Republicans push forward on finalizing tax plan

Despite recent setbacks – particularly efforts to satisfy various factions within the House GOP that have slowed legislative momentum – Republicans remain committed to advancing a tax package addressing in part the extension of individual taxpayer provisions from the Tax Cuts & Jobs Act (TCJA, P.L. 115-97) as well as other White House and congressional Republican priorities. The proposal, expected to be marked up by the House Ways and Means Committee next week, is part of a broader reconciliation bill they aim to pass through Congress and have signed into law by President Trump this summer, with the latest "aspirational" goal of July 4 set by Treasury Secretary Scott Bessent last week.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm

Appearing on Fox News over the weekend, Speaker Mike Johnson (R-La.) reported that House committees have made significant progress on their respective assignments, with many completing their tasks in accordance with budget reconciliation rules. He noted that the "Big Six" negotiators – Senate Finance Committee Chairman Mike Crapo (R-Idaho), House Ways and Means Committee Chairman Jason Smith (R-Mo.), Senate Majority Leader John Thune (R-S.D.), Speaker Johnson, Treasury Secretary Scott Bessent, and National Economic Council Director Kevin Hassett – have maintained regular communication to resolve outstanding issues and ensure the process stays on track.

Johnson underscored the urgency of their efforts, declaring that "failure is not an option" as lawmakers push to advance the proposal through Congress.

Serving as a leading voice for President Trump's economic agenda, Secretary Bessent addressed the Milken Institute Global Conference this week, highlighting tax policy along with other core priorities – such as trade and deregulation – all of which he argued are designed to bolster the economy. (text of remarks)
URL: https://home.treasury.gov/news/press-releases/sb0130

"The primary components of the Trump economic agenda – trade, tax cuts, and deregulation – are not standalone policies. They are interlocking parts of an engine designed to drive long-term investment in the American economy."

Focusing on tax policy, he stated that "[t]he President's signature tax legislation will prevent an enormous tax hike on Main Street by making the small business deduction permanent. It will also provide tax credits and deductions for research and innovation to stimulate investment in high-tech operations. And it will restore 100 percent expensing for equipment while expanding that incentive to new factory construction."

"The objective? To accelerate investment in American industry," Bessent added.

GOP navigates tight margins in push for fiscal discipline

With Republicans holding only a slim majority in the House and growing calls for fiscal restraint, advancing a comprehensive tax bill through the Ways and Means Committee is proving to be a significant challenge. The push for fiscal discipline is colliding with political realities, making it difficult to unify the GOP around a single legislative path forward.

This week, 31 House Republicans, led by Ways and Means Committee member Lloyd Smucker of Pennsylvania, urged Congress to pass a reconciliation bill that is "genuinely fiscally responsible." They caution that if the spending reduction targets outlined in the budget resolution are not met, the Ways and Means Committee's reconciliation instructions for tax cuts must be reduced dollar-for-dollar to remain within the agreed fiscal limits.
URL: https://static.politico.com/3c/4a/27076c9b48a794fd985a5485bbe8/quill-letter-l26002-commitment-to-house-framework-in-reconciliation-version-2-05-07-2025-12-33-pm.pdf

"The House reconciliation instructions are binding. They set a floor for savings, not a ceiling. We must hold that line on fiscal discipline to put the country back on a sustainable path," wrote the signatories, which included Smucker and three other Republican members of the taxwriting panel.

In fact, some lawmakers have floated alternative strategies to manage costs within the budget package this week. Ways and Means Committee member Rep. Ron Estes (R-Kan.) suggested that Republicans may opt to include several temporary tax provisions, rather than making them permanent, as a way to reduce the overall price tag. While he expressed a strong preference for making as many provisions permanent as possible – particularly those benefiting businesses – he acknowledged that fiscal constraints may necessitate shorter-term extensions for other elements.

"At the end of the day, I believe we'll have some provisions that are permanent and a bunch that will be temporary — you know, four years, six years, eight years," he told reporters.

