

GOP leaders eye vote on compromise budget plan that would punt hard choices on tax, spending cuts

Republican leaders in the House and Senate this week indicated they hope to move a compromise budget resolution over the next two weeks that would effectively allow the two chambers to go their own separate ways on reconciliation legislation with the goal of merging their disparate visions for a filibuster-proof tax-and-spending bill at a later stage in the process; meanwhile, the nonpartisan Congressional Budget Office (CBO) suggested that the statutory debt limit could be reached by August, or earlier if tax receipts come in weaker than expected – a dynamic that has become intertwined with reconciliation.

Live to fight another day?

As GOP leaders envision it, this approach would involve the House and Senate passing a budget resolution that lays out *different* reconciliation instructions to each chamber's authorizing committees – a major break from custom which typically involves the two chambers agreeing on reconciliation instructions that are mirror-images as to their overall fiscal impact and differing only insofar as committee jurisdictions vary between the chambers.

GOP leaders' apparent decision to agree to disagree – for now – comes after several weeks of unsuccessful behind-the-scenes efforts to arrive at a bicameral agreement on a budget framework designed to facilitate the passage of major tax and spending legislation later this year without the input of congressional Democrats.

Senate vote next week?: According to Senate Majority Leader John Thune (R-S.D.), the upper chamber could vote on such a compromise budget resolution as soon as the week of March 31. Thune and other Republican leaders have expressed a strong desire to have a joint House-Senate budget resolution in place – and the reconciliation process unlocked – before Congress's two-week Easter recess, which is scheduled to begin on April 14.

Even if the Senate acts quickly, however, House Majority Leader Steve Scalise (R-La.) suggested this week that the House may not take up the revised budget plan prior to the upcoming legislative break.

"We have to take a look at what they do if they make any changes," Scalise said on March 27. "But we want to keep this process moving quickly."

Big issues yet to be resolved

Given their exceedingly small House majority – which presently stands at 218 – 213, with four vacancies – GOP leaders in that chamber, including Speaker Mike Johnson (R-La.), Ways and Means Committee Chairman Jason Smith (R-Mo.), and Budget Committee Chairman Jodey Arrington (R-Texas), have been adamant that the Senate should accept their reconciliation plan that would require at least \$1.5 trillion in spending cuts (including an \$880 billion savings instruction to the Energy and Commerce Committee that some moderate Republicans fear could require politically difficult cuts to Medicaid, as well as \$230 billion and \$330 billion

instructions to the Agriculture and Education and Workforce Committees, respectively, which could implicate funding for food stamps, Pell Grants, and student loans), allow up to \$4.5 trillion in net tax cuts (the specifics of which would be ironed out by Ways and Means Republicans), and raise the statutory debt limit by \$4.0 trillion.

“The Senate should take up the [House] budget resolution and the targets [within] because we spent months preparing and executing on a very challenging exercise,” Budget Chairman Arrington said on March 25.

The Senate’s initial reconciliation approach, however, envisioned a two-step effort, with the first step focused on the enactment of a roughly \$300 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 espoused by President Trump and congressional Republicans – and additional spending changes until later this year.

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

[The two chambers’ 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; *Tax News & Views*, Vol. 26, No. 11, March 14, 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

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250314_1.html

‘One big, beautiful bill’ looking more likely: Importantly, Senate Republicans have largely acceded to the House’s preference of moving a single reconciliation bill that marries together tax and spending policy.

But beyond that, the chambers are still at odds over a number of critical policy issues.

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 Thune, 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 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. (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 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 has advocated for 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 in.)

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

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 likely 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 the current policy approach, the cost of extending TCJA policies that have not yet lapsed 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 in both chambers 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.

“I don’t agree with [the] current policy baseline,” Ways and Means Committee member Greg Murphy (R-N.C.) said this week. “At first I was fine to look at it either way, but the more we get into what we’re dealing with in Ways and Means, I can’t agree with that.”

“Schweikert and I look at it very, very similarly,” Murphy added, referring to fellow GOP taxwriter David Schweikert of Arizona.

GOP Rep. Tom McClintock of California expressed similar views on March 25.

“I am very skeptical of any accounting gimmickry that reduces pressure to reduce ... spending,” McClintock said.

Senate parliamentarian to rule on baseline soon: Furthermore, it continues to remain unclear whether the Senate parliamentarian, Elizabeth MacDonough, will agree the GOP reconciliation bill can 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.

According to Senate Majority Leader Thune, however, a ruling from the parliamentarian may be imminent as the two parties prepare to make their closing arguments to her in a yet-to-be scheduled meeting.

“If we’re going to move the budget resolution, we’ll have to have that question answered,” Thune said March 26.

Debt limit ‘X-date’ comes into clearer focus

In a related development that could factor heavily into the timing with which congressional Republicans attempt to send a reconciliation bill to President Trump’s desk, the CBO on March 26 predicted that the so-called “extraordinary measures” currently being employed by the Treasury Department to provide headroom under the statutory debt limit “will probably be exhausted in August or September 2025” while cautioning that a May or June deadline to raise or suspend the ceiling could be necessary if, for example, tax receipts associated with the April 15 individual filing deadline and June 15 corporate estimated payment deadline come in lower than expected.

URL: <https://www.cbo.gov/publication/60887>

Another recent analysis issued by the Bipartisan Policy Center pegged the “X-date” – or the date on which the government will not be able to meet all of its legal obligations in full – as occurring sometime between mid-July and early October.

URL: <https://bipartisanpolicy.org/debt-limit/>

As mentioned above, the House-approved budget resolution would allow for filibuster-proof passage of a \$4.0 trillion increase in the government’s borrowing limit. And President Trump has suggested on several occasions that he would prefer to raise the cap under reconciliation rather than attempting to stave off default by way of bipartisan negotiations with congressional Democrats.

