

Long-term ‘continuing resolution’ poised to become law as GOP lawmakers continue hunt for bicameral budget reconciliation plan

The Senate approved by a margin of 54-46 a House-passed continuing resolution (CR) that will keep annual appropriations flowing, with a few key exceptions, roughly at current levels beyond March 14, when the current CR keeping the government’s doors open is set to expire; meanwhile, House and Senate Republicans continued their search for middle ground on the filibuster-proof budget reconciliation process they intend to leverage to move much of the president’s tax and spending agenda

CR v. traditional approps

The shift in focus toward utilizing another CR to avoid a government shutdown comes after weeks of bipartisan negotiations among the leaders of Congress’ appropriations panels – House Appropriations Committee Chairman Tom Cole of Oklahoma and Ranking Member Rosa DeLauro of Connecticut, and Senate Appropriations Committee Chair Susan Collins of Maine and Vice Chair Patty Murray of Washington – on a 12-bill suite of fully fleshed-out appropriations bills failed to bear fruit.

Although the so-called “four corners” of the Appropriations panels came close to an agreement on overall spending levels for the remainder of fiscal year 2025, a persistent sticking point in those talks has been the Trump administration’s recent attempts to “impound,” or freeze spending for 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](https://www.congress.gov/93/statute/STATUTE-88/STATUTE-88-Pg297.pdf)

The CR that simply allows appropriations to continue flowing to federal agencies at their current levels would not eliminate Democrats’ concerns around impoundment, but it became clear that their efforts to insert language putting additional guardrails around how the appropriated funds would be spent would not be accepted by Republicans.

The Senate

Since the House passed its GOP-authored measure on Tuesday, Senate Democrats have had a difficult decision to make – either help their Republican counterparts in the Senate, and President Trump for that matter, by providing some of the 60 votes they need to pass the House-approved CR or the federal government would shut down. Several Senate Democratic lawmakers have already indicated that they would not support the House-passed measure.

Sen. Elizabeth Warren of Massachusetts referred to the measure as a “shutdown bill.”

“A budget is a reflection of our values. This proposal makes crystal clear where Republicans’ values lie. After months of bipartisan talks, they’re walking away from the negotiating table and offering a non-starter House bill that forces us to the brink of a full government shutdown.”

“And who would that hurt the most? Working people. Billionaires win, families lose. Republicans’ values are clear,” she added.

Sen. Patty Murray of Washington, vice chair of the Senate Appropriations Committee, called on the Senate to reject the House Republicans’ CR and pass a one-month measure so that House and Senate appropriators can complete their work on a full funding package for the remainder of the fiscal year.

Republicans, for their part, have set the stage to place the blame on the Democrats should the CR not clear the Senate, and a shutdown ensue.

“We’re about to find out whether Senate Democrats care more about the American people or putting on a dramatic act for their base. Let’s hope we can avoid the Schumer Shut Down,” said Sen. Tom Cotton (R-Ark.) in a social media post on March 12.

URL: <https://x.com/TomCottonAR/status/1899803217636085998>

At the end of the week, Minority Leader Sen. Charles Schumer of New York took to the Senate floor and said he would vote to advance the Republican funding measure to avert a government shutdown.

“I believe it is my job to make the best choice for the country to minimize the harms to the American people. Therefore, I will vote to keep the government open and not shut it down,” signaling that there are likely enough Democratic lawmakers in the Senate who plan to vote for the House-passed measure.

After Schumer’s approval (and votes on three Democratic amendments, and an amendment from Republican Sen. Rand Paul of Kentucky), the Senate worked quickly the following day to get the CR cleared through the upper chamber to send to President Trump for his signature by midnight to avert a government shutdown. The measure was approved by the Senate. The vote on final passage came after a motion to invoke cloture, which required a 60-vote supermajority for approval. The motion cleared the chamber by a margin of 62-38, with 9 Democrats and 1 Independent who caucuses with the Democrats voting in favor.

House Democrats’ response: House Minority Leader Hakeem Jeffries of New York – along with Minority Whip Katherine Clark of Massachusetts and Democratic Caucus Chair Pete Aguilar of California – issued a joint statement, without referring to Schumer, and declared that the Republican-authored CR will be detrimental to the American people and opposed it. They indicated that “House Democrats are ready to vote for a four-week continuing resolution that keeps the government open and returns all parties to the negotiating table. That is the best way forward.”

