

TaxNewsFlash

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U.S. Senate passes budget resolution; what does this mean for tax reform?

The U.S. Senate last evening passed, by a vote 51 to 49, a FY 2018 budget resolution that, according to Senate Finance Chairman Orrin Hatch (R-UT), advances tax reform.

Chairman Hatch said in a [statement](#) after Senate passage:

“...strong budget with a reconciliation instruction that will give the Finance Committee the headroom it needs to develop the best pro-growth policies to achieve our goal. I ask my colleagues in the House to act swiftly to push a final budget across the finish line.”

Tax reform implications

The Senate’s FY 2018 budget resolution would allow the Senate Finance Committee to promulgate legislation pursuant to “budget reconciliation” instructions that could reduce revenues and change outlays sufficient to increase the deficit by up to \$1.5 trillion over a 10-year period (through 2027).

Budget reconciliation rules would enable Republican leadership to avoid filibuster rules and attempt to move tax reform in the Senate with only 51 votes. The reconciliation rules include a number of complex procedural limitations and conditions that can affect the substance and design of the underlying legislation, including limitations regarding increases to the federal long-term deficit in any year beyond the 10-year “budget window.”

What’s next

The House of Representatives passed its version of a budget resolution in early October 2017. Read [TaxNewsFlash](#).

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 resolution. The president does not need to sign the budget resolution.

Congressional Republicans hope that passage of a budget resolution by the House and Senate will advance tax reform efforts. An amendment was added to the Senate resolution prior to passage that contains a number of modifications that were reported to have been made at the request of Republican House leaders. It is possible that these changes may make it easier for the House to pass the Senate-approved budget—thus, eliminating the need for a conference committee to convene to negotiate the differences between the two resolutions.

The Senate's passage of the budget resolution and the possibility that the House could pass an identical resolution next week, has potentially sped up the timing of tax reform legislative activity. While it is far from assured, and may not even be likely, it is possible that draft legislation could be released by one or both of the tax-writing committees over the next couple weeks, as Republican leaders have expressed a desire to move legislation as quickly as is feasible.