This internal pressure is compounded by the GOP's narrow margin in the House, which leaves little room for dissent within the party. With the House currently composed of 220 Republicans and 213 Democrats, GOP leaders can afford to lose the support of no more than three of their own members to pass a budget reconciliation bill – unless they seek Democratic support, which appears unlikely given their current strategy of advancing the bill with Republican votes alone through reconciliation. As a result, they are carefully navigating a political tightrope, trying to strike a balance that will secure enough GOP support to move a tax and spending package through the House.

Republican lawmakers evaluate SALT cap revisions and other key fiscal proposals

As Ways and Means Republicans move closer to unveiling a tax package slated for markup next week, they held several meetings this week to work through key unresolved issues and build consensus. They continued deliberating potential changes to the cap on the state and local tax (SALT) deduction for individual taxpayers – a longstanding point of contention since the enactment of the TCJA.

With the cap on the SALT deduction set to expire at the end of this year absent congressional action, the ongoing debate over whether to modify or repeal it continues to divide Republican lawmakers -particularly between those representing high-tax states like New York, New Jersey, and California, who are advocating for relief, and their counterparts from lower-tax regions. However, not all lawmakers from high-tax states share the same stance, making it a delicate balancing act to strike the right compromise.

"The number is going to be something to protect our middle class families," said New York Republican taxwriter Nicole Malliotakis, and added that she is not looking to give tax breaks to "millionaires and billionaires." She proposed "tripling" or even "quadrupling" the deduction as a potential cap. She also expressed openness to the idea of phasing out any increase in the cap for higher income taxpayers, something that other SALT-minded Republicans have expressed concerns about.
URL: https://x.com/NMalliotakis/status/1919375125939363867

"We have some members who would like an unlimited SALT deduction. We have others who don't want you to even be able to deduct $1 for SALT…[The] $10,000 [cap on the SALT deduction] is not satisfactory," said Chairman Smith on Bloomberg Television this week.

"We're going to have to increase it, but we're going to have to find a fair balance. Typically, the number that we'll find will probably make everyone unhappy. And so that means it's probably the right number," he added.

Early this Congress, New York Republican Rep. Mike Lawler, a leading advocate for lifting the cap on the SALT deduction, introduced the SALT Fairness and Marriage Penalty Elimination Act (H.R. 232), which would raise the cap to $100,000 for single filers and $200,000 for joint filers – potentially delivering significant tax relief to high-income households in high-tax states.
URL: https://www.congress.gov/bill/119th-congress/house-bill/232/text

"I'm committed to solving this as part of a broader effort to tackle the affordability crisis millions of New York Families are facing," said Lawler. "Lifting the cap on SALT will provide relief to millions of New Yorkers and go a long way towards curbing out-migration to states with lower taxes and a better cost of living."

Tipped and overtime income, and Social Security benefits: Three of President Trump's signature tax proposals aimed at providing relief to middle-class Americans – eliminating taxes on tipped income, overtime pay, and Social Security benefits – have once again come into focus this week.

Over the weekend, Chairman Smith emphasized on Fox News that Republicans remain committed to supporting working Americans by advancing these proposals. He argued that repealing what he described as President Biden's "green new tax scam" – a reference to the energy tax credits in the Inflation Reduction Act (P.L. 117-169) – could free up "hundreds of billions of dollars" to help offset the cost of these tax cuts for workers and retirees.
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

Among the latest legislative efforts on these issues is the introduction of the Overtime Wages Tax Relief Act by Republican taxwriter Roger Marshall, a member of the Senate Finance Committee from Kansas – a bill designed to fulfill one of President Trump's key campaign promises. The legislation would allow a tax deduction for overtime wages up to $10,000 for individuals and $20,000 for married couples, with the

deduction gradually phasing out at income levels of $100,000 and $200,000, respectively. The deduction would apply starting in the 2026 taxable year. (text of the bill)
URL: https://www.marshall.senate.gov/wp-content/uploads/Overtime-Wages-Tax-Relief-Act_FINAL.pdf

