House Republicans edge closer to tax bill rollout in Ways and Means Committee, Kies' nomination moves forward

With both the House and the Senate having adopted an identical budget resolution before the two-week congressional recess and initiated the filibuster-proof reconciliation process, the GOP is focusing on the specifics of a tax package as the Ways and Means Committee prepares to release a draft of its portion of a broader reconciliation package in the coming days. (The timing for a markup by the taxwriting committee is, at least in part, dependent on how quickly other House committees complete spending cut proposals as required by the budget resolution.) The tax package will form a key component of a legislative measure aimed at advancing the GOP's policy agenda, including tax cuts for families and small businesses, enhanced border security, and increased domestic energy production.

However, Republican leaders still need to address significant issues to advance this portion of President Trump's agenda. They must first resolve intraparty divisions to pass the bill in the House where they have a razor-thin majority and then navigate complex budget rules in the Senate where Democrats would likely contest certain provisions during the reconciliation process.

An updated legislative timeline, partially influenced by the need to address the US debt ceiling and the looming X-date – the date when Treasury can no longer meet its daily borrowing obligations – was highlighted early in the week when Treasury Secretary Scott Bessent expressed optimism that the tax portion of the bill could be finalized by July 4. Following this, Speaker Mike Johnson (R-Mo.) announced his intention for the Ways and Means Committee to begin marking up the multi-trillion dollar Republican tax bill the next week. This ambitious schedule intensifies the complexity of the legislative process, as leaders must navigate differing priorities and the substantial impact of the proposed changes. Late in the week, however, it appeared the Ways and Means Committee would put off releasing its legislative language until at least the week of May 12.

(For prior coverage of the House and the Senate budget resolution measures, see *Tax News & Views*, Vol. 26, No. 14, April 11, 2025; and *Tax News & Views*, Vol. 26, No. 13, April 4, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250411_1.html
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250404_1.html

The overarching objective for the GOP in this part of reconciliation is to renew the lapsed and soon-to-expire provisions in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), while also incorporating other measures favored by President Trump.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

What provisions are the GOP considering?

Among the tax policy initiatives Republicans have publicly addressed in preparation for drafting a tax bill – excluding those still under private negotiation – are changes to the cap on the deduction of state and local taxes (SALT) for individual taxpayers, carried interest, bonus depreciation, energy tax credits, and several other measures.

State and local tax deduction: A challenging issue to agree on within the GOP is the $10,000 cap on the state and local tax deduction which Congress implemented in the 2017 TCJA and currently is set to expire at the end of the year. The debate over modifying or repealing the cap on the deduction to expire has continued to divide rank-and-file members of Congress. Republican lawmakers from high-tax jurisdictions like New York, New Jersey, and California advocate for relief, while those from lower-tax areas generally oppose raising the cap.

Following a meeting with Speaker Johnson to discuss raising the cap on the SALT deduction, GOP Rep. Mike Lawler of New York said negotiations remain ongoing, as House Republicans from high-tax states continue to push for relief.

"Ultimately there needs to be a [fix] or there won't be a bill," Lawler said. "I think it'll end in a positive place, but as with all of this, it's a negotiation; it's a process," he added.

Carried interest: When asked at a press conference whether a new tax bill will address the carried interest rules, Speaker Johnson did not directly address the issue. Instead, he emphasized the extensive work the Ways and Means Committee has done in preparing a legislative draft of the bill and highlighted the benefits it will provide to the American people.

"I'm not going to get out in front of them (the Ways and Means Committee) before that (legislative draft) is discussed and released," he said.

He described the bill as "turbo fuel" and a "turbo boost to the economy," emphasizing its promise of "stability" to the bond market, stock market, and job creators. Johnson added that, with tax rates becoming permanent, "people [will] have more money in their pockets for their families."

Trump has proposed to change the tax treatment of carried interest, which current law allows to be taxed as capital gains provided a minimum holding period is met.

Bonus depreciation: President Trump stated this week that the 100 percent bonus depreciation provision will be included in the new tax bill currently under development in Congress, but it will apply for only four years – potentially lowering the long-term cost of the multi-trillion dollar package compared to making it permanent.

