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In this issue:

Biden renews calls for corporate, high-wealth tax increases in State of the Union address

In a wide-ranging State of the Union speech whose economic message emphasized bringing “fairness” to the tax code, President Joe Biden on March 7 urged Congress to build on the foundation his administration laid in the Inflation Reduction Act of 2022 (P.L. 117-169) and approve proposals in his forthcoming budget blueprint

for fiscal year 2025 aimed at increasing taxes on multinational corporations, large businesses, and ultrawealthy individuals to offset the cost of tax relief for less affluent taxpayers and families with children.
URL: https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc

"I want to talk about the future of possibilities that we can build together" in which "the days of trickle-down economics are over and the wealthy and biggest corporations no longer get all the breaks," the president said.

Tax increases on large corporations

On the corporate side of the tax code, the president noted that in 2020, "55 of the biggest companies in America made $40 billion in profits and paid zero in federal income taxes"—an issue that prompted inclusion of a provision in the Inflation Reduction Act that imposes a 15 percent book-minimum tax on companies that report at least $1 billion in profits. But even a 15 percent rate, Biden said, is "still less than working people pay in federal taxes," which is why he now wants to increase the book-minimum tax rate to "at least 21 percent."

In a single sweeping comment, Biden also proposed to "end the tax breaks for Big Pharma, Big Oil, private jets, and massive executive pay."

Although the president provided no additional details on these proposals in his speech, a White House fact sheet released the morning of March 7 filled in some of the blanks, noting that the administration's budget blueprint will call for:
URL: https://www.whitehouse.gov/briefing-room/statements-releases/2024/03/07/fact-sheet-president-biden-is-fighting-to-reduce-the-deficit-cut-taxes-for-working-families-and-invest-in-america-by-making-big-corporations-and-the-wealthy-pay-their-fair-share/

- Denying employers a tax deduction for salary over $1 million paid to any employee. (The current-law restriction on excessive employee remuneration is limited to amounts paid to certain high-level corporate officers.)
- Eliminating certain tax breaks that the administration contends provide favorable tax treatment for corporate jets compared to commercial aircraft and increasing the fuel tax on corporate and private jet travel.

The fact sheet also cites forthcoming budget proposals for corporate tax hikes not explicitly mentioned in the president's address that would:

- Increase the corporate tax rate to 28 percent (from 21 percent currently);
- Increase the excise tax on corporate stock buybacks to 4 percent (from the current rate of 1 percent as enacted in the Inflation Reduction Act); and
- Impose a minimum tax of 21 percent on large multinational entities to bring the US tax system in line with the Pillar Two corporate minimum tax rules being advanced by the OECD.

Variations on these proposals have been included in the administration's previous budget submissions to Congress.

The president's call to increase taxes on "Big Oil" presumably refers to proposals in prior budget packages to repeal various deductions and credits currently available to fossil fuel companies.

Tax increases on high-wealth individuals

Turning to the individual side of the tax code, the president remarked that "the average federal tax rate for . . . billionaires is 8.2 percent," a level that he said is "far less than the vast majority of Americans pay."

"No billionaire should pay a lower tax rate than a teacher, a sanitation worker, [or] a nurse," he said.

To address that perceived imbalance, the president called for a "minimum tax of 25 percent for billionaires," which he said "would raise $500 billion over the next 10 years." Although he did not provide additional details, the White House fact sheet indicates that the levy would apply to "the wealthiest .01 percent, those with wealth of more than $100 million."

The White House fact sheet also indicated that we can expect the budget blueprint will renew the administration's calls from prior years to increase the Medicare tax rate and net investment income tax rate on individuals with income greater than $400,000 and ensure that passthrough business income of high-income taxpayers is subject to the net investment income tax or self-employment tax.

According to the fact sheet, the president also will renew a proposal from last year to extend the mandatory funding stream allocated to the Internal Revenue Service under the Inflation Reduction Act to beef up the agency's compliance and enforcement programs, modernize its information technology systems, and overhaul its taxpayer service operations. That funding—which the IRS is using to, among other things, hire highly trained auditors who specialize in unwinding complex tax transactions and tracing opaque sources of income—is scheduled to run out at the end of fiscal year 2031.

