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This update reflects facts as of Monday morning, April 28, 2025. The situation is fluid and may change.

Congress returns this week from its two-week Easter-Passover recess. Its legislative calendar for the week is thin, including Congressional Review Act resolutions on some late Biden Administration regulations and Senate votes on several ambassadorial nominations. House work on **budget reconciliation legislation**, which has continued during the break, will resume in earnest with a view to producing a reconciliation bill by Memorial Day.

Budget reconciliation legislation begins in the House. The House committees first report legislation within their jurisdiction to the Budget Committee, which then combines them into a bill for consideration by the full House. The committees are to produce legislation consistent with the instructions in the joint budget resolution, the one narrowly passed by the Senate and House shortly before the recess. The Senate will then consider the House- passed bill. The instructions to the Senate committees in the budget resolution, however, are quite different from those provided for the House. Resolving those differences may prove difficult, particularly for tax legislation.

The principal differences concern the revenue cost of the tax changes and the spending cuts and other offsets to that cost. The House instructions in the resolution provide for a net increase in deficits of $4.5 trillion to the tax- writing Ways and Means Committee. The House instructions also require $1.5 – 2.0 trillion in spending reductions, effectively limiting tax changes to at most about $2.5 trillion in net increases in deficits.

The Senate instructions allow $1.5 trillion in net deficit increases to the tax-writing Finance Committee but use a different baseline to measure that increase. The House instructions measure the deficit against current law in the customary fashion, that is, against a revenue baseline that assumes expiration of the Tax Cuts and Jobs Act provisions as scheduled. The Senate instructions, in contrast, contemplate use of a so-called “policy baseline,” one that assumes that the TCJA provisions in effect at the end of the 2025 fiscal year—current tax policy—continue.

The use of that baseline is controversial and may still be subject to challenge on procedural grounds in the Senate, but the net effect is to disregard the cost of extending those TCJA provisions for ten years, at least $4.5 trillion.

Adding that cost to the $1.5 trillion in additions to the deficit provided by the budget resolution, would increase deficits by $6.0 trillion or more under the House current law baseline.

Moreover, the Senate instructions in the budget resolution require virtually no spending reductions to offset the revenue cost of deficits created by tax provisions, although Senate Republican leadership has indicated a desire to provide unspecified spending reductions.

Republican House members most concerned about deficits and mounting federal debt are insisting on deep cuts to spending, even as against the $4.5 trillion provided for tax provisions in the House resolution. The spending reductions contemplated by the House resolution instructions, however, could target popular low-income programs, namely Medicaid, the Children's Health Improvement Program, and the Supplemental Nutrition Assistance Program. A group of a dozen House Republicans have written to their leadership in opposition to reductions in those programs. Such reductions would face similar, if not more serious opposition in the Senate.

The plan of House and Senate Republican leadership remains to pass a reconciliation bill in the summer, at least before the August recess. Resolution of these key differences and others such as the cap on the deduction for state and local taxes with the thin Republican majorities in House and Senate, and without Democratic support, will be challenging and the debate could extend beyond August.

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