"Our big, beautiful bill, we may name it that actually, will include 100 percent expensing retroactive to January 20," Trump said in remarks at a White House event. "And we're gonna make that expensing for a four-year-period at a full 100 percent." The White House is also advocating expanding the type of property that qualifies for bonus depreciation to include structures, especially those that house manufacturing facilities.

Under the TCJA the 100 percent rate for bonus depreciation was phased down in increments of 20 percentage points per year beginning in 2023. (A 40 percent rate is in effect for 2025, but will be reduced to 20 percent for 2026, and zero for property placed in service after December 31, 2026, if not extended by Congress.)

Energy tax credits: Republican leaders in Congress have repeatedly called for repealing the clean energy tax provisions in President Biden's Inflation Reduction Act (IRA), however, their efforts have faced a significant hurdle: internal divisions within the GOP. Several Republican lawmakers represent districts that have directly benefited from clean energy investments, complicating the party's unified stance. As lawmakers search for ways to offset the cost of a large tax bill, the fate of these clean energy measures remains uncertain. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 11, March 14, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250314_4.html

The administration has also played an active role in the ongoing discussions around energy tax credits. As part of that involvement, President Trump issued an executive order – Unleashing American Energy – to "immediately pause" the disbursement of funds appropriated through the IRA and the Infrastructure Investment and Jobs Act (P.L. 117-58), including funds for electric vehicle charging stations. The order also calls for a review of agency processes, policies, and programs for issuing grants, loans, contracts, or any other financial disbursements of such appropriated funds. (For prior coverage of the executive order, see *Tax News & Views*, Vol. 26, No. 4, Jan. 24, 2025.)
URL: https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-american-energy/
URL: https://www.congress.gov/117/plaws/publ58/PLAW-117publ58.pdf
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250124_1.html

Tipped and overtime pay, Social Security benefits: Secretary Bessent stated that the tax package will eliminate taxes on tipped and overtime pay, as well as Social Security benefits for seniors, aligning with several of President Trump's campaign proposals.

"I think it's as [President Trump has] always said, making TCJA permanent, no tax on tips, no tax on Social Security [benefits], no tax on overtime, and deductibility for auto loans for American-made cars and immediate expensing, 100 percent expensing for equipment, and we are going to add factory structures for that also," Bessent told reporters.

Republicans have introduced several bills this Congress addressing these issues, including easing the tax burden on senior citizens. One of the key voices on this issue is Rep. Nicole Malliotakis of New York, a member of the House taxwriting committee. While she acknowledged that changes to Social Security law are not permitted under budget reconciliation rules, she nonetheless introduced two bills on February 7 – 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 – which she said would provide meaningful tax relief for older Americans.
URL: https://www.congress.gov/bill/119th-congress/house-bill/1130/text
URL: https://www.congress.gov/bill/119th-congress/house-bill/1129/text

Tax rates, child tax credit, and standard deduction: On Monday, Senate Majority Leader John Thune (R-S.D.) took to the Senate floor and outlined the potential consequences if Congress fails to extend the provisions of the 2017 TCJA.
URL: https://www.thune.senate.gov/public/index.cfm/press-releases?ID=EC12D19B-1482-4D6D-9F64-283217887EC2

“And without congressional action, in 2026, tax rates will increase, the child tax credit will be cut in half, and the standard deduction will be nearly halved,” Thune said.

Members on both sides of the aisle have expressed support for an expanded child tax credit which, at the end of 2025, would revert to its pre-TCJA amount of $1,000 per child, down from $2,000 per child. Since the 119th Congress began, there have been several bills introduced in Congress that would modify the child tax credit provision, including a bill (H.R. 353) from Rep. Blake Moore (R-Utah), Republican Conference Vice Chair and House Ways and Means Committee member – the Family First Act – which would increase the child tax credit amount to $4,200 for families with a child between ages 0 and 5, and $3,000 for families with a child between ages 6 and 17.
URL: https://www.congress.gov/bill/119th-congress/house-bill/353/text

The standard deduction for the 2025 tax year is $15,000 for single filers and $30,000 for joint filers, however, if the deduction is not extended at the end of this year, then starting in 2026, it would revert to pre-TCJA levels which is roughly half of the current amounts.

Retaliatory measures: Republican lawmakers are stepping up efforts to counter the global minimum tax rule, known as Pillar Two, as part of broader opposition to the OECD-led international tax agreement. House taxwriter Kevin Hern of Oklahoma has advocated for including retaliatory measures in the multi-trillion dollar Republican tax package to offset the effects of the global framework.