Tax relief for less affluent individuals

In addition to reiterating his oft-stated pledge that he will not raise taxes or increase IRS audit rates for taxpayers with income of less than $400,000, the president announced proposals to reduce tax burdens for less affluent individuals by:

- Restoring the enhancements to the child tax credit that were enacted in the American Rescue Plan Act of 2021 but expired at the end of that year. (Those enhancements increased the maximum credit amount, made the credit fully refundable, and allowed families to receive the benefit in direct monthly payments.) A proposal in last year's budget blueprint called for extending those provisions through 2026.

- Permanently extending enhancements to Affordable Care Act premium subsidies that were enacted on a temporary basis in the Inflation Reduction Act and are scheduled to expire at the end of 2025.

To address the rising costs of home ownership, the president called on Congress to approve his proposal for a new tax credit that would “give Americans $400 a month—for the next two years, as mortgage rates come down—to put toward their mortgage when they buy a first home or trade up for a little more space.”

More details on March 11

The Biden administration will unveil its full menu of tax and spending proposals when it sends its fiscal year 2025 budget blueprint to Congress on March 11. The budget release is expected to be accompanied by a “Green Book” from the Treasury Department with detailed explanations of the president’s revenue proposals.

A ‘pre-buttal’ from the Ways and Means chairman

The president’s forthcoming budget proposals, like his prior budget blueprints, are not expected to be well received among congressional Republicans. Indeed, House Ways and Means Committee Chairman Jason Smith, R-Mo., flatly rejected the administration’s tax agenda in a statement released moments before the president delivered his address.
URL: https://waysandmeans.house.gov/chairman-smith-americans-cant-afford-the-tax-hikes-planned-for-tonights-state-of-the-union-speech/

“President Biden tonight plans to make clear he’s on the side of higher taxes and more corporate giveaways. These proposals will kill jobs, hurt families and small businesses, and put America at a disadvantage to Communist China. As we have said every time he has proposed these tax increases before, they are dead on arrival. President Biden’s State of the Union address is a giant tax bill no American can afford,” the statement said.

Ahead of the State of the Union address, the Ways and Means Committee approved a budget views and estimates letter for the coming fiscal year indicating that its focus will be on moving legislation that builds on Trump-era tax cuts and the Republican-led House Budget Committee approved a budget resolution that appears to support extending those tax cuts while also dismantling certain key provisions in the Inflation Reduction Act. (See separate coverage in this issue for additional details.)
URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2024/03/FY-25-VE-Letter_3.4.pdf
URL: https://docs.house.gov/meetings/BU/BU00/20240307/116938/BILLS-118NAih.pdf

— Michael DeHoff
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House clears six-bill appropriations package, Senate hits speed bumps ahead of March 8 shutdown deadline

Almost halfway into fiscal year 2024, the House this week finally passed a six-bill “minibus” appropriations measure providing full-year funding for more than a dozen federal departments and agencies; but with action in the Senate delayed while leaders attempted to reach an agreement on amendments with Republican members, it appeared at press time as though a vote on final passage in that chamber might not take place before midnight on March 8, when a stopgap measure providing funding for federal departments and agencies covered under the package is set to expire. President Biden is expected to sign the measure into law as soon as it is presented to him.

Where things stand

This week’s appropriations package—the Consolidated Appropriations Act, 2024 (H.R. 4366)—cleared the House on March 6 by a vote of 339-85, with Democrats supplying 207 of the “aye” votes, compared to just 132 from Republicans, in yet another demonstration of the continuing divide within the GOP facing House Speaker Mike Johnson, R-La.
URL: https://docs.house.gov/billsthisweek/20240304/HMS31169.PDF

As has been the case for several important votes this year, Johnson bypassed the House Rules Committee—where three members of the ultraconservative Freedom Caucus effectively hold veto power over what bills can advance to the floor—and instead brought up the measure under an expedited procedure known as “suspension of the rules,” which prohibits amendments, limits debate time, and requires a two-thirds majority for passage rather than the simple majority threshold which normally prevails in the House.