URL: <https://democraticleader.house.gov/media/press-releases/joint-leadership-statement-government-funding-bill-senate>

IRS loses an additional \$20 billion: The House-passed measure to provide federal funding through September 30 would extend a \$20 billion rescission to certain mandatory funding for the IRS that was agreed to in the Fiscal Responsibility Act (P.L. 118-5). (The agency originally received a 10-year, \$80 billion infusion of mandatory funding under the Inflation Reduction Act (P.L. 117-169).) Passage of this CR would mean half of that funding had been repealed.

URL: <https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf>

URL: <https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf>

Republicans still working to thread the needle on budget reconciliation blueprint

Meanwhile, with respect to the concurrently moving, filibuster-proof budget reconciliation process, House and Senate Republicans this week continued their behind-the-scenes efforts to arrive at a bicameral agreement designed to move major tax and spending legislation later this year without the input of congressional Democrats.

Given their exceedingly small House majority – which currently stands at 218 – 213 – GOP leaders in that chamber have been adamant that congressional Republicans should pursue only one reconciliation bill that, in their view, would better allow them to pull a variety of tax and spending policy levers in their effort to bring conservative and moderate members into lock-step.

But the Senate’s approach to budget reconciliation, so far at least, envisions a two-step effort, with the first step focused on the enactment of a roughly \$340 billion, fully-offset spending package that would bolster defense, border security, and domestic energy program, 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 other tax proposals proposed by President Trump and congressional Republicans – until later this year.

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

Those competing reconciliation visions are encapsulated in the House and Senate budget resolutions – H.Con.Res. 14 and S.Con.Res. 7 – which cleared the respective chambers on party-line bases in recent weeks. (For prior coverage of the two budget blueprints, see *Tax News & Views*, Vol. 26, No. 9, Feb. 28, 2025.)

URL: <https://www.congress.gov/119/bills/hconres14/BILLS-119hconres14rh.pdf>

URL: <https://www.congress.gov/119/bills/sconres7/BILLS-119sconres7es.pdf>

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250228_1.html

Big sticking points remain: Adopting a budget resolution is a critical and necessary step in the reconciliation process – the filibuster proof parliamentary maneuver that the GOP intends to leverage to move much of President Trump’s tax and spending agenda. (Provided strict parliamentary and procedural rules are met, legislation moved under budget reconciliation can pass the Senate with a simple majority vote, not the three-fifths majority – or 60 votes – normally needed to advance legislation under regular order in that chamber.)

But it is important to remember that in order to even begin the filibuster-proof budget reconciliation process, House and Senate Republicans first must work together to adopt a joint budget resolution – in identical form –

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, the baseline against which proposed tax policies should be measured, 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: On tax policy in particular, it is generally understood that the House budget resolution's \$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 Senate Majority Leader John Thune (R-S.D.), Senate Finance Committee Chairman Mike Crapo (R-Idaho), and other GOP senators have become adamant about in recent weeks. 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.

What's more, President Trump continues to be vocal about excusing federal taxes on tipped 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; that said, some other type of tax benefit for seniors could be substituted.)

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 – which would likely be a very challenging political proposition. (It is that same rule that essentially required the GOP to sunset much 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. It is for this reason that Senate Finance Committee Chairman Crapo and many other Senate Republicans have been vocal proponents of leveraging a current policy approach as part of this year's budget reconciliation effort.

However, 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.

Even one of Crapo's Republican colleagues on the Finance Committee – Sen. Todd Young of Indiana – made similar remarks this week.

"I want us to pursue fiscal reform as opposed to tax reform," Young told reporters on March 11. "What I have asked is that they explain to me how we're going to get to figure out some spending savings so that I'd be more comfortable with the current policy approach."

Furthermore, 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.

"We think the law is pretty clear," Majority Leader Thune said. "...but these things are all subject to discussion and arguments made in front of the parliamentarian."