“I think that’s the best way to send that message” of Republican objections to the global agreement, Hern told reporters on Wednesday. “Whether or not we can get it in there, we’ll see.”

Meanwhile, European Union countries have been engaged in discussions about potential adjustments to the global minimum tax law in response to US concerns. However, no formal decisions have been made.

Republicans have raised concerns about the impact of Pillar Two on US tax sovereignty, arguing it would allow other countries to increase the effective tax rate on US companies that pay less than the 15 percent minimum in their home jurisdiction.

In Congress, House Ways and Means Committee Republican Ron Estes of Kansas, joined by all the GOP taxwriters (other than the chairman of the taxwriting committee, Rep. Jason Smith (R-Mo.)), reintroduced the Unfair Tax Prevention Act (H.R. 2423) that would tighten the US base erosion and anti-avoidance tax rules for companies based in jurisdictions that impose an undertaxed profits rule or other exterritorial tax on US multinationals.
URL: https://www.congress.gov/bill/119th-congress/house-bill/2423/text

Earlier this year, Chairman Smith, joined by all other Ways and Means 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
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250124_1.html

Adding to the discussion, President Trump released a memorandum on his first day back in office to the Treasury Secretary and the US Trade Representative regarding the OECD "Global Tax Deal," which is intended to include the Pillar One and Pillar Two multilateral projects drafted by the OECD and currently being implemented in EU jurisdictions and elsewhere. The memorandum instructed the Treasury Secretary and the permanent representative of the United States to the OECD to notify the OECD that any commitments made by the Biden administration have no "force or effect" within the United States absent an act by the Congress adopting the relevant provisions of the deal. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 3, Jan. 21, 2025.)
URL: https://www.whitehouse.gov/presidential-actions/2025/01/the-organization-for-economic-co-operation-and-development-oecd-global-tax-deal-global-tax-deal/
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250121_1.html

Pillar Two is a global framework which imposes on a business a minimum tax of 15 percent in a country in which it operates. The US has not taken any action to come into compliance with Pillar Two (or Pillar One) of the OECD framework, a two-part international agreement signed on to by the Biden administration in 2021 with 140 other countries, though in many ways the Global Intangible Low-Taxed Income (GILTI) regime enacted in 2017 was a forerunner of what Pillar Two seeks to implement more broadly.

Higher rates for higher incomes: President Trump last week dismissed the idea of raising tax rates on high-income Americans, telling reporters that an increase in the rate for the wealthy "would be very disruptive because millionaires would leave the country," perhaps ending Republican discussions about higher taxes at the top to partially fund the administration's priorities. His statements follow several weeks of GOP debate about allowing the 37 percent marginal income-tax rate to revert to 39.6 percent at the end of this year or potentially raising the rate to 40 percent for incomes over $1 million. If enacted, this increase in the tax rate could help Republicans counter Democratic arguments that Republicans are reducing taxes for the wealthy while cutting programs like Medicaid, though Trump's comments likely signal the end of the road for this idea this year.

Consistent messaging from the GOP

Republican lawmakers on Capitol Hill have consistently emphasized the importance of extending the expiring and expired provisions of the TCJA, along with other priorities championed by President Trump.

This week, Ways and Means Committee Chairman Smith issued a press release, underscoring the significant benefits that extending these tax provisions would bring to working-class Americans and warned of the potential economic consequences if those provisions are allowed to expire.
URL: https://republicans-waysandmeansforms.house.gov/news/email/show.aspx?ID=7IT3O5YYR5MMZW33I5KFGHYF3A

"Families and workers would face a 22 percent tax increase if Congress fails to permanently extend the Trump tax cuts, and an estimated 6 million jobs would be destroyed," Smith said.

"Failure is not an option, and Congress must quickly pass one, big beautiful bill to extend the Trump tax cuts and deliver on President Trump's priorities of no taxes on tips, overtime pay, and Social Security, and further boost domestic manufacturing. Working families, small businesses, and farmers hurt by Bidenflation need additional tax relief and certainty," he added.

Smith also highlighted key TCJA provisions set to expire without congressional action, including the expanded child tax credit, the reduced estate tax exemption, and the preferential income tax rates.