Delayed in the Senate: The bill subsequently encountered obstacles in the Senate, however, as Democratic and Republican leaders struggled to reach a time agreement on Republican-proposed amendments on issues such as earmarks and border security. The chamber voted 60-35 on the afternoon of March 8 to limit debate on the measure, which set up a vote on final passage late in the evening of March 8 or early in the morning of March 9. But that timeline presents the risk of a brief partial government shutdown given hard deadline (midnight on March 8) for funding these departments and agencies under the short-term continuing resolution currently in place.

Policy ‘wins’ for both parties: The roughly $460 billion package would fund the Departments of Agriculture, Energy, Veterans Affairs, Transportation, Housing and Urban Development, Interior, Commerce, and Justice through the end of the fiscal year on September 30, 2024.

While both Democrats and Republicans touted various partisan policy wins in the funding measure—for example, Democrats argued that they secured more funding for nutrition assistance and the GOP lauded cuts to the Environmental Protection Agency—in general, the deal adheres to a top-line spending accord struck in January between Speaker Johnson and Senate Majority Leader Charles Schumer, D-N.Y., which itself mirrored a spending caps deal that was negotiated by President Biden and then-Speaker Kevin McCarthy, R-Calif., and

signed into law last June as part of the Fiscal Responsibility Act (P.L. 118-5). (For details on the January agreement, see *Tax News & Views*, Vol. 25, No. 1, Jan. 12, 2024.)
URL: https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240112_1.html

Still more difficult work ahead: Once the current minibus is approved and signed into law, lawmakers will need to turn to the other six fiscal 2024 appropriations measures that still need to be completed, including those providing full-year funding for several departments and agencies that often prove to be politically divisive, including for Defense, Homeland Security, Labor, Education, Health and Human Services, and State. These operations are currently funded at last year's levels through March 22 under a continuing resolution enacted on March 1.

Also due by March 22 is the so-called Financial Services and General Government appropriations measure, which provides full-year funding for the Treasury Department and Internal Revenue Service, among myriad other agencies and offices.

Presumably, this next "minibus" will also include a $20 billion reduction to the $80 billion mandatory funding infusion (over 10 years) provided to the IRS as part of the Inflation Reduction Act of 2022 (P.L. 117-169). President Biden and then-Speaker McCarthy had agreed in their Fiscal Responsibility Act negotiations last June to trim that IRS allocation by $10 billion in each of fiscal years 2024 and 2025 and redirect those amounts to other domestic spending priorities; however, the January deal struck by House Speaker Johnson and Senate Majority Leader Schumer accelerated the reallocation of the entire $20 billion into fiscal 2024.
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

No rest for the weary: Even as lawmakers continue working to close the books on fiscal year 2024 appropriations, less than seven months remain until the start of fiscal 2025, meaning appropriators must move almost immediately toward drafting spending bills for the upcoming fiscal year.

To that end, the House Budget Committee on March 7 marked up a budget resolution (text; executive summary) for fiscal 2025 that purports to balance the federal budget within 10 years by reducing annual appropriations and reforming entitlement programs, while "locking in tax cuts for the middle class and small businesses." (See separate coverage in this issue for additional discussion of this week's House Budget Committee mark-up.)
URL: https://docs.house.gov/meetings/BU/BU00/20240307/116938/BILLS-118NAih.pdf
URL: https://budget.house.gov/imo/media/doc/executive_summary1.pdf

However, it is important to note that the House budget resolution stands almost zero chance of being reconciled with any companion budget plan drafted by Senate Democrats and, in any case, the Fiscal Responsibility Act (as affirmed by the Johnson-Schumer top-line spending accord) already includes a statutory cap on fiscal year 2025 appropriations, which as a practical matter negates the need for a budget resolution this year at all.