"President Trump promised relief for millions of hardworking Americans, and we're proud to help deliver on that with the Overtime Wages Tax Relief Act," said Sen. Marshall.
URL: https://www.marshall.senate.gov/newsroom/press-releases/senators-marshall-tuberville-and-colleagues-introduce-legislation-to-cut-taxes-on-overtime-wages/

"Our legislation ensures Kansans keep more of their hard-earned wages and codifies a key pillar of President Trump's pro-worker agenda as we work to pass our 'One Big Beautiful Bill.' It's time to put American workers first again," he added.

International provisions: International tax provisions were a cornerstone of the 2017 TCJA, introducing sweeping reforms such as GILTI (Global Intangible Low-Taxed Income), FDII (Foreign-Derived Intangible Income), and BEAT (Base Erosion and Anti-Abuse Tax), which reshaped how US multinational corporations are taxed by the United States. This week, Senate taxwriter Thom Tillis (R-N.C.) introduced the "International Competition for American Jobs Act," a bill aimed at modifying several of these key international tax provisions in the hopes that some of those provisions might be included as part of the broader tax legislation currently under discussion in Congress.

Through 2025, the effective US tax rate on GILTI is 10.5 percent, but it may rise to 13.125 percent based on the availability of foreign tax credits. Absent congressional action, starting in 2026, the rate increases to 13.125 percent and can reach up to 16.406 percent under the same foreign tax credit limitations. Similarly, FDII is taxed at 13.125 percent and would increase to 16.4 percent, while BEAT, now at 10 percent, is scheduled to rise to 12.5 percent, also in the absence of legislative action.

(Sen. Tillis' legislation builds on a bill introduced during the 117th Congress by former Sen. Rob Portman (R-Ohio), then a member of the Finance Committee. Portman's proposal aimed to reform the taxation of foreign entities, including modifications to the FDII and GILTI deductions, as well as adjust the base erosion minimum tax. Portman's bill was referred to the Senate Finance Committee but did not advance further in the legislative process. (text of Portman's bill, S. 5349)
URL: https://www.congress.gov/bill/117th-congress/senate-bill/5349/text

And more: In a last-minute effort to finalize a tax package that aligns with GOP priorities and fiscal discipline, Republican lawmakers are weighing a series of proposals, one of which is determining the extent to which energy tax credits should be scaled back – an issue that has sparked debate within the GOP. Another consideration includes potential tax increases on high-income earners by letting the top income tax rate of 37 percent expire at the end of this year and revert to its pre-TCJA rate of 39.6 percent. This is an issue that received some attention last month and was thought to be out of the running for consideration, but this week President Trump urged Congress to include some iteration of this proposal to help rebut charges that the bill provides tax cuts for the wealthy by cutting programs benefiting the poor, however, he later posted on social media that, while Republicans "should probably not" raise taxes on the rich, he would be "OK if they do" – a

signal of conditional support for a tax increase as part of a broader package. Without a strong push from President Trump to include a provision like this in the bill, the outlook for its inclusion dims appreciably.
URL: https://truthsocial.com/@realDonaldTrump/posts/114477701321152097

Keeping updated: Republicans are expected to release text of their proposed reconciliation bill soon ahead of a markup reportedly being planned for Tuesday, May 13. Deloitte Tax will circulate that text as quickly as possible and follow up with a more detailed analysis.

It's the economy

In the days leading up to the expected release of the House Ways and Means Committee's tax bill, Chairman Jodey Arrington (R-Texas) convened a May 7 hearing in the House Budget Committee on the Fiscal State of the Nation. While the hearing focused broadly on the economy, it also touched on tax policy through the lens of fiscal responsibility. During the session, Arrington outlined his vision for addressing the nation's economic challenges and rising debt, emphasizing the need to live within our means. He acknowledged opportunities for bipartisan reform but stressed the importance of pro-growth policies to expand the economy and restore fiscal balance. Urging lawmakers to "seize this moment," Arrington warned that inaction would leave future generations with an economy that is an "utter failure."
URL: https://budget.house.gov/press-release/chairman-arrington-in-opening-remarks-what-were-lacking-in-washington-is-courage-todo-what-is-necessary

"In this moment, Republicans have to rise to this generational opportunity to not just do what we've done, and probably could do in our sleep, which is cut taxes and extend tax cuts, which I think is critical because growth is part of the solution," said Arrington.

