House GOP approves budget reconciliation plan, but intra-party talks must continue to bridge differences with Senate blueprint

By the thinnest of margins, House Republicans this week approved a fiscal year 2025 budget resolution designed to kick-off the budget reconciliation process – that is, the filibuster-proof parliamentary maneuver that the GOP intends to leverage to move much of President Trump's tax and spending agenda; but the contours of the House plan perpetuate a long-standing divide with the Senate as to whether Republicans' reconciliation ambitions should be accomplished in one bill or two, meaning that intraparty, bicameral talks must continue before the GOP can fully unlock the powerful procedural tool.

Down to the wire

The House budget plan (H.Con.Res. 14) cleared the chamber 217 – 215 on February 25 after a fierce day of lobbying by House Speaker Mike Johnson (R-La.), and President Trump himself, to turn the votes of a handful of GOP holdouts who had voiced opposition to various aspects of the plan.
URL: https://www.congress.gov/119/bills/hconres14/BILLS-119hconres14rh.pdf

In the end, only Rep. Thomas Massie (R-Ky.) aligned with all Democrats and voted "nay" on the budget resolution – drafted by House Budget Committee Chairman Jodey Arrington (R-Texas) and shuttled through his panel on February 13 – that would set-up a broad, all-in-one approach to reconciliation this year that marries together roughly $300 billion in combined additional funding for defense and border security, a $4.5 trillion "deficit increase" reconciliation instruction for the Ways and Means Committee intended to accommodate tax policy, a slew of "deficit reduction" instructions for other authorizing committees that are designed to generate at least about $1.5 trillion in budgetary savings from mandatory spending programs, and a $4.0 trillion increase in the statutory debt ceiling.

Given their exceedingly small House majority – which currently stands at 218 – 215 and which could shrink further as the Senate is expected to confirm Republican Rep. Elise Stefanik of New York as President Trump's nominee to serve as ambassador to the United Nations – GOP leaders in that chamber have been adamant that congressional Republicans should pursue only one reconciliation bill this year that, in their view, would better allow them to pull a variety of policy levers in their effort to bring conservative and moderate members into basically perfect lock-step.

[Note that the GOP majority is expected to grow, at least slightly, in early April when special elections will be held in Florida to fill two currently vacant seats previously held by Republicans that the party is expected to retain.]

Stark contrast to Senate-passed plan: The House-approved plan differs markedly from the budget resolution drafted by Senate Budget Committee Chairman Lindsey Graham (R-S.C.) and approved by Senate Republicans during the early hours of February 21.

In particular, the Senate's plan (S.Con.Res. 7) envisions a two-step reconciliation effort, with the first step (that is, the budget passed in the Senate last week) paving the way for a roughly $300 billion, fully-offset spending package that would bolster defense, border security, and domestic energy programs, while deferring action on tax policy – including securing an extension of expiring provisions within the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) and potentially enacting certain tax proposals espoused by President Trump (such as providing some form of tax relief on tip and overtime income, and providing a tax break on domestic manufacturing income) until later a second budget can be passed this year. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 8, Feb. 21, 2025.)
URL: https://www.congress.gov/119/bills/sconres7/BILLS-119sconres7es.pdf
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250221_1.html

The Senate plan is also silent on the statutory debt limit, a must-pass measure that some Republicans see as better suited for bipartisan negotiations with Democrats, perhaps in conjunction with appropriations for the remainder of fiscal year 2025 (more on that below).

Big sticking points remain

Adopting a budget resolution is a critical and a necessary step in the reconciliation process. Provided strict parliamentary and procedural rules are met, legislation moved under this process can pass the House and Senate with simple majority votes, making it a powerful tool for Republicans who control 53 Senate seats, short of the three-fifths majority – that is, 60 votes – normally needed to advance legislation under regular order in that chamber.

But it is important to remember that – regardless of whether the GOP ultimately pursues a one- or two-bill strategy – in order to even put the filibuster-proof budget reconciliation process in motion, House and Senate Republicans first must work together to adopt a single identical budget resolution that includes reconciliation instructions directing congressional authorizing committees to report legislation that conforms to certain agreed-upon fiscal parameters.

That means that the current divide between the two chambers not only as to whether the GOP's fiscal ambitions should be accomplished in one step or two, but also the size and duration of any TCJA extension, the scope of mandatory spending cuts, and whether a debt limit increase should be included in a reconciliation bill still have to be hammered out between House and Senate Republicans before committee chairs can truly know what reconciliation instructions their panels have to meet.

