GOP's tax relief plan advances in Ways and Means, stalls in Budget Committee

The House Ways and Means Committee recently unveiled and this week approved a sweeping tax package aimed at extending key provisions of the 2017 Tax Cuts and Jobs Act (TCJA, P.L. 115-97) while introducing new measures to provide targeted relief for families, workers, and businesses. The proposal includes permanent extensions of certain tax cuts, new deductions for overtime and tipped income, and revisions to international and business-related provisions. It also reflects Republican priorities around economic growth, with offsets proposed through several policy changes, including rollbacks of select energy tax incentives.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

(For a detailed summary of the bill as introduced, see *Tax News & Views*, Vol. 26, No. 19, May 14, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250514_1.html

House panel split along party lines as Democratic amendments voted down

The Ways and Means Committee approved the measure after an extended markup, which began on May 13 and continued into the morning hours of the following day. Debate at the committee underscored the divide between Republican and Democratic perspectives on tax policy and broader fiscal issues, including the national debt.

In his opening statement, House Ways and Means Committee Chairman Jason Smith (R-Mo.) stressed the benefits of the TCJA to the American people, highlighting the benefits of lower tax rates to further economic growth.
URL: https://republicans-waysandmeansforms.house.gov/news/email/show.aspx?ID=7IT3O5YYR5MMZNLVXLH6ADBZXU

"After the Trump tax cuts went into effect, real household incomes grew by $5,000, prices were stable, 5 million jobs were created, investment poured into every corner of America, and the economy grew faster than the so-called experts in Washington predicted."

Smith highlighted the benefits of what he called the "2025 Trump tax cuts," describing them as a continuation and expansion of the 2017 tax reforms. He emphasized that the package would deliver historic tax relief to working families, farmers, and small businesses, and framed the legislation as a fulfillment of President Trump's promise to restore economic prosperity and strengthen the middle class.

"Working families will be spared from a $1,700 tax hike. Parents will benefit from a 25 percent increase in the Child Tax Credit that will grow with inflation and get help with the high costs of childcare, adoption, and education. Americans will pay less for health care through expanded eligibility for health savings accounts, the elimination of bureaucratic waste and abuse, and the end of illegal immigrant access to Obamacare's premium tax credits."

Smith emphasized that "[M]ain Street will grow again."

For his part, Ranking Member Richard Neal (D-Mass.) criticized the House proposal, arguing that it prioritized tax breaks for the wealthiest individuals and for corporations while offering little relief to working families. He framed the bill as a missed opportunity to advance a more equitable tax policy that supports everyday Americans.
URL: https://democrats-waysandmeans.house.gov/media-center/press-releases/neal-opening-statement-markup-tax-cuts-billionaires-health-care-cuts#:~:text=(As%20prepared%20for%20delivery),to%20the%20top%2020%20percent.

“Nearly 70 percent of the benefits of this bill goes to the top 20 percent. And that’s before Trump’s Tariff Tax takes $2,800 out of your household budget each year and the Republican gutting of health care leaves another massive hole in your wallet. That’s not a tax plan – it’s a wealth grab,” Neal said.

“Republicans could have chosen to lower costs for families. They could have extended the expanded Child Tax Credit that cut child poverty in half. They could have made ACA subsidies permanent. They could have made meaningful progress with long-term care or housing,” he added.

“Instead, they chose another nearly $2 trillion giveaway to the rich.”

Democratic amendments

No changes to the 389-page Ways and Means proposal were adopted during the markup, as Republicans defeated nearly three dozen Democratic amendments – many of which were intended to highlight their concerns that the legislation disproportionately benefits the wealthy.

Among the Democratic amendments that were voted down were proposals to raise the cap on the state and local tax deduction, increase taxes on carried interest, strike the proposed bill’s $4 trillion debt limit increase, impose taxes on stock buybacks, preserve clean energy tax credits, and prohibit any provisions from increasing the federal deficit as scored under current law.

Proposals to modify the section 199A deduction were also rejected, including one amendment that would have tightened reporting requirements for individuals with adjusted gross incomes over $10 million, and another that proposed replacing the deduction with a $25,000 small business deduction, phasing out for individual business owners earning more than $200,000.

