the issues—they know them very well. There is nothing ‘amorphous’ about it,” he said.

**A tricky path forward:** At this juncture, any option for advancing the House-passed legislation through the Senate is fraught with challenges. Efforts by Majority Leader Schumer to move it on its own could face opposition from GOP senators wary of contradicting Sen. Crapo, who could find himself chairman of the Finance Committee next year if Republicans regain control of the chamber in this November’s elections.

“I’m not going to be one of 10 to 12 Republicans that join every Democrat to pass [the tax bill],” said Sen. Kevin Cramer, R-N.D., on March 6 after a Senate GOP conference lunch during which the legislation was a major topic of discussion.

Complicating matters even further is the fact that a process allowing for amendments that might pass (as opposed to “messaging amendments” that are certain to fail) during either a Finance Committee mark-up or a Senate floor debate risks opening the door to changes not only from Republicans but also from Democrats, and any disruption to the careful balance between business and family tax benefits that Finance Committee Chairman Wyden and Ways and Means Chairman Smith originally reached could put the bill in jeopardy of losing current supporters. Any Senate changes to the legislation also would mean returning the bill to the House for another vote, presenting a further challenge in getting a completed bill to the president’s desk.

Sen. Crapo, for his part, told reporters March 7 that he has “mixed” feelings on the bill’s Senate prospects.

“There’s a lot of hurdles that have to be overcome, and I’m not certain that they can be,” he said. “But I also see that there’s a pathway that they could be, so I’m working on trying to get there.”

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