Tax policy specifics – and baseline – still in flux: Although some GOP senators expressed openness to changing to a "one bill" approach after the House's approval of its budget plan, leaders in the upper chamber did not accede to the specific reconciliation instructions within that blueprint.

Senate Majority Leader John Thune (R-S.D.), for example, said that the House budget was "a first step in what will be a long process, and certainly not an easy one."

On tax policy in particular, it is generally understood that the $4.5 trillion instruction to the Ways and Means Committee likely would not be sufficient to accommodate a permanent extension of the TCJA – something that Thune, Senate Finance Committee Chairman Mike Crapo (R-Idaho), and other GOP senators have become increasingly vocal about. Indeed, an estimate by the nonpartisan Congressional Budget Office (CBO) from May of last year suggests that it would cost about $4.6 trillion just to extend the TCJA's lapsing provisions for ten years. And that figure may grow larger should CBO provide an updated estimate over the new ten-year budget window which runs from fiscal year 2026 through fiscal year 2035. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 17, May 10, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240510_2.html

What's more, President Trump continues to be vocal about several items he campaigned on last year, including excusing federal taxes on tip and overtime income and providing a lower corporate tax rate or other tax benefit for domestic manufacturing. (The president also espouses eliminating taxes on Social Security benefits, although changes to Social Security law are prohibited as part of budget reconciliation.)

The total cost of these changes could run into the hundreds of billions of dollars, or potentially more, depending on how they are structured.

For his part, House Ways and Means Committee Chairman Jason Smith (R-Mo.) had been pushing for a larger, $5.5 trillion instruction for his committee that in theory might have accommodated a ten-year TCJA extension and enactment of certain Trump tax policies. But that figure had to be reduced to win the support of certain fiscal conservatives in his chamber.

The two chambers also differ markedly in terms of the budget baseline against which they want their tax plans to be measured by the CBO.

In practical terms, utilization of a "current policy" baseline is the only pathway by which Senate Republicans could deliver on their stated goal of making the TCJA permanent, including years past the ten-year budget window. That is because the statutory rules governing budget reconciliation require, in part, that bills passed under the process cannot increase the deficit over the long-run and would thus require Republicans to identify and enact trillions of dollars in permanent tax and/or spending offsets. (It is that same rule that essentially required the GOP to sunset many pieces of the TCJA after 2025 and still maintain the TCJA's filibuster-proof status when it was enacted in 2017.)

Under a current policy approach, the cost of extending the TCJA would be baked into the budget baseline, thereby erasing any apparent cost associated with the policy, at least as it is reported by the CBO.

"I know my Senate colleagues are committed to, as is the president, permanence in the tax situation," said Senate Majority Whip John Barrasso (R-Wyo.). "And we don't have it yet in the House bill so we're going to work together in a cooperative way."

Regardless, it remains unclear whether the Senate parliamentarian – the ultimate arbiter of the reconciliation rules – will permit any GOP reconciliation bill(s) to be measured against anything other than current law, which has been customary for decades. In theory, GOP senators could overturn the parliamentarian's ruling, but some have expressed reservations that such a nullification would be tantamount to eliminating the legislative filibuster, something moderate members of both parties have been loath to do.

Furthermore, a number of GOP fiscal hawks – especially in the House – have indicated that regardless of the baseline used for scoring, they will demand any reconciliation legislation be cognizant of the large and growing mismatch between revenues and spending, a reality that House Speaker Mike Johnson (R-La.) alluded to in remarks to reporters on February 26.

"We have a once-in-a-generation opportunity to change the trajectory of where we're going, and to reduce spending," Johnson said. "So we use every opportunity we can to do that, and that's what they want to ensure. It's not really about which policy is accepted. It's about how much we're actually going to save."

Mandatory spending – how much and where to cut?: Another major sticking point relates to the scope of mandatory spending cuts envisioned under the House budget plan. Specifically, although seven authorizing committees would be charged with reporting a sum total of at least about $1.5 trillion in spending savings, three committees in particular – the Agriculture Committee, the Energy and Commerce Committee, and the Committee on Education and Workforce – would carry the bulk of that load, receiving "deficit reduction" instructions of $230 billion, $880 billion, and $330 billion, respectively.