But that is not a consensus position among all Senate Republicans.

“They’ve lost me,” said Sen. Rand Paul (R-Ky.), a steadfast opponent of raising the debt limit under reconciliation. “There will be other conservatives who they will lose, and the whole thing goes down.”

Among the other GOP senators who have expressed concerns about passing a debt limit increase in reconciliation are Sens. Ron Johnson of Wisconsin, Mike Lee of Utah, and Rick Scott of Florida.

“I don’t want to vote for a debt ceiling [increase],” said Sen. Scott. “I want to balance the budget. If you balance the budget, then you don’t have to worry about the debt limit.”

But for now, at least, Republican leaders are eyeing the debt limit as a potential forcing mechanism to galvanize support for the broader GOP reconciliation effort.

“We all know Congress needs a deadline to get anything done,” a senior GOP aide granted anonymity told *Politico*. “This is the new deadline.”

What about specifics of the tax bill?

Though congressional Republicans in both the House and the Senate primarily focused their attention this week on how to advance a joint budget blueprint, in identical form, there was still some discussion of the specifics of an underlying tax package the GOP intends to pass using fast-track budget reconciliation procedures.

The estate tax exemption, for example, was discussed this week on the floor of the Senate. Under current law, the exemption in 2025 is \$13.99 million per taxpayer, up from \$13.61 million in 2024, however, if the provision is not extended beyond the end of this year, that amount would decrease to a base amount of \$5 million. Majority Leader Thune, though, has continued supporting the repeal of the estate tax altogether as he remarked on March 26. (Thune also introduced the Death Tax Repeal Act of 2025 (S.587) on February 13 that would repeal the estate and generation-skipping transfer taxes. The bill was referred to the Senate Finance Committee.)

URL: <https://www.congress.gov/bill/119th-congress/senate-bill/587/text>

“And I continue to advocate for eliminating the death tax once and for all, so that no farmer or rancher has to worry about whether the family farm or ranch will be able to stay in the family after they pass.”

Meanwhile, at a March 25 event hosted by *Punchbowl News*, House Ways and Means Committee member Nicole Malliotakis (R-N.Y.), went into some detail about her priorities for a tax bill this year, including restoring relief for the state and local tax (SALT) deduction which she has advocated for in the past.

“Coming from New York, this is really important,” she said.

“The reason we need SALT relief at the federal level is because my mayor [and] my governor tax people to death.” She added that the federal government will address this issue and provide relief for “middle-class families.”

The issue of modifying or repealing the SALT deduction cap has continued to divide rank-and-file members of Congress, with Republican lawmakers representing jurisdictions with high local income and property taxes, such as New York, New Jersey, and California, arguing for relief while those representing lower-tax jurisdictions generally oppose raising the cap on the deduction which was limited to \$10,000 in the TCJA but is set to expire at the end of 2025.

Malliotakis also indicated her support for reducing taxes for senior citizens but acknowledged that changes to Social Security law are prohibited as part of budget reconciliation; that said, she has introduced two bills on February 7 that she maintained would reduce the tax burden on America’s seniors. (H.R. 1130, the Bonus Tax Relief for America’s Seniors Act and H.R. 1129, the Tax Relief Unleashed for Seniors by Trump Act)

URL: <https://www.congress.gov/bill/119th-congress/house-bill/1130/text>

URL: <https://www.congress.gov/bill/119th-congress/house-bill/1129/text>

Like Malliotakis, Sen. Pete Ricketts (R-Neb.) introduced a bill on March 25 that would cut federal taxes on Social Security benefits – the Social Security Check Tax Cut Act (S. 1109).

URL: <https://www.ricketts.senate.gov/wp-content/uploads/2025/03/2025-03-25-Social-Security-Check-Tax-Cut-Act-text.pdf>

“Social Security and veterans’ benefits should be completely tax-free,” said Ricketts. “We need to provide relief at the federal level, just like we did in Nebraska. My bills will boost retirement income and ensure seniors and veterans keep more of their hard-earned money – just as President Trump promised.”

Messaging: Democratic and Republican lawmakers on Capitol Hill have expressed far different messages when discussing the proposed extensions of the TCJA provisions (expiring and expired), and other priorities of President Trump. Just this week, Ways and Means Committee Chairman Smith issued a press release and remained very focused on the benefits to small businesses from extending the tax provisions.

“Congress must provide certainty to the 26 million small businesses who rely on the 20 percent small business deduction that tax relief is on the way. This will bring about investment and growth for our economy right now instead of waiting until next year. The Ways and Means Committee is committed to delivering on President Trump’s mandate to extend his successful tax cuts and usher in a new golden age of American prosperity for small businesses, workers, and farmers.” (text of Smith’s remarks on small businesses)

URL: <https://waysandmeans.house.gov/2025/03/18/small-businesses-will-boost-gdp-by-150-billion-annually-from-extension-of-trump-tax-cuts/>

By contrast, Democratic Minority Leader Hakeem Jeffries of New York concentrated his remarks at a March 24 press conference on the benefits to the wealthy at the expense of everyone else, particularly with the potential loss of Medicaid. Jeffries indicated that the GOP’s budget plan would result in the “largest Medicaid cut in American history.” He said that it “will hurt children, hurt families, hurt seniors, hurt veterans and hurt everyday Americans.” He further maintained that the GOP plans to cut Medicaid so that it “can give Elon Musk and their billionaire MAGA donors a massive tax cut...” (text of press conference remarks)

URL: <https://democraticleader.house.gov/media/press-releases/leader-jeffries-house-democrats-are-going-do-everything-we-can-stop-their>

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