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TaxNewsFlash

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Senate FY 2018 proposed budget resolution; implications for tax reform legislation

U.S. Senate Budget Committee Chairman Mike Enzi (R-WY) today released a proposed budget resolution for FY 2018 that has implications for tax reform legislation.

Proposed budget resolution

As noted in a Budget Committee **release**, the proposed FY 2018 budget resolution would allow the Senate Finance Committee to promulgate legislation to reduce revenues and change outlays that would increase the deficit by up to $1.5 trillion over a 10-year period (through 2027).

Importantly, assuming that a number of procedural rules are followed, this legislation may be considered by the Senate under budget reconciliation rules that allow a bill to not be subject to Senate filibuster. As a result, a bill may be approved with a simple majority—rather than a super-majority—of senators' support. The Finance Committee is instructed to report legislation to the Budget Committee by November 13, 2017 so that the Budget Committee may forward the legislation to the Senate for floor consideration.

The resolution also directs the Congressional Budget Office and the Joint Committee on Taxation to incorporate the macroeconomic effects in revenue estimates of major legislation considered in the Senate.

The Budget Committee has scheduled markup of the resolution beginning October 4.

Finance Committee reaction

Finance Committee Chairman Orrin Hatch (R-UT) issued a **statement** that the budget proposal has allowed the Senate to take "a critical first step to advance a tax overhaul to turn our nation's economic tide."

Finance Committee ranking member Ron Wyden (D-OR) issued a statement that the proposal “a giant step in the opposite direction of developing real tax reform that is long-term, bipartisan and is at least as progressive as current law.”

KPMG observation

The proposed budget instructions to the Finance Committee only specify a net deficit target to the committee—the budget proposal does not dictate to the Finance Committee what the nature of the legislative changes proposed to achieve that target number should be. It is expected that tax reform will be the focus of this legislation, but it is possible under the terms of the budget proposal (although not expected) that the Finance Committee could decide to address other areas of policy that are within its jurisdiction in addition to tax matters. However, any matters included in a reconciliation bill will need to meet all of the complex procedural and statutory requirements applicable to reconciliation legislation—one of which is that all such proposals must have a non-incidental budgetary impact.