Additionally, although it is not entirely clear whether it would be allowable or enforceable in the Senate, the House budget plan includes a trigger of sorts in the form of a "policy statement" stipulating that the Ways and Means Committee's reconciliation instruction will be reduced dollar-for-dollar to the extent other authorizing committees are unable to identify at least $2 trillion in mandatory spending cuts. Thus, for example, if committees are only able to report $1.5 trillion in savings (as in accordance with their explicit instructions) the Ways and Means Committee's "deficit increase" instruction would be reduced from $4.5 trillion to $4.0 trillion.

Although the heavy lobbying effort by House GOP leaders and President Trump was successful in securing their votes on the high-level budget blueprint, a number of moderate House Republicans have expressed reservations about what the savings instructions to the aforementioned three committees could mean for programs under their jurisdictions, including Medicaid, food stamps, student loans, and Pell grants.

Those concerns exist across the Capitol in the Senate as well.

"There are going to be a lot of concerns over the Medicaid cuts," said Sen. Josh Hawley (R-Mo.). "I realize it is just a broad instruction to that committee, but I think there will be concerns about that and what that may lead to."

Debt limit in or out?: Another significant point of difference between the chambers' budget blueprints that will have to be ironed out among Republicans relates to the statutory debt limit.

Pursuant to the Fiscal Responsibility Act of 2023 (FRA, P.L. 118-5), the debt limit was suspended until January 1, 2025. Since that time and as it has done several times in the past, the Treasury Department has been employing so-called "extraordinary measures" to ensure that federal borrowing remains under the cap and a default is avoided. The Treasury has not yet provided an estimate of when the headroom provided on account of these measures will expire and the federal government will have to raise or further suspend the debt limit.
URL: https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf

One GOP senator – Rand Paul of Kentucky – laid down a hard line this week against including a debt limit lift in any Republican reconciliation bill.

"Acquiescing to a $4 trillion increase in the debt ceiling is for me a non-starter," said Sen. Paul, who was the lone GOP dissenter to the Senate's budget plan. "It basically acknowledges that this year the government's going to be $2 trillion short."

Importantly, if the GOP opts to leave debt limit policy out of any forthcoming reconciliation legislation, they will have to rely on the assistance of congressional Democrats to stave off default.

Government funding deadline looms

In that vein, the upcoming deadline to keep the government funded beyond March 14 when the current continuing resolution keeping the government's doors open is set to expire has been discussed as a potential bipartisan avenue by which the debt limit could be raised or further suspended. [Annual appropriations cannot be changed as part of the budget reconciliation process; as a result, congressional Democrats and Republicans must arrive at a bipartisan funding solution – whether it be a suite of fully fleshed out appropriations bills or another continuing resolution – in the near-term to prevent a shutdown.]

However, the political dynamics around the government funding debate have taken on a significantly different tone in recent weeks – influenced in part by the Trump administration's attempt to in some cases "impound," or freeze spending programs that previously have been appropriated by Congress, which Democrats argue runs afoul of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) and potentially even the US Constitution which stipulates that the president is responsible for "taking care that the laws be faithfully executed."
URL: https://www.congress.gov/93/statute/STATUTE-88/STATUTE-88-Pg297.pdf

"We are all working to try and get an agreement and move forward," said Sen. Patty Murray (D-Wash.), the ranking Democrat on the Senate Appropriations Committee on February 27. "We are asking for our Republican colleagues to assure us [that] … when we pass bills, they're going to be followed by this White House."

But her Republican counterpart on the other side of the Capitol appeared to throw cold water on the idea of Congress pushing back on the White House as part of an appropriations accord.

“We’re pretty far apart still on trying to limit presidential powers,” said House Appropriations Committee Chairman Tom Cole (R-Okla.). “I don’t think you’re likely to see a Republican House and Republican Senate try to limit a Republican president.”

“There’s not much middle ground there,” Cole continued. “You either have it or not. The president has to sign it, so it can’t be something that he decides he doesn’t want to sign.”

Also factoring into the debate is the fact that under the aforementioned Fiscal Responsibility Act of 2023 which, in addition to suspending the debt limit, also placed statutory caps on appropriations for fiscal years 2024 and 2025 and provided that a “sequester” would be triggered if full-year appropriations were not enacted into law by April 30 of either year.

These dynamics have led some observers to conclude that another continuing resolution at current funding levels, perhaps through the end of the fiscal year which concludes on September 30, may be the most likely outcome lawmakers utilize to avoid a shutdown. Late on February 27, President Trump posted on social media that he is supportive of that approach, which may give congressional leaders some lift in securing votes of their members who are often skeptical of temporary funding bills.

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