"I think we have to make an investment in the first and most important job of the federal government, which is defense and all things national security. But we must – and it is an imperative – we must course correct, and we must bend the curve on the automatic, unchecked mandatory spending and the spending from entitlements: health care, welfare, and all the others that are going to drive this country off a fiscal cliff."

Arrington further highlighted the benefits of the TCJA, citing record corporate revenues, wage growth, and the lifting of six million people out of poverty. He also emphasized that the tax code has become more progressive. He warned that failing to extend the 2017 tax cuts would be a serious misstep, stating, "we need to recognize that there are real costs associated with tax policy."

Other Republican lawmakers—including Budget Committee Vice Chair and taxwriter Lloyd Smucker of Pennsylvania, Ron Estes, and Addison McDowell of North Carolina – argued, among other things, for reducing federal spending as a strategy to lower the national debt and stimulate economic growth. They also emphasized the importance of extending provisions of the 2017 tax law to deliver meaningful relief to all Americans.

Rep. Smucker said his constituents believe the federal government is plagued by “waste, fraud, and abuse” and has become “bloated,” warning that allowing the tax cuts enacted under the TCJA to expire would result in tax increases for nearly all Americans, including small businesses.

Rep. Estes argued for extending the Trump-era tax cuts and curbing federal spending, asserting that raising taxes is not the solution to fixing the economy. He described the 2017 tax law as “pro-growth, pro-worker, pro-family,” highlighting its favorable tax rates, the enhanced child tax credit, and the increased standard deduction for individuals.

Calling for what he described as a “course correction,” Rep. McDowell voiced strong support for the Trump economic agenda, advocated for making the 2017 tax provisions permanent, and emphasized the need to “slash red tape” to foster a more business-friendly environment – remarks that reflected a broader Republican push to extend the TCJA.

Democrats push back: In contrast, Ranking Member Brendan Boyle (D-Pa.) argued that the economy has weakened over the past three months with President Trump in office and criticized the GOP’s proposed tax cuts, asserting they will primarily benefit the wealthy, while everyday Americans bear the burden of tariffs.

Other Democrats — including Reps. Scott Peters of California, Becca Balint of Vermont, and Gabe Amo of Rhode Island — argued that, among other things, borrowing trillions of dollars to meet the nation’s financial obligations is fiscally irresponsible, particularly when paired with extending tax cuts for the wealthiest Americans at the expense of everyone else. They also criticized the economic trajectory under President Trump, pointing to rising costs driven by tariffs and fiscal policies that, in their view, have worsened inflation and hurt working families.

“It’s not the spending – it’s the borrowing, stupid,” said Rep. Peters, criticizing the practice of borrowing trillions to service the national debt. Ultimately, taxes on the wealthy may need to be raised – otherwise, the burden will fall on “our children and grandchildren,” he added.

Consumer goods are more expensive, and President Trump has told Americans to prepare for “sacrifice.” The S&P 500 has decreased, and what Rep. Balint described as a bad trade policy and trade war is “rocking my small businesses.” She added that businesses cannot cope with unpredictability and that the “golden age” Trump promised is not happening.

Rep. Gabe Amo criticized the Republican fiscal agenda, contending that it represents a “reckless plan” that would add trillions to the nation’s already mounting debt. He argued that GOP proposals prioritize tax breaks for the wealthiest Americans while threatening essential programs like Medicaid and SNAP (Supplemental Nutrition Assistance Plan) that support the most vulnerable.

“America first does not mean we put hard-working people last,” Amo said.

— Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP