

Trump addresses GOP at retreat, Republicans strategize on how to pass a budget reconciliation bill

In a speech covering a host of issues including border security, energy, defense, tariffs, and more, President Trump at a House Republican retreat in Florida on January 27 expressed his continued support for tax proposals he made during the presidential campaign, and reiterated his promise to permanently extend the soon-to-expire provisions of the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97).

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

House Republicans gathered this week, in part, to strategize over how to pass a party-line, budget reconciliation bill through Congress in the coming months, though President Trump did little to resolve the long-standing debate between House and Senate Republican leaders as he continued to be noncommittal on a preferred approach as to whether congressional Republicans should tackle budget reconciliation in one large bill or instead break the effort into two phases. Trump stated that “whether it’s one bill or two bills, I don’t care...but the end result is the same...and that is to keep people’s taxes low and actually make them lower.”

House and Senate GOP leaders have remained divided on whether the package should be one bill or two. House Speaker Mike Johnson (R-La.) and House Ways and Means Committee Chair Jason Smith (R-Mo.) have argued that Republicans should advance one large reconciliation measure – addressing tax and nontax priorities – relatively early this year. Meanwhile, Senate Majority Leader John Thune (R-S.D.) has countered that Republicans should advance two reconciliation bills, with tax-related changes trailing behind an initial package that would be focused on energy, defense, and border security. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 1, Jan. 10, 2025.)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250110_2.html](https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250110_2.html)

Not all House members, though, have agreed on the one-bill approach, even after the three-day huddle in Florida that was meant to unite the GOP House. The House Freedom Caucus (HFC), for example, in a January 29 post on social media, reinforced their plan for a two-bill reconciliation strategy which is in contrast to Johnson and Smith’s one-bill effort. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 34 Dec. 20, 2024.) HFC would fund border security, modernize the US military, and reverse some of President Biden’s policies in the first bill, while also increasing the debt ceiling for two years. They suggested funding tax cuts in the second bill and contended that their “proposal is a Republican plan that can reach 218 votes.” (For prior coverage, see *Tax News & Views*, Vol. 26, No. 2, Jan. 17, 2025.)

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Senate and House Republicans both working on a budget resolution

It is important to remember that – regardless of whether the GOP ultimately pursues a one- or two-bill strategy – to even put the filibuster-proof budget reconciliation process in motion, House and Senate Republicans first must work together to adopt a joint budget resolution that includes reconciliation

instructions directing congressional authorizing committees to report legislation that conforms to certain agreed-upon fiscal parameters. In short, Republicans will need to agree to a budget resolution that acts as a blueprint outlining recommended spending levels and revenue targets – without going into specific details around policies – which would then set the stage for future legislation that will incorporate the actual fiscal impact, though they could try to sidestep the hurdle by setting nominal amounts of spending and revenue changes and allowing committees to exceed them. If they can reach internal agreement, they will have the ability to pass legislation without having to secure any votes from the other side of the aisle.

House Republicans have not yet declared a top line reconciliation instruction for tax – a tall order given the magnitude of the numbers involved and the current US fiscal outlook. Speaking to reporters on January 29, Johnson said that he is looking to find savings that would be considered a “floor” for a budget blueprint, and not a “ceiling” for total savings. On Thursday, the large and conservative Republican Study Committee laid down their own marker, urging that “reconciliation legislation must reduce the federal budget deficit.” (Earlier this month, the House Budget Committee distributed a staff produced document that lists a wide range of possible offsets and other items that could be considered for inclusion in a tax and spending bill. The options cover a variety of issues crossing jurisdictional committee lines, though it is not necessarily reflective of how any committee will meet its reconciliation instructions for a budget blueprint.) (For prior coverage, see *Tax News & Views*, Vol. 26, No. 2, Jan. 17, 2025.)

[URL: https://www.politico.com/f/?id=00000194-74a8-d40a-ab9e-7fbc70940000](https://www.politico.com/f/?id=00000194-74a8-d40a-ab9e-7fbc70940000)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250117_1.html](https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250117_1.html)

The House GOP is hoping to begin working on a budget document next week as Johnson has laid out an aggressive timeline for getting a joint budget resolution passed, with an initial deadline for House passage by February 10. Absent unusual circumstances, measures like this are not considered on the House floor the same week they are passed out of committee.

“What we’ve been doing is empowering the committee chairs to come up with a list of areas, suggestions and their areas of jurisdiction where some of these cuts can be done,” Johnson told reporters on January 29. “These are meaningful cuts to really reduce the size of the scope of government and get government to be more efficient and effective for people.”

While the House GOP was gathering at a retreat in Florida, Senate Majority Leader John Thune (R-S.D.) made news this week when he declared that the Senate has created their own first budget blueprint to start the process of a two-bill approach which he has supported all along. He stated that the “text is ready” for the first blueprint but acknowledged to Politico on January 29 that he has been “waiting to see what the House is going to do.” The Senate blueprint is expected to include language that would direct relevant committees to report back bills addressing border security, energy, and defense measures, while the House blueprint would include those provisions and the tax cuts all in one. A joint budget resolution would still need to be ironed out by House and Senate Republicans to move the budget reconciliation process to the stage at which committees with relevant jurisdiction produce legislation matching the fiscal targets outlined in the budget resolution.

Trump reiterates tax policy priorities

In addition to permanently extending the soon-to-expire tax cuts in the TCJA, Trump said at the Florida retreat that he intended to keep his promises that he made during the presidential campaign last year to eliminate federal tax on Social Security benefits, tips and overtime pay – three proposals that would add to an already estimated high price tag. (The non-partisan Congressional Budget Office (CBO) estimated in May of last year that the 10-year cost of permanently extending all of the lapsing provisions of the TCJA would come in at about \$4.6 trillion – including additional debt service costs – and that number, when updated this year, will very likely grow even larger now that the 10-year budget window has shifted forward to include yet another year in which the TCJA is assumed to be expired under current law.)

URL: <https://www.cbo.gov/publication/60114>

Trump also proposed to further reduce the corporate tax rate from 21 percent (it was 35 percent before it was reduced by the TCJA) to 15 percent, but only for domestic manufacturing – for those corporations that “make their products in America” – which he said would result in “so many businesses moving back into our country.”

The new president stressed in his address to the GOP that the package of tax cuts that he anticipates will be included in a Republican bill – from a proportionate standpoint – will benefit the lower-income taxpayers more than it will benefit those with higher incomes, an argument regularly made by congressional Republicans in support of extending the soon-to-expire Trump tax cuts. Trump also asserted that, if the tax cuts in the TCJA are not extended, there will be “about a 60 percent” increase in taxes.

How do you pay for it?

The House’s fiscal conservatives have expressed their frustration as to how a party-line budget reconciliation package would be paid for and have called for deep cuts in spending to reduce the growing deficit.

For his part, President Trump has touted imposing tariffs on foreign countries as one way to bring in money for the fisc, including imposing tariffs on foreign production of computer chips, steel, aluminum, copper, and others. He said at the retreat that “instead of taxing our citizens to enrich foreign nations, we should be [imposing] tariffs and taxing foreign nations to enrich our citizens.”

Several countries have recently come under the president’s radar since he unveiled his tariff policies to raise money to “make America rich again.” Trump said that “if they don’t make their products in America, they should pay a tariff which will bring in trillions of dollars into our treasury from countries that never paid us [the United States] 10 cents.”

Trump made it clear, though, that benefits for seniors are not to be used to pay for a party-line budget reconciliation bill. He told the GOP that “I will not sign any bill that cuts even a single penny from Medicare or Social Security for our great seniors,” and further stressed that “those benefits will not be touched.”

Republicans need to stick together

Unity was one of the themes Trump conveyed as he urged congressional Republicans to “stick together” to pass his legislative agenda, while at the same time, he recognized the razor slim majority in the House. (House Republicans currently hold just 218 seats in the chamber – and that is expected to shrink to 217 if Elise Stefanik is confirmed, as expected to be the US Ambassador to the United Nations – compared to 215 for Democrats, with 2 seats vacant, leaving the GOP with the narrowest of margins on any party-line legislation that comes to the floor, at least that is, until special elections are held in the coming months to fill those vacancies.)

Trump indicated that, with the House, the Senate, and the White House in Republican control, “we are a team – a really good team,” and although a slim majority can make it difficult for passing legislation, it can also be “unifying” for the party.

Though most House Republicans are unified behind the Republican party leadership, it is not a uniform sentiment. Several of them expressed disappointment with the “results,” or lack thereof, from the retreat, signaling cracks in the “unified” party mantra which could jeopardize the votes the GOP will need to pass party-line legislation.

Rep. Chip Roy (R-Texas), for example – an outspoken deficit hardliner and member of the House Freedom Caucus – declined to travel to Florida with his colleagues this past week and posted on social media that he was “in Texas with his family and meeting with constituents rather than spending \$2k to hear more excuses for increasing deficits and not being in DC to deliver Trump’s border security \$ ASAP.”

[URL: https://x.com/chiprotx/status/1884270790205661603](https://x.com/chiprotx/status/1884270790205661603)

Rep. Marjorie Taylor Greene – who attended the GOP House retreat – posted on social media on January 29 that, “after two days...we still do not have a plan on budget reconciliation and our Speaker and his team have not offered one.” She added that “next time we meet, I hope to know a framework of our plan and I hope this doesn’t turn into another bill with thousands of pages dumped on us with less than 72 hours to read it all before we have to vote on the eve of another government shutdown.”

[URL: https://x.com/RepMTG/status/1884579123470757912](https://x.com/RepMTG/status/1884579123470757912)

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