Other failed amendments included efforts to expand the child tax credit, create a travel tax credit, and permanently extend and enhance the advanced premium tax credit to help low-income individuals afford health insurance.

Several amendments targeting high-income earners were also defeated. These included proposals to raise the cap on Social Security contributions for those earning over $400,000, increase the top individual tax rate to 39.6 percent for incomes exceeding $10 million annually, and prevent the bill from reducing the tax liability of individuals earning more than $100 million.

Cost matters

As lawmakers assess the scope of the package, cost remains a central consideration. To that end, the non-partisan Joint Committee on Taxation (JCT) on May 13 estimated that the House Republican tax proposal would reduce revenues by slightly more than $3.8 trillion over the next ten years (JCX-22-25R).
URL: https://www.jct.gov/publications/2025/jcx-22-25r/

Under the fiscal year 2025 budget resolution adopted by congressional Republicans, the Ways and Means Committee is granted a $4.5 trillion "deficit increase" reconciliation instruction, though a separate provision within the blueprint stipulates that the taxwriters' instruction should be reduced dollar-for-dollar to the extent other authorizing committees are unable to identify at least $2 trillion in mandatory spending cuts. Over the past two weeks or so, it became clear that this "trigger" would need to be respected, as committees charged with reporting savings were not expected to meet the higher level of deficit reduction. Thus, Ways and Means modified what they had planned to consider to reduce the total revenue loss from $4.5 trillion to $4.0 trillion.

Importantly, then, JCT's $3.8 trillion cost estimate of the proposal as approved by the panel comes in slightly below their target – an important factor as Republican leaders continue to weigh potential changes to the bill – edits that could be incorporated into the broader measure if the package comes before the Rules Committee next week.

Significant revenue changes

Though the House Republican bill omits a number of revenue-raising proposals that had been under discussion by taxwriters during the drafting process – for example, limiting corporate SALT deductions, increasing the excise tax on stock buybacks, and making changes to the taxation of carried interest income – a number of tax increases did make the cut, along with several new tax-cutting proposals. Some of the bill's more significant revenue policies – aside from provisions that extend expired and expiring components of the TCJA – and their estimated budgetary impacts, include:

- Reinstate a modified version of the Pease limitation on itemized deduction (+$41.2 billion over ten years);
- Establish an above-the-line deduction for qualified tip income (-$39.7 billion);
- Establish an above-the-line deduction for certain overtime income (-$124 billion);
- Provide an enhanced standard deduction for seniors (-$71.6 billion);
- Establish an above-the-line deduction for certain auto loan interest (-$57.7 billion);
- Establish Money Accounts for Growth and Advancement, or "MAGA accounts," for young children (-$17.3 billion);
- Special depreciation allowance for qualified production property (-$36.6 billion);
- Modify / expand the low-income housing tax credit (-$14.1 billion);
- Repeal or / modification of various clean energy incentives (+ $515 billion);
- Increase tax on net investment income of certain private foundations (+$15.9 billion);

- Extend and modify the limitation on "excess business losses" of noncorporate taxpayers (+$26.5 billion);
- Impose an excise tax on remittance transfers (+$22 billion);
- Modify the excise tax on net investment income of private colleges and universities (+$6.7 billion); and
- Enforcement of remedies against unfair foreign taxes – *e.g.*, new section 899 / expansion of base erosion and anti-abuse tax (+$116.3 billion)

State and local tax deduction

As the week progressed following the markup, no agreement had yet been reached with Republicans not on the committee from high-tax states on the cap on the SALT deduction provision – a long-standing point of contention for a small but passionate group of lawmakers. While the Ways and Means Committee bill would raise the current $10,000 cap to $30,000 for taxpayers earning up to $400,000, the revision does not appear to go far enough to satisfy members representing high-tax districts, casting doubt on whether the broader tax package can secure sufficient support in the House without further changes. Those members point out that the cap is scheduled to sunset after this year, which they think gives them tremendous leverage to strike a more favorable outcome for their constituents.