The Biden administration is also set to unveil its fiscal year 2025 budget plan on March 11. (See related coverage in this issue about the president's State of the Union address, in which he previewed several of his upcoming budget proposals.)

Bipartisan tax bill languishes amid continued Senate bickering

In theory, the March 22 deadline for approving the second and final tranche of fiscal 2024 appropriations could leave time for Senate leaders to resolve disagreements in that chamber over the $78 billion Tax Relief for American Families and Workers Act (H.R. 7024), the bipartisan tax bill negotiated between House Ways and Means Committee Chairman Jason Smith, R-Mo., and Senate Finance Committee Chairman Ron Wyden, D-Ore., that was approved in the House by a margin of 357-70 on January 31.
URL: https://www.congress.gov/118/bills/hr7024/BILLS-118hr7024eh.pdf

The House-passed bill would, among other things, temporarily reverse certain business-unfriendly tax provisions related to the treatment of research expenditures, bonus depreciation, and the deduction for business interest expenses that were included in the Tax Cuts and Jobs Act (P.L. 115-97) but did not take effect until several years after that measure was enacted; enhance the child tax credit and the low-income housing tax credit; and impose new strictures on the pandemic-era employee retention tax credit program.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

Stand-alone tax bills in the Senate have been rare in recent years, so attaching this one to a larger vehicle such as a must-pass government funding bill has been seen as the more likely route to success for tax legislation this year. But with key Republicans in the Senate continuing to hold out against the package and Senate Finance Committee ranking member Mike Crapo, R-Idaho, insisting that the GOP won't "rubber stamp" the deal, it currently is unclear if work on the tax bill will be completed in time to move it in concert with appropriations legislation.

In a lengthy statement released February 28, Crapo pointedly noted that "efforts to pressure the Senate to 'take it or leave it' and categorically dismiss a Senate regular order process have only amplified calls for changes and amendments. This was the risk of announcing a deal without my support and with no near-term path forward in the Senate."
URL: https://www.finance.senate.gov/ranking-members-news/crapo-statement-on-status-of-tax-negotiations

In addition his oft-stated opposition to a "lookback" provision that would allow individuals to claim the child tax credit based on prior-year income (for tax years 2024 and 2025), Crapo also has contended that there are "dozens" of problems that other members have with the bill. For example, he said some Senate Republicans would like to attach additional provisions such as technical corrections to the SECURE 2.0 Act (the retirement security package enacted in 2022) and extensions of some traditional tax "extenders" (for example, the more generous depreciation schedule for racehorses and an increase in limit on cover over of rum excise tax revenues to Puerto Rico and US Virgin Islands, both of which expired at the end of 2021). He also has argued that because Democrats succeeded in adding enhancements to the low-income housing tax credit to the bill,

Senate Republicans should have an opportunity to address their priorities. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 8, Mar. 1, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240301_1.html

Wyden, Crapo spar in the hallway: But Chairman Wyden argued to reporters March 6 that Crapo's demands, at this late stage, amount to an "amorphous smorgasbord" of proposals.

"We don't have a list of what amendments they would like," Wyden said. "We still don't have a description of the process they would like." (Crapo reportedly has asked for a Finance Committee mark-up of the House-passed bill, a request Wyden so far not been inclined to accommodate. Certain senators not on the taxwriting panel have said they would like a chance to offer amendments when the legislation is brought up for a floor vote.)

Told of Wyden's remarks, Crapo—who happened to be walking by—responded that Democrats "know exactly what I want."

"They know the issues—they know them very well. There is nothing 'amorphous' about it," he said.

A tricky path forward: At this juncture, any option for advancing the House-passed legislation through the Senate is fraught with challenges. Efforts by Majority Leader Schumer to move it on its own could face opposition from GOP senators wary of contradicting Sen. Crapo, who could find himself chairman of the Finance Committee next year if Republicans regain control of the chamber in this November's elections.

