



# Federal Update

part 1???

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# Disclaimer

We speak for ourselves.

Our comments do not necessarily represent the views of our employers.

Nothing in this presentation should be considered legal advice.

# Why Budget Reconciliation?

Budget reconciliation is exempt from the Senate's traditional rule allowing unlimited debate.

Unlimited debate allows the use of the filibuster, typically used to prevent votes on legislation. A filibuster can only be ended through cloture, which requires 60 votes.

Reconciliation allows the Senate to prevent a filibuster, allowing passage of legislation by a regular majority.

# What is Budget Reconciliation?

- Reconciliation is a budget procedure made available by the Congressional Budget Act