Democrats respond: Meanwhile, Democrats have consistently pushed back against Republican-led tax cuts, arguing they favor the wealthy and deepen fiscal imbalances. Minority Leader Hakeem Jeffries of New York rallied against the GOP agenda at a press conference this week and focused on what he considered to be a troubled economy.
URL: https://jeffries.house.gov/2025/05/01/leader-jeffries-trumps-first-100-days-have-been-a-complete-and-total-disaster-and-house-republicans-own-all-of-it/

"That extreme agenda has done nothing to lower the high cost of living in the United States of America, notwithstanding all of the big, bold promises that Donald Trump and Republicans made on the campaign trail that they were going to make life more affordable for the American people."

"What has happened is that life is getting more expensive for the American people. Donald Trump and House Republicans are crashing the economy in real time and they are driving us toward a painful Republican recession," he added.

Kies' nomination moves forward

In the Senate, Kenneth Kies, President Trump's choice to serve as an Assistant Treasury Secretary in the new administration, cleared the Finance Committee on April 29 when it voted to recommend his confirmation by a vote of 14-13. If confirmed by the full Senate, he will play a key role facilitating the extension of expiring tax cuts in the TCJA and in developing additional tax legislation affecting individuals and businesses. (The Finance Committee also approved William Kimmitt's nomination for Under Secretary of Commerce for International Trade during this hearing.) (For prior coverage, see *Tax News & Views*, Vol. 26, No. 14, April 11, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250411_2.html

At last month's Finance Committee hearing, Kies emphasized the need to extend the 2017 TCJA provisions beyond the end of this year.

"TCJA has proven to be a very successful pro-growth piece of legislation, particularly if you look at the revenue that's been generated from 2017 to 2024," Kies said. "Making it [2017 TCJA] permanent will lock-in the benefits of those provisions," he added.

Kies expanded his analysis in response to a question from Senate Finance Committee member Charles Grassley (R-Iowa) that was included in a question and answer report for the record released by the Senate Finance Committee.
URL: https://www.finance.senate.gov/imo/media/doc/responses_to_questions_for_the_record_to_kenneth_kies.pdf

“There are numerous pro-growth provisions from the TCJA. The TCJA lowered rates across the board for families and businesses alike. Additionally, cost recovery provisions like full and immediate expensing significantly boosted economic growth. These reforms, among others, have been proven to demonstrate increases in wages, investment, and job creation. Extending the TCJA is essential for future economic growth.”

Kies also discussed the benefits of the section 199A passthrough deduction considering the reduction in the corporate tax rate in response to a question from Senate Finance Committee Ranking Member Ron Wyden (D-Ore.).

“Section 199A was enacted to help ensure greater parity between passthrough businesses and C corporations following the reduction in the corporate tax rate. It plays an important role in supporting small and medium-sized businesses, many of which are family owned and operate in capital-intensive sectors,” he said.

Kies added that “[w]hile it’s true that passthrough taxation has structural differences from corporate taxation, section 199A remains a vital component of a competitive, pro-growth tax code. If confirmed, I would approach any evaluation of the provision with a focus on preserving incentives for investment, job creation, and economic dynamism across all income levels, while remaining mindful of fiscal and distributional considerations.”

Sen. Mike Crapo chimes in: Senate Finance Committee Chairman Crapo (R-Idaho) praised Kies’ nomination, and acknowledged his extensive tax experience, noting that Kies supports permanently extending the 2017 TCJA, which Crapo believes will provide stability and certainty to American families and businesses, and provide tax relief to the middle class.

“Mr. Kies will be a vital partner in Congress’ efforts to enact pro-growth tax policy and ensure it is properly implemented, including by preventing a more-than $4 trillion tax hike on the American people while delivering additional tax relief,” said Crapo.
URL: https://www.finance.senate.gov/ranking-members-news/finance-committee-advances-commerce-treasury-nominations

Sen. Wyden gives his opinion: Ranking Member Wyden, for his part, seized the opportunity to criticize the current administration’s economic agenda and highlighted what he perceived as a period of financial uncertainty in the country. He also mentioned that Kies is dedicated to extending the provisions of the TCJA, but in contrast to Crapo, Wyden characterized the extension of the TCJA as “tax cuts for billionaires and big corporations.”

As of press time, the Senate has not scheduled a vote on his confirmation.

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