

Senate poised to clear revised budget plan with split-screen reconciliation framework, but House GOP not yet sold

Senate Republican leaders this week released a revised budget resolution that lays out widely divergent reconciliation instructions, and different baselines for measuring the fiscal impact of tax policy, between the two chambers. The plan, which GOP senators hope to approve as soon as April 5, 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 – that is, if the House also passes the revised plan in identical form.

URL: https://www.budget.senate.gov/imo/media/doc/senate_amendment_h_con_res_14.pdf

This is Senate Republicans' second effort at unlocking reconciliation this year, after their first budget resolution (S.Con.Res. 7) – which envisioned a two-step process with tax policy deferred until passage of a second budget later this year – fell flat among key House members, including Speaker Mike Johnson of Louisiana and Ways and Means Committee Chairman Jason Smith of Missouri. (For prior coverage of the two chambers' initial 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/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

The upper chamber voted 52-48 on April 3 on a procedural motion to pave the way for consideration of the budget blueprint that covers tax, defense, energy, and border security measures. The motion to proceed did not garner any Democratic support, while one Republican – Sen. Rand Paul of Kentucky – voted against moving to consider the budget resolution forward.

Absent a unanimous agreement to shorten debate time, a budget resolution is typically afforded 50 hours of debate on the Senate floor, followed by a so-called “vote-a-rama” – a period in which an unlimited number of amendments can be offered and voted upon without debate. Given these procedural dynamics and the likelihood that one or both parties may not use their entire allotted debate time, it is expected that the budget blueprint will come up for a final Senate vote during the early morning hours of April 5.

Agreeing to disagree – for now

The revised budget resolution put forward by Senate Majority Leader John Thune (R-S.D.) and Senate Budget Committee Chairman Lindsey Graham (R-S.C.) on April 2 represents 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, and comes after several weeks of unsuccessful 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.

In essence, the latest Senate GOP plan retains the reconciliation instructions included in the budget resolution (H.Con.Res. 14) passed by House Republicans on February 25 – which, among other things, would require at least \$1.5 trillion in spending cuts primarily by way of savings instructions of \$880 billion, \$230 billion, and \$330 billion, respectively to the Energy and Commerce, Agriculture, and Education and Workforce Committees, allow up to \$4.5 trillion in net tax cuts (the specifics of which would be ironed out by Ways and Means Committee Republicans), and raise the statutory debt limit by \$4.0 trillion – and then layers on a starkly different set of instructions for the various “reconciled” Senate committees.

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

For example, on the spending side of the ledger, the latest plan calls for a quartet of Senate committees – including the Agriculture, Banking, Energy, and Health, Education, Labor, and Pensions (HELP) panels – to each report legislation that reduces the deficit “by not less than” \$1 billion over the next decade. Senate GOP leaders have stressed that these savings instructions – which pale in comparison to the House’s – should be viewed as “floors” on spending cuts that are designed to be exceeded while also giving the Senate maximum flexibility to structure a fiscal plan that cuts as much spending as internal Republican politics will allow without jeopardizing the bill’s filibuster-protected status if specific savings thresholds are not met.

Indeed, several moderate Senate Republicans have expressed concern that the House’s instructions could require significant – and politically difficult – cuts to programs like Medicaid, food stamps, student loans, and Pell Grants as a condition of ensuring party-line passage.

Senate instructions key-off ‘current policy’ baseline; House leverages ‘current law’

Another major difference between the two chamber’s reconciliation instructions relates to the revenue baseline against which their respective tax policy changes would be measured.

It is generally understood that the House’s \$4.5 trillion instruction to the Ways and Means Committee likely would not be sufficient to accommodate a permanent extension of the Tax Cuts and Jobs Act (TCJA, P.L. 115-97) – 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 (including additional debt service costs) just to extend the TCJA’s lapsing provisions for ten years. [An updated estimate released April 3 by the nonpartisan Joint Committee on Taxation (JCT) in response to a request by House and Senate Democratic taxwriters pegged the cost even higher – at \$5.5 trillion – but that includes the cost of retroactively extending certain lapsed TCJA provisions (see below), something CBO’s estimate from last year did not fully incorporate].

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

URL: https://www.finance.senate.gov/imo/media/doc/wyden_merkley_neal_boyle_release_new_estimate_of_republican_tax_planpdf.pdf

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 in.)

It is also well-known that Republicans would like to reverse recent changes pursuant to the 2017 TCJA that have required amortization of certain research expenditures, tightened rules governing the deduction for net business interest expense and are phasing-out 100 percent bonus depreciation.

