

TaxNewsFlash

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Budget resolutions passed by House, Senate Budget Committee; steps toward U.S. tax reform legislation

The U.S. House of Representatives today passed, by a vote 219 to 206, a FY 2018 budget resolution that, according to Ways and Means Chairman Kevin Brady (R-TX), “paves the way for once-in-a-generation, transformational tax reform.”

The FY 2018 resolution, H. Con. Res. 71 (115th), includes reconciliation language instructing the Ways and Means Committee to generate \$52 billion in budgetary savings and reforms from various programs under its jurisdiction. The House Budget Committee expects that the Ways and Means Committee will include “revenue neutral” tax reform as part of its reconciliation package.

Meanwhile...over in the Senate

Senate Budget Committee Chairman Mike Enzi (R-WY) last week presented a FY 2018 budget resolution—one that 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). Read [TaxNewsFlash](#).

The Senate Budget Committee is considering this resolution today. The Senate budget resolution needs to be approved by the Senate Budget Committee and the full Senate. Amendments may still be made to the Senate version of the resolution.

Update: The Senate Budget Committee late on October 5, 2017, approved the budget resolution. Read a Senate Budget Committee [release](#).

What's next?

Ultimately, differences between the House and Senate budget resolutions (including the size of the revenue instructions that may be used for tax legislation) must be negotiated, and the House and Senate must agree to the same bill.

The president does not need to sign the budget resolution.

KPMG observation

Congressional Republicans hope that House passage of a budget resolution is a first step towards tax reform. Adoption by the House and Senate of a budget resolution containing reconciliation instructions for the tax-writing committees may allow “budget reconciliation” to be used for tax legislation.

Budget reconciliation rules would enable Republican leadership to attempt to move tax reform in the Senate with only 51 votes. In the Senate, subject to limited exceptions, it typically takes 60 votes to avoid a filibuster (which otherwise could delay or block legislative action). Although Republicans control the Senate, they hold only 52 seats.

Budget reconciliation provides a process by which some types of legislation (including certain tax measures) can move forward in the Senate with only a simple majority vote. However, to use budget reconciliation, the House and Senate first have to agree on a budget resolution that sets the revenue objectives for tax reform. The House-Senate resolution would instruct the tax-writing committees to report legislation in the form of a “reconciliation bill” that achieves the revenue objectives.

The reconciliation rules include a number of complex procedural limitations and conditions that can affect the substance and design of the underlying legislation. For example, the reconciliation rules include a requirement that any title of legislation generally cannot increase the federal long-term deficit in any year beyond the “budget window” (which in recent years, has been a 10-year window). That is, the tax legislation ultimately produced may need to be drafted so as to not contain a net tax cut in years outside the budget window.

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