Those discussions and arguments – often referred to as the "Byrd Bath" since much of their focus is on determining whether reconciliation legislation complies with statutory constraints named after the late Sen. Robert Byrd (D-W.V.) – typically do not take place until after a budget resolution is adopted and committees have reported their respective elements of the broader bill.

Trump takes position: President Trump waded into the battle over how to score a tax package that would extend the soon-to-expire (and expired) provisions of the TCJA and other proposals he has made over the past year. At a March 13 meeting at the White House with GOP senators, he indicated that he would be in favor of the "current policy" baseline.

Crapo dishes on potentially expansive tax reconciliation bill

During remarks at a March 12 event hosted by the US Chamber of Commerce, Senate Finance Committee Chairman Crapo – who is often relatively circumspect in his public remarks – went into considerable detail about his ambitions for tax legislation this year.

In addition to continuing his argument in favor of utilizing a current policy baseline for determining the official cost of extending those portions of the TCJA that expire at the end of this year, Crapo also enumerated several other policies that he feels could, or should, be included in any reconciliation bill.

“It’s a bigger deal than everybody is focused on,” Crapo said.

Among those additional policies Crapo wants included are a return to expensing for research expenditures, reinstating 100 percent bonus depreciation, and going back to a looser standard for deducting net business interest expense – elements that were present at the onset of the TCJA, but have since expired and begun phasing-out in recent years.

“Those three must be built back into the bill,” Crapo said, admitting that reinstating those provisions on a permanent basis would carry a price tag of about \$500 billion over a decade – a cost that would not disappear on paper under current policy conventions given that they are already lapsed or phasing-out. (see the Tax Relief for American Families and Workers Act of 2024 (H.R. 7024) – a 2024 bill that has addressed these provisions)

[URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2024/01/AINS-to-H.R.-7024.pdf](https://gop-waysandmeans.house.gov/wp-content/uploads/2024/01/AINS-to-H.R.-7024.pdf)

Crapo also made reference to Trump campaign proposals, such as exempting tips and overtime income from federal taxes, and offering a special tax benefit for US manufacturers, saying the cost of such proposals “could be another \$300-\$500 billion, [or] another \$3 or \$4 trillion of cost,” depending on how they are structured.

“There must be provisions in this bill for the president’s priorities,” Crapo said. “He is the one who signs the bill.”

The Finance Committee chairman also name-checked the current \$10,000 limit on the deduction for state and local taxes (SALT) as a policy that will have to be relaxed in some way to appease certain House Republicans, as well as providing “an additional boost” to the child tax credit. [Pursuant to the TCJA, the maximum child tax credit is set to be cut in half after 2025, falling from \$2,000 per child currently to \$1,000 per child next year.]

Finally, Crapo said he has received almost 200 tax proposals from fellow Senate Republicans – ranging from repealing the estate tax (a policy recently argued in favor of by Senate Majority Leader Thune) to expanding the low-income housing tax credit and incentives for investing in so-called Opportunity Zones.

All of these policies would carry additional cost, regardless of the baseline Republicans use.

“None of these are current policy. These [all have] a price tag. So the price of this bill grows,” Crapo said, while later acknowledging that one “could safely say we’re not going to do all of this.”

“I wanted to be clear that this isn’t just about the TCJA,” he said. “The TCJA is the most critical portion of this, and we must achieve it, and we will achieve that. ...[S]ome of the others have to be achieved as well. So that’s the chore we’re working on.”

Mum’s the word for House GOP taxwriters: Across the Capitol, House Ways and Means Committee Chairman Jason Smith (R-Mo.) met at least twice this week with Republicans on his panel to begin working through the potential details of a House tax plan which again, cannot be completely framed-in until the both chambers agree on a budget resolution that lays out specific reconciliation instructions to the various authorizing committees and makes a determination as to which budget baseline – current law or current policy – any reconciliation bill will be measured against.

But members were reluctant to share any details of those discussions.

“I’m not talking about anything associated with our ongoing deliberations,” Rep. Blake Moore (R-Utah) told reporters on March 12. “We’re in a new phase – everything was hypothetical three months ago.”

“I hope you’re not finding anybody who is willing to talk.”

— Alex Brosseau
Tax Policy Group
Deloitte Tax LLP

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