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

That is why Senate Republican leaders – in this most recent budget resolution – are leveraging a so-called “current policy” concept that would in effect bake into the revenue baseline any cost associated with extending certain tax policies that have not yet lapsed, while also providing the Finance Committee with another \$1.5 trillion in net fiscal space to, for example, restore already-expired provisions and enact certain new Trump tax proposals. [The House’s \$4.5 trillion tax instruction, by contrast, is referenced against the customary “current law” baseline which assumes laws play out as they are currently enacted and is the yardstick by which the nonpartisan CBO and JCT produce most of their budget estimates.] Note, that is a net number, which means the gross amount of tax cuts could be higher if Republicans agree to include various spending cuts or base broadening provisions that raise additional revenue.

Notably, Senate Republicans made their decision to leverage current policy – which has not been utilized before in the context of reconciliation – without the formal approval of the Senate parliamentarian, Elizabeth MacDonough. As recently as last week, though, Majority Leader Thune suggested that her decision would be important to how Republicans structured their reconciliation instructions in the Senate.

Instead, Republicans appear to have reached a level of comfort that Senate Budget Committee Chairman Graham – pursuant to section 312 of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344) – has the unilateral authority to determine the budget baseline.

[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)

“As Budget Chairman, under section 312 of the Congressional Budget Act, I have the authority to determine baseline numbers for spending and revenue,” Sen. Graham said in statement released on April 2. “Under that authority, I have determined that current policy will be the budget baseline regarding taxation.”

[URL: https://www.budget.senate.gov/chairman/newsroom/press/chairman-graham-i-am-confident-we-will-rise-to-the-occasion#:~:text=Under%20that%20authority%2C%20I%20have,will%20tremendously%20boost%20the%20economy.](https://www.budget.senate.gov/chairman/newsroom/press/chairman-graham-i-am-confident-we-will-rise-to-the-occasion#:~:text=Under%20that%20authority%2C%20I%20have,will%20tremendously%20boost%20the%20economy.)

Importantly, it is at least possible that the Senate parliamentarian could still issue an adverse opinion on Senate Republicans’ current policy approach. In theory, GOP senators could overturn such a ruling with a simple majority vote, but some have expressed reservations that such a nullification would be a major step toward eliminating the legislative filibuster, something several members of both parties have been loath to do.

House deficit hawks grumble

Whether the Senate's more flexible approach to tax and spending policy will be salable with fiscal conservatives in the House remains unclear. Recall, the filibuster-proof reconciliation process can be unlocked only upon passage of a budget resolution – in identical form – through both chambers of Congress.

For his part, House Budget Committee Chairman Jodey Arrington (R-Texas) expressed doubt that the Senate committees would follow-through on reporting spending cuts far in excess of their \$1 billion “floors”.

“If they’re not enforceable then, more than likely, it won’t happen,” Arrington said.

“I can’t imagine any world where deficit hawks in the House would ever walk away from the reconciliation process with the deficit going up at the rate it would with that [Senate] framework,” Arrington continued. “I would have tremendous concern.”

Other House Republicans took issue with the Senate’s current policy baseline as it relates to tax policy, arguing in effect that no matter the baseline, projected deficits and debt will rise if tax cuts are extended without budget offsets.

“I think it’s going to be very hard to get that passed through the House,” Ways and Means Committee member Lloyd Smucker (R-Penn.) said of the Senate plan. “It’s going to be hard for me to vote for that. We’ve got to do this in a fiscally responsible way.”

Trump is key?: It remains to be seen whether the influence of President Trump will be necessary – and able – to sway the opinions of potential House holdouts such as Reps. Arrington and Smucker, as well as other GOP members like taxwriters Greg Murphy of North Carolina and David Schweikert of Arizona who have said they do not support the utilization of a current policy revenue baseline.

“At the end of the day, President Trump’s going to have to be involved, particularly in the House,” said Senate Finance Committee member Thom Tillis (R-N.C.). “If we’re getting hung up on the priorities of one or two House members, we need to get President Trump to get them to recognize what’s at stake if we fail.”

Any tax specifics?

Although GOP Senate lawmakers focused on adopting a new budget resolution that included both tax and nontax priorities this week, several congressional Republicans and Treasury Secretary Scott Bessent also addressed the substantive elements of an underlying tax package the GOP plans to pass via fast-track budget reconciliation procedures.

Tips, Overtime, and Social Security: On *Fox News*, Bessent told Sean Hannity that not only will the extension of the 2017 TCJA provisions be made permanent, but President Trump’s campaign proposals—eliminating taxes on tips, Social Security, and overtime – will also be implemented.

Because changes to Social Security benefits are prohibited as part of budget reconciliation, alternative tax benefits for seniors could be considered. Last week, GOP taxwriter Nicole Malliotakis of New York introduced legislation that she argued would reduce the tax burden on America's seniors. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 12, March 28, 2025.)

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250328_1.html

American cars: Bessent further stated in the *Fox News* interview that "we are going to make purchasing an American car tax deductible again."

A day later, Sen. Bernie Moreno (R-Ohio) introduced a bill that would allow Americans to write off interest on auto loans for US-made cars – the United States Automobile Consumer Assistance and Relief Act (USA CAR Act) (text of bill).

URL: <https://www.moreno.senate.gov/wp-content/uploads/2025/04/MCG253791.pdf>

"For decades, the American auto sector has been devastated by bad trade deals and bad leaders, who shipped American manufacturing jobs overseas while flooding our market with cheap foreign cars," said Moreno.

URL: <https://www.moreno.senate.gov/press-releases/new-moreno-bill-to-allow-americans-to-write-off-interest-on-auto-loans/>

"Thanks to President Trump, we are finally ensuring every car sold in America is made in America and that working Americans can actually afford to buy a car in the first place. I'm proud to lead the way in the Senate," Moreno added.

During his campaign last fall, President Trump advocated for making the interest payments on car loans tax deductible provided the car is made in America. He reiterated this proposal in his joint address to Congress last month but has not clarified what constitutes an American-made automobile. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 10, March 7, 2025.)

URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250307_1.html

Carried interest: Republican Sen. French Hill of Arkansas made news this week on a provision that President Trump has advocated as a way to bring down the net cost of a reconciliation bill, namely by taxing carried interests as ordinary income. Hill, the Chairman of the House Committee on Financial Services, told *Punchbowl News* on April 3 that he does not support such a change.

"I think that it is an important component of long-term finance across the country in many, many different kinds of businesses from commercial business to venture capital...to oil and gas development." He referred to it as "a long-term investment tool."

International tax: Late last week, House Ways and Means Committee Republican Ron Estes of Kansas, joined by all the GOP taxwriters, reintroduced the Unfair Tax Prevention Act (H.R. 2423) that would tighten the US base erosion and anti-avoidance tax (BEAT) rules for companies based in jurisdictions that impose an undertaxed profits rule (UTPR) or other extraterritorial tax on US multinationals.

URL: <https://www.congress.gov/bill/119th-congress/house-bill/2423/text>

According to a high-level summary of the bill in Rep. Estes' press release, the legislation would:

- Define "foreign-owned extraterritorial tax regime entities" (FETR entities) as foreign-controlled entities connected with entities operating in jurisdictions with extraterritorial taxes aimed at US business operations, including the UTPR surtax;
- Strengthen the BEAT rules by eliminating the 3 percent base erosion percentage floor and the \$500 million gross receipts test for FETR entities;
- Revoke the ability of FETR entities to disregard certain service payments and payments subject to withholding taxes, and treat 50 percent of cost of goods sold as a base erosion tax benefit; and
- Accelerate the scheduled BEAT rate increase and tax credit changes for FETR entities.

"The OECD and their so-called Under Taxed Profit Rule in Pillar 2 is a disgraceful surtax that disproportionately impacts US job creators and our country's economic competitiveness by targeting our companies for foreign treasuries' gains," said Estes.

[URL: https://estes.house.gov/news/documentsingle.aspx?DocumentID=5926](https://estes.house.gov/news/documentsingle.aspx?DocumentID=5926)

"Ways and Means Republicans stand behind President Trump, who has clearly stated that he will protect American interests in any global tax negotiations, in defending our tax base from unfair extraterritorial taxes by foreign countries. Our allies and partners should take note – abandon the UTPR surtax," he added.

During the last Congress, Estes, House Ways and Means Committee Chairman Jason Smith (R-Mo.), and several other GOP taxwriters introduced the Unfair Tax Prevention Act (H.R. 4695), however, after being referred to the Ways and Means Committee, no further action was taken on the bill.

[URL: https://www.congress.gov/bill/118th-congress/house-bill/4695/text](https://www.congress.gov/bill/118th-congress/house-bill/4695/text)

Earlier this year, Chairman Smith, joined by all other Republicans, reintroduced the Defending American Jobs and Investment Act (H.R. 591), a different approach to responding to the application of Pillar Two. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 4, Jan. 24, 2025)

[URL: https://www.congress.gov/bill/119th-congress/house-bill/591/text](https://www.congress.gov/bill/119th-congress/house-bill/591/text)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250124_1.html](https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250124_1.html)

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