



# Capitol Hill Weekly

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***This update reflects facts as of Monday morning, April 14, 2025. The situation is fluid and may change.***

Congress has adjourned for its two-week Easter recess. The House, before leaving, agreed late last week to the Senate's amended budget resolution, allowing Congressional Republicans to begin the more difficult work of producing a budget reconciliation bill that could include extensions of the expiring TCJA tax cuts and other tax proposals. The President suspended the higher so-called reciprocal tariffs imposed the week before and new tariffs on some electronics, while retaining others and increasing tariffs on most imports from China. And the Finance Committee held a confirmation hearing on the President's nominee for Assistant Secretary for Tax Policy.

**Budget reconciliation.** The House narrowly passed, 216-214, the Senate's amended version of the resolution previously passed by the House. It added new and somewhat different deficit instructions for the Senate committees. The original House resolution allowed up to \$4.5 trillion in increased deficits for net tax changes, while at the same time requiring \$1.5-2.0 trillion in deficit-reducing cuts in spending. The spending reductions could affect programs such as Medicaid, the Children's Health Improvement Program, and the Supplemental Nutrition Program, though how or whether remains unclear.

The Senate instructions in the amended resolution specifically require only \$4 billion in spending reductions, although more would be allowed. It would allow \$1.5 trillion for net tax cuts, but those cuts would be measured against a so-called "current policy baseline," that is, a baseline that assumes the tax provisions currently in place are permanent. That baseline assumption would have the effect of disregarding the \$4-4.5 trillion in revenue attributable to extending the TCJA tax provisions for ten years. It would also provide \$1.5 trillion for other tax reductions, such as those for tip income, overtime pay, and Social Security benefits proposed by the President.

Much remains to be decided as House and Senate begin work on a reconciliation bill consistent with the resolution. House deficit hawks are seeking more, not less, deficit reduction than that in the \$1.5-2.0 trillion in the instructions to the House committees. And early indications are that their concerns about increasing deficits may not be assuaged by the Senate's current policy baseline. The Senate leadership indicated agreement on the need for spending cuts, but few are provided in the Senate instructions.

The Senate's current policy baseline could permit it to make the TCJA tax cuts permanent. That wouldn't be permitted by the House instructions, which employ the conventional current law baseline, because on that basis making the TCJA tax cuts permanent would increase deficits beyond the ten-year budget period, something not allowed by the Budget Act rules. The adoption of a current policy baseline, however, remains unconventional. The Senate Parliamentarian has never ruled on its use. It is also unclear whether Senate Republicans will present the question to the Parliamentarian, should Senate Democrats raise a point of order, as expected. Proceeding without a ruling by the Parliamentarian, or in disregard of one, could be seen as undermining the Senate filibuster rules.

House committees are working through the recess to produce a bill. The goal is to produce one by early May. How many of the outstanding issues may be resolved is uncertain. And whether House and Senate can agree on these difficult tax and spending issues before the Memorial Day recess, a sometimes-mentioned goal, may prove difficult. The challenge is complicated by the very narrow Republican majorities in both houses and the lack of any Democratic support.

**Tariffs.** The President suspended for 90 days what he had called "reciprocal" tariffs in his April 2 announcement. He left in place, however, the base 10% tariffs. He also left in place the higher tariffs on Canada and Mexico, as well as tariffs on steel, aluminum, and autos, while increasing tariffs on most goods imported from China in response to Chinese retaliatory measures. The net effect of the suspension of reciprocal tariffs and the increase in Chinese tariffs left average tariffs little changed.

The White House announced on Saturday that the President was excepting from the new tariffs a range of electronic products. His advisors, however, indicated the exception is temporary.

The Senate narrowly passed a resolution that would terminate the emergency declaration upon which some of these tariffs were based. Other legislation has been introduced in the House and Senate that would require Congressional approval of tariffs imposed by the president. Neither measure, however, seems likely at present to be enacted or to survive a likely presidential veto.

**Nominations.** The Senate Finance Committee held a hearing last week on the nomination of Kenneth Kies to be Assistant Secretary for Tax Policy. His nomination now awaits approval by the Committee and a vote on confirmation by the Senate. No official action has yet been taken on the nomination of Billy Long to be Commissioner of Internal Revenue. The President has not nominated anyone for the position of IRS Chief Counsel, the only other tax position requiring Senate confirmation.

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