During the markup, Rep. Tom Suozzi (D-N.Y.) offered an amendment that would have gone significantly further than the bill as unveiled by Chairman Smith, proposing to raise the cap to $80,000. To offset the cost, his proposal included restoring the pre-TCJA top individual income tax rate of 39.6 percent for high earners. The amendment was defeated 17-25 along party lines.
URL: https://waysandmeans.house.gov/wp-content/uploads/2025/05/4.-Suozzi-Amendment.pdf

So, while the proposal to raise the cap to $30,000 enjoys support of Republicans on the taxwriting panel, discussions around the issue have continued outside the markup, with some House Republicans pushing for a higher threshold, arguing that the current $30,000 proposal falls short for constituents in high-tax states. Among those who have publicly advocated for lifting the cap is Rep. Mike Lawler (R-N.Y.), who earlier this Congress introduced the SALT Fairness and Marriage Penalty Elimination Act (H.R. 232), which would raise the deduction limit to $100,000 for single filers and $200,000 for joint filers.
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."

Before the TCJA, there was no cap on the SALT deduction – a change that has since proven costly to taxpayers residing in high-cost-of-living parts of the country.

Assuming all members are present and voting, Republican leaders can afford to lose only three GOP votes on the House floor, so securing the support of nearly all these so-called SALT members is of critical importance.

What's next?

With eleven House committees having produced legislation in compliance with the reconciliation instructions, including the tax bill approved by the Ways and Means Committee, attention turned to the House Budget Committee for what is typically a procedural step: compiling the various measures into a single package. However, that process was derailed on Friday after five Republican members voted against advancing the bill, citing concerns over its fiscal impact, the timing and scope of Medicaid reform, and other measures. While the setback may prove temporary, it highlights the broader and ongoing challenges GOP leadership faces in uniting their conference around a complex and ambitious legislative agenda – particularly on issues of fiscal discipline, programmatic reforms, and the overall policy balance of the bill.

Budget Committee Member Chip Roy (R-Texas), a stalwart deficit hawk, opposed the current version of the bill, arguing that it fails to deliver on promised deficit reductions. He warned that it includes a "massive front-loaded deficit increase," and emphasized that, as members of the Budget Committee, "we are supposed to do something that balances the budget, but we are not [balancing the budget]." Roy added that he would vote against advancing the bill out of committee unless serious reforms are made "today, tomorrow, Sunday."

Alongside all Democratic committee members, four other Republicans also voted against advancing the bill: Reps. Ralph Norman of South Carolina, Vice Chair Lloyd Smucker of Pennsylvania, Josh Brecheen of Oklahoma, and Andrew Clyde of Georgia. Their opposition ensured that the committee could not move the bill forward in its current form this week, signaling that revisions may be necessary to secure broader support. Looking ahead, assuming the holdout members reach an agreement on the range of issues still in contention, the Budget Committee has tentatively scheduled a Sunday evening markup to revisit the vote and potentially advance the bill to the next stage of the process. Notably, Vice Chair Smucker did vote against the bill – reportedly as a procedural move to allow for its swift reconsideration – underscoring leadership's intent to bring the measure back before the panel.
URL: https://budget.house.gov/hearing/reconvening-notice-house-committee-on-the-budget

Assuming the measure eventually clears the Budget Committee, it would next move to the Rules Committee before heading to the full House for a vote. However, its path forward remains uncertain, given the chamber's narrow margins and the range of concerns raised by Republican lawmakers. While passage in the House is still considered likely – provided key revisions are made to address internal disagreements – the outcome is far from guaranteed. If the bill does advance, attention will then shift to the Senate, where Finance Committee Republicans are expected to unveil their own version of the tax package in the coming weeks.

Changes are almost certain in the Senate, however, where lawmakers must navigate not only their own policy priorities and political dynamics, but also the procedural constraints of budget reconciliation. With a narrow margin and differing views among Senate Republicans on this complex legislation (including both tax and non-tax elements), the upper chamber is likely to revise key provisions of the House bill to ensure it complies with reconciliation rules and can secure the necessary support for passage.

"I think you'll see a significant amount of overlap but there will be differences," said Senate Finance Committee Chairman Mike Crapo (R-Idaho). "We've been working very closely together to get our work product as close together as we can."

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