

## Government shutdown possible as funding deal proves elusive

Efforts by House Republicans to reach an agreement on a short-term spending deal that would keep the government's doors open after the current continuing resolution (CR) funding government operations expires at midnight on December 20 were upended this week after GOP lawmakers, at the behest of President-elect Donald Trump, abandoned a bipartisan stopgap proposal that would have funded federal departments and agencies into next March and included a host of new spending provisions. Instead, lawmakers in both parties rejected a subsequent, slimmed-down measure that would have also lifted the federal debt ceiling for two years.

### Bipartisan funding bill unveiled, then abandoned

The bipartisan bill that House Speaker Mike Johnson (R-La.) negotiated with congressional Democratic leaders and unveiled on December 17 would have funded government operations at fiscal year 2024 levels through March 14, 2025. But that proposal also included an array of unrelated spending provisions such as \$100 billion in disaster assistance, an extension of the current-law farm bill, new funds for certain health care and child-care programs, a cost-of-living salary increase for members of Congress, and a commitment for the federal government to cover the cost of replacing Baltimore's Francis Scott Key Bridge, which collapsed earlier this year after being struck by a freighter.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/10445/text>

Many of the additional spending provisions were included to gain support from congressional Democrats to ensure that the measure would clear the Democratic-controlled Senate and be signed into law by President Biden; however, they drew the ire of President-elect Trump as well as some of those who are in his close orbit, including Elon Musk who will lead an effort (along with Vivek Ramaswamy) to increase government efficiencies.

In messages to Congress delivered through his social media posts, Trump called on the GOP to significantly pare-down the temporary funding bill, stressing that "Republicans want to support our farmers, pay for disaster relief, and set our country up for success in 2025. The only way to do that is with a temporary funding bill WITHOUT DEMOCRAT GIVEAWAYS. . . ."

But the president-elect also added a new demand: an increase in the federal debt ceiling.

"Increasing the debt ceiling is not great but we'd rather do it on Biden's watch. If Democrats won't cooperate on the debt ceiling now, what makes anyone think they would do it in June during our administration? Let's have this debate now. And we should pass a streamlined spending bill that doesn't give [Senate Majority Leader] Chuck Schumer and the Democrats everything they want," Trump stated in a December 18 social media post.

The most recent suspension of the debt limit, which was enacted in the Fiscal Responsibility Act of 2023 (P.L. 118-5), expires on January 1, 2025, but lawmakers typically would have several months after January 1 to raise

or suspend the statutory debt limit, without risking default on the nation's credit while the Treasury Department uses "extraordinary measures" to pay the nation's bills. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 22, June 1, 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.deloitte.com/Newsletters/Tax/2023/TNV/230602\\_1.html](https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230602_1.html)

Shortly after Trump's call for a debt ceiling increase, House Majority Leader Steve Scalise (R-La.) told reporters that the bipartisan funding plan had been officially scrapped, as reported by CNN, and that Republicans were discussing how to include the president-elect's new priority in a revised government funding bill.

House Minority Leader Hakeem Jeffries (D-N.Y.), however, emphasized in a statement issued December 18 that by rejecting the bipartisan funding measure "House Republicans will now own any harm that is visited upon the American people that results from a government shutdown or worse." In remarks the next day, Jeffries argued for keeping the bipartisan funding bill, stating that "[f]amilies will be hurt. Farmers will be hurt. Everyday Americans whose lives were turned upside down by extreme weather events like hurricanes floods and wildfires will be hurt if they don't get the relief that they need and deserve to improve their quality of life."

[URL: https://jeffries.house.gov/2024/12/18/leader-jeffries-house-republicans-will-now-own-any-harm-that-is-visited-upon-the-american-people/](https://jeffries.house.gov/2024/12/18/leader-jeffries-house-republicans-will-now-own-any-harm-that-is-visited-upon-the-american-people/)

[URL: https://jeffries.house.gov/2024/12/19/leader-jeffries-this-reckless-republican-driven-shutdown-can-be-avoided-if-house-republicans-will-simply-do-what-is-right-for-the-american-people/](https://jeffries.house.gov/2024/12/19/leader-jeffries-this-reckless-republican-driven-shutdown-can-be-avoided-if-house-republicans-will-simply-do-what-is-right-for-the-american-people/)

### **Streamlined spending bill unveiled, then voted down**

Republicans unveiled a revised bill later on December 18 to fund federal departments and agencies into mid-March, which included a clean farm bill extension, the \$110 billion disaster aid package previously negotiated with Democrats, several health care provisions, and a two-year suspension of the debt limit, until January 2027.

Trump touted the revised measure on social media as "a very good deal for the American People" and urged House members in both parties to support it during a floor vote that was set for the evening of December 19.

[URL: https://truthsocial.com/@realDonaldTrump/posts/113681499338715649](https://truthsocial.com/@realDonaldTrump/posts/113681499338715649)

But comments from lawmakers earlier in the day signaled that the measure faced a difficult path forward.

House Freedom Caucus member Chip Roy (R-Texas), speaking on the Sean Hannity Show, dismissed the revised proposal as "a watered-downed version of the same . . . bill people were mad about yesterday."

As for getting any Democrat support, Minority Leader Hakeem Jeffries, who was left out of the negotiations for the new measure, told lawmakers in his caucus that, "I'm not simply a no. I'm a hell no," according to comments reported by *Politico*.

The new funding agreement failed to clear the House on December 19 by a vote of 174 to 235 under an expedited procedure known as “suspension of the rules,” which allows for limited debate, no amendments, and passage upon an affirmative two-thirds vote. In all, 2 Democrats joined with 172 Republican to support the stopgap, a margin well short of the supermajority required for passage. Thirty-eight Republicans joined 197 Democrats in the “no” column.

### **Next steps**

House Republican leaders are currently mulling their next steps in the wake of the failed suspension vote. Republicans had not expected the bill to receive the two-thirds vote necessary for passage but were hoping to use the vote to identify any recalcitrant Members who might be persuaded to come aboard later. But with 38 Republicans in the “no” column, that hill seemed too steep to climb.

Speaker Mike Johnson told reporters that Republicans would find “another solution,” according to comments reported in *The Washington Post*, but he provided no additional details.

As this edition of *Tax News & Views* goes to press, reports in *Politico* on December 20 indicate that Johnson has settled on a funding package that would include a clean CR, with a March deadline, a one-year farm bill extension, and the \$110 billion disaster aid package, an already agreed-upon bipartisan provision. Notably absent with this option is a provision to extend the debt limit for two years, to January 2027, which President-elect Trump called for earlier in the week, ultimately demolishing a bipartisan funding agreement that was expected to be signed into law before the December 20 deadline.

It is believed that Speaker Johnson will bring the measure to the floor under suspension of the rules, thus requiring a two-thirds supermajority vote – and Democrat support – for passage, though at press time, it is unclear if Democrats would support this revised attempt. Developments continue to evolve in the waning hours before the midnight deadline as House members work to bring a bill(s) to the floor and get it passed, however, as we get closer, it seems unlikely that both the House and the Senate will clear a funding bill, and President Biden will sign it into law by the end of the day.

— Michael DeHoff and Steven Grodnitzky  
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).