TaxNewsFlash

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Senate Budget Committee sends tax reform bill to Senate floor

The U.S. Senate Budget Committee today voted by a party-line vote (12-11) to send reconciliation legislation to the Senate floor.

The bill includes two titles:

- The "Tax Cuts and Jobs Act" approved by the Senate Finance Committee on November 16, 2017
- Provisions addressing an oil and gas program relating to the Arctic National Wildlife Refuge Coastal Plain

Read the **text** [PDF 829 KB] of the bill.

Background

The House of Representatives on November 16, 2017, approved its version of the "Tax Cuts and Jobs Act" (H.R. 1) by a vote of 227-205. Read a **KPMG report** [PDF 1.7 MB] with analysis and initial observations of the House bill.

Also on November 16, the Senate Finance Committee approved its version of the "Tax Cuts and Jobs Act" by a party-line vote of 14 to 12. Read a **KPMG report** [PDF 1.1 MB] from November 18, with initial observations on the Senate Finance Committee bill.

Budget reconciliation, implications for tax reform

Tax reform is being considered under budget reconciliation procedures. Budget reconciliation is a process by which spending and revenue legislation (including tax measures) can avoid a potential Senate filibuster and be passed by a simple majority vote in the Senate. Read more about budget reconciliation in a **KPMG report** on the Senate Finance Committee bill.

The ability to use budget reconciliation rules was "unlocked" when the House and Senate agreed to a budget resolution for FY 2018. The budget resolution permits the tax bill produced pursuant to its instructions to increase the deficit by a maximum of $1.5 trillion over the 10-year budget window.

To retain the protection from a Senate filibuster that the reconciliation rules provide, provisions in the tax legislation being considered under the budget resolution must meet a number of complex requirements. Any senator could raise a point of order against any provision that does not meet these requirements.

For tax legislation, one of the most relevant requirements is one intended to prevent an increase in the long-term deficit of the United States. Even though a tax bill considered pursuant to the FY 2018 budget resolution can provide a net tax cut of up to $1.5 trillion **within** the 10-year window, no title of the Finance Committee bill can result in a net tax cut in any year **beyond** the 10-year budget window unless offset by an equivalent reduction in spending.

What's next?

Tomorrow (November 29), the Senate is expected to begin a maximum of 20 hours of debate on the legislation, evenly divided between Republicans and Democrats. It might take one or more days to complete the up to 20 hours of debate.

During and after debate, amendments can be expected to be offered on the Senate floor. Thus, changes (perhaps significant) could be made by the adoption of amendments.

The bill would need to pass the Senate by a simple majority vote to move forward in the legislative process. Thus, for example, if 50 Senators voted for the bill and 50 voted against it, Vice President Pence (as president of the Senate) could vote to break the tie. It is not certain at this point whether the bill would pass the Senate or what changes might be necessary to secure its passage.

Based on the Finance Committee bill, it appears likely that if the Senate approves a bill, it would be different from the House bill in some key respects. For tax reform to become law, the House and the Senate ultimately would have to pass identical legislation and the president would have to sign such legislation.

It is possible that a conference committee might be convened to work out the differences between House and Senate bills (as was done in the 1986 Act). However, other approaches might be employed. For example, House and Senate policymakers might negotiate behind the scenes before final Senate passage in an effort to produce a final amendment that would result in a bill that could pass the Senate and then pass the House.

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