"I'm not going to be one of 10 to 12 Republicans that join every Democrat to pass [the tax bill]," said Sen. Kevin Cramer, R-N.D., on March 6 after a Senate GOP conference lunch during which the legislation was a major topic of discussion.

Complicating matters even further is the fact that a process allowing for amendments that might pass (as opposed to "messaging amendments" that are certain to fail) during either a Finance Committee mark-up or a Senate floor debate risks opening the door to changes not only from Republicans but also from Democrats, and any disruption to the careful balance between business and family tax benefits that Finance Committee Chairman Wyden and Ways and Means Chairman Smith originally reached could put the bill in jeopardy of losing current supporters. Any Senate changes to the legislation also would mean returning the bill to the House for another vote, presenting a further challenge in getting a completed bill to the president's desk.

Sen. Crapo, for his part, told reporters March 7 that he has "mixed" feelings on the bill's Senate prospects.

"There's a lot of hurdles that have to be overcome, and I'm not certain that they can be," he said. "But I also see that there's a pathway that they could be, so I'm working on trying to get there."

— Alex Brosseau
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US should stick with Pillar One negotiations, industry groups tell House taxwriters

Tax experts from several industry associations told members of the House Ways and Means Tax Subcommittee at a March 7 hearing that despite the flaws in the current multilateral tax agreement negotiated through the OECD, it is essential that the US remain at the table, and that having Congress more engaged could help make the deal better for the nation's consumers, multinational businesses, and the fisc.

Again and again, witnesses explained that the likely consequence of failure for what is known as Pillar One of the agreement—which would create new nexus rules for allocating taxing rights between countries—would be a proliferation of uncoordinated unilateral taxes on gross revenues that would largely fall on US-based multinationals. The witnesses also noted, however, that the agreement as currently drafted may not stop such discriminatory taxes.

JCT looks at revenue impact

A new report from the nonpartisan Joint Committee on Taxation staff that was released in conjunction with the hearing estimates that enactment of Amount A of Pillar One would have resulted in a US revenue loss of $1.4 billion had it been in effect in 2021. The report also includes a range of estimates due to the "significant uncertainties" in the agreement, which has not been finalized. (Amount B of Pillar One is considered more likely to be a net revenue raiser for the US if widely adopted, but it is currently drafted as optional for countries rather than mandatory—an issue that witnesses at the hearing urged Congress to push back on.)
URL: https://www.jct.gov/publications/2024/jcx-7-24/

Republicans fault Treasury's negotiating style

A number of Republicans on the subcommittee blamed the Biden administration for negotiating a bad deal and leaving Congress out of the process. Rep. Carol Miller, R-W.Va., charged that the US Treasury Department officials involved "were either asleep at the wheel or actively undermining US companies," given that the US is estimated to be a net revenue loser under the current terms.

Subcommittee Chairman Mike Kelly, R-Pa., noted that US adoption of Pillar One is necessary for the proposed system to work globally, and it is clear there is not sufficient Senate support right now to approve the multilateral treaty needed for implementation. (Treaties require a two-thirds majority to pass the Senate.) The House would also likely need to pass legislative changes to enable implementation.

"We all agree Congress has a role to play," Kelly said.

— Storme Sixeas
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House GOP tax- and budget writers eye tax cuts among their FY 2025 budget priorities

As Congress awaits the release of a fiscal year 2025 budget proposal from the White House that is expected to include tax increases for large businesses and wealthy individuals, the Republican majorities on the House Ways and Means Committee and the House Budget Committee made clear this week that their focus in the coming fiscal year will be on tax cuts.

Ways and Means 'views and estimates' letter hints at TCJA extensions

Ways and Means Committee Republicans outlined their position on March 6, approving along party lines a views and estimates letter identifying the panel's legislative priorities for those areas of the federal budget that fall within its jurisdiction. (The final vote was 25-16 with Democrats aligned in the "no" column.)
URL: https://gop-waysandmeans.house.gov/wp-content/uploads/2024/03/FY-25-VE-Letter_3.4.pdf

The views and estimates letter is required under the Congressional Budget Act of 1974 and is intended to provide guidance to the House Budget Committee in developing their fiscal year 2025 budget resolution. (Other House panels with jurisdiction over specific budget issues will send their own views and estimates letters to the committee outlining their respective priorities.)

Tax policy priorities: The Ways and Means letter broadly pledges to "prioritize tax policies that benefit American workers, families, farmers, and small businesses," with a specific focus on "reshoring investment and jobs, strengthening our supply chains, growing retirement savings, developing workforce skills and experience, and encouraging small business growth."

That pledge aligns with the stated goal of Republican taxwriters to build on the Trump-era Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) and extend—or even make permanent—provisions such as income tax rate reductions, a higher alternative minimum tax exemption, an increased estate and gift tax exemption, and a 20 percent deduction for certain passthrough business income that are currently set to expire after 2025, although the letter does not identify that legislation by name. (The TCJA cleared the House and Senate under budget reconciliation protections with no support from Democrats in either chamber. Congressional Democrats and the White House generally have called for rolling back many of the TCJA's permanent tax cuts for corporations and large businesses and allowing the temporary tax relief for individuals and passthroughs to expire for taxpayers with income over $400,000.)
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

Echoing other priorities that the Republican majority on the panel outlined last year, the letter notes that that House taxwriters will continue to review:

- Administration of federal tax laws by the IRS.
- "Special provisions in the tax code," including various credits enacted in the Inflation Reduction Act of 2022 (P.L. 117-169), which Republicans contend "will cost over twice as much as originally projected." (The Inflation Reduction Act moved through Congress under budget reconciliation protections and was approved on the strength of Democratic votes alone. Since the legislation was enacted, congressional Republicans have sought to pare back or eliminate many of its tax incentives focused on clean energy.)
  URL: https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc
- Improper payments made by the IRS under various current-law tax credit programs.

In addition, the letter states that the panel intends to "root out fraud within tax programs," including, most notably, the COVID-era employee retention tax credit (ERTC). The Tax Relief for American Families and Workers Act (H.R. 7024), the bipartisan tax package that cleared the House on January 31 but is currently stuck in the Senate, includes a revenue offset that would accelerate the deadline for filing additional ERTC claims to January 31, 2024 (from the current deadlines of April 14, 2024, for tax year 2020, and April 15, 2025, for tax year 2021).
URL: https://www.congress.gov/118/bills/hr7024/BILLS-118hr7024eh.pdf

White House budget proposal: The letter pledges that the panel will review revenue provisions in President Biden's upcoming fiscal year 2025 budget request and will examine the proposal more generally "to assess [its] effectiveness or lack of effectiveness . . . in promoting job creation and economic growth, reducing budget deficits and debt, and ensuring the long-term sustainability of programs within the committee's jurisdiction."

The White House will release its budget blueprint for the coming fiscal year on March 11. (See separate coverage of President Biden's State of the Union message in this issue for Biden's comments on some of the revenue provisions that the budget plan will include.)

Federal debt ceiling: In a nod to the continuing debate between congressional Republicans and the Biden administration over how to address the federal debt ceiling, the letter states that House taxwriters have "a responsibility to ensure that the United States meets its obligations" but also to ensure that "the growth of our national debt does not spiral out of control and make us more dependent on financing from foreign nations as more and more of our own domestic budget is consumed by debt interest payments."

To that end, the committee will "continue to monitor the growth of outstanding debt and debt interest and . . . pursue policies to address their growth and reduce the need for future increases in the statutory debt limit," the letter states.

President Biden and then-House Speaker Kevin McCarthy, R-Calif., averted a potential default on the federal debt last year in the Fiscal Responsibility Act (P.L. 118-5), which, among other things, suspended the federal

debt ceiling through January 1, 2025. The looming expiration of that provision means action on the statutory debt limit is likely to be at the top of the fiscal policy agenda when the next presidential administration is sworn in and the 119th Congress convenes next January.
URL: https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf

Budget Committee advances resolution with tax cut reserve fund

Just one day after House taxwriters ratified their budget-related policy priorities for fiscal year 2025, the House Budget Committee approved on a party-line vote of 19-15 a budget resolution for the coming fiscal year that appears to support extending the temporary tax relief provisions enacted in the Tax Cuts and Jobs Act while also dismantling certain key provisions in the Inflation Reduction Act.
URL: https://docs.house.gov/meetings/BU/BU00/20240307/116938/BILLS-118NAih.pdf

The resolution is a nonbinding document that lays out the panel's budget priorities but does not prescribe specific policies. Legislative language to flesh out the priorities identified in the budget blueprint will ultimately be provided by the relevant House committees of jurisdiction.

According to an executive summary released by the GOP majority, the 10-year blueprint would reduce the federal deficit by $14 trillion over the next decade and create a $144 billion budget surplus in fiscal year 2034 through a combination of cuts in discretionary and mandatory spending, regulatory reforms, and increased economic growth.
URL: https://budget.house.gov/imo/media/doc/executive_summary1.pdf

Tax cut reserve fund: The blueprint includes a reserve fund that would accommodate potential legislation from the Ways and Means Committee to "advance pro-growth tax reforms and simplify the tax code" and a separate policy statement within the resolution calls for "lowering taxes that discourage work, savings, and investment" among a roster of policies intended to grow the economy.
The executive summary also notes that economic growth under the budget plan would come in part from "locking in tax cuts for the middle class and small businesses"—language that comports with the tax policy priorities outlined in the views and estimates letter from the taxwriting panel.

Hints about potential tax revenue raisers: The resolution does not mention any specific revenue-raising tax proposals—again, that language would have to come from the Ways and Means Committee—but the executive summary suggests that the blueprint would achieve the GOP's deficit reduction goals by eliminating most of the clean energy tax incentives in the Inflation Reduction Act and chipping away at the roughly $80 billion in new mandatory funding (over 10 years) that was allocated to the Internal Revenue Service in the 2022 law to, among other things, beef up its enforcement programs. (It's worth noting, however, that nonpartisan budget scorekeepers have consistently said cutting the dedicated funding to the IRS on balance will increase the deficit, as any immediate savings are outweighed by the foregone revenue that would be collected as a result of the additional resources provided to the tax collector.)

Ways and Means Committee Republicans voted to pare back a significant portion of the Inflation Reduction Act's clean energy tax title in what they described as an "economic growth" package that was marked up in

June of last year, although that legislation never advanced to the House floor. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 24, June 16, 2023.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230616_1.html

Moreover, in one of their first legislative actions of the 118th Congress, House Republicans approved legislation (H.R. 23) to rescind some $71 billion of the new IRS funding—specifically, the portions allocated for enforcement activities and operations support. That legislation has not been taken up in the Senate; however, President Biden and then-Speaker Kevin McCarthy, R-Calif., reached a "handshake deal" during their negotiations on the Fiscal Responsibility Act last June providing that subsequent spending legislation would claw back some $20 billion of the IRS's mandatory funding—$10 billion in fiscal year 2024 and $10 billion in fiscal 2025—and reallocate those dollars toward domestic discretionary spending accounts. That agreement was renegotiated earlier this year by current Speaker Mike Johnson, R-La., and Senate Majority Leader Charles Schumer, D-N.Y., to provide that the entire $20 billion will be rescinded in fiscal year 2024. (See separate story in this edition for the latest developments on the fiscal year 2024 appropriations process).
URL: https://www.congress.gov/bill/118th-congress/house-bill/23/text

What's next?: It is unclear if the committee-approved measure will be brought up for a vote on the House floor, but even if it were to clear the chamber, it almost certainly would be rejected in the Democratic-controlled Senate.

Also worth noting is the fact that the Fiscal Responsibility Act (as affirmed by the Johnson-Schumer top-line spending accord) already includes a statutory cap on fiscal year 2025 appropriations, which as a practical matter negates the need for a budget resolution this year at all.

— Michael DeHoff
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Senate taxwriters unanimously back Tellez for Treasury legislative affairs post

The Senate Finance Committee voted 27-0 on March 6 to recommend that the full chamber approve President Biden's nomination of Corey Tellez to serve as Treasury assistant secretary for legislative affairs.

Tellez, who currently is acting assistant secretary for legislative affairs, joined the Treasury Department in 2022 after spending 16 years in various staff positions in the House and Senate. She holds a Bachelor of Science degree from the University of Illinois Urbana-Champaign and a Juris Doctor from the University of Illinois College of Law.

Tellez got a generally favorable reception from Finance Committee members during a January 31 hearing to consider her nomination, although ranking member Mike Crapo, R-Idaho, pressed her on certain institutional concerns he has with the Treasury Department and the Internal Revenue Service under the Biden administration.

Specifically, Crapo criticized Treasury and IRS leaders for being slow to respond to requests for information from the committee and from his own office. Treasury Secretary Janet Yellen, he said, took almost seven months to provide Finance Committee members with answers to questions for the record after a hearing last year on the Treasury Department's budget for fiscal year 2024, and IRS Commissioner Danny Werfel took eight months to provide written responses to questions from the panel about the agency's FY 2024 budget and the tax year 2022 filing season. He noted that other months-old information requests from Senate taxwriters to Treasury and IRS officials remain unanswered.

Tellez responded by pointing to her own experience working on Capitol Hill and telling Crapo that she "deeply respect[s] the role that Congress plays in policymaking" and "understand[s] the importance of providing timely and accurate answers" to questions from lawmakers. (She stated in a separate exchange with Finance Committee Chairman Ron Wyden, D-Ore., that her career as a congressional staffer cemented her belief in the importance of working with members on both sides of the aisle and with executive branch officials to advance legislative priorities.)

Crapo also faulted the Biden Treasury Department for issuing guidance on certain enacted tax legislation that, in his view, is at odds with the plain language of the statute as approved by Congress—a criticism that some congressional Republicans have leveled most notably against guidance implementing various clean energy provisions in the Inflation Reduction Act of 2022 (P.L. 117-169). He asked Tellez what she would do "to ensure that all voices are heard" in the rulemaking process and that "the administration's preferences on regulatory guidance [do] not overstep congressional intent."
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

Tellez replied that her role in leading Treasury's legislative affairs operations would be to see to it that the views of lawmakers and stakeholders "are heard by the department [and] elevated respectfully within the department as [policy] decisions are being made."

Senate leaders have not yet indicated when Tellez's nomination will come to the floor.

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

Finance Committee to explore tax incentives for domestic manufacturing

The Senate Finance Committee announced this week that it will hold a hearing on March 12 at 10:00 a.m. to discuss "growing US manufacturing through the tax code."

The witness list as of press time includes Mark R. Widmar of First Solar, Inc., in Tempe, Ariz.; Anna Fendley of United Steelworkers in Pittsburgh; Shannon Janis of Onsemi in Scottsdale, Ariz.; Courtney Silver of Ketchie, Inc., in Concord, N.C.; and Peter R. Huntsman of the Huntsman Corporation, The Woodlands, Texas.

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

Deloitte Tax looks at final updated Form W-9

The Internal Revenue Service on March 6 released an updated and finalized Form W-9, Request for Taxpayer Identification Number and Certification, with a revision date of March 2024. The draft Form W-9 was first released on July 26, 2023, and included new line 3b. The final version incorporates the new line 3b and updates the line 1 and line 3a information for single-member LLCs and other disregarded entities.
URL: https://www.irs.gov/pub/irs-pdf/fw9.pdf

Find out more

Details on the updated form are available in a new alert from Deloitte Tax LLP's Global Information reporting group.
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240308_7_suppA.pdf

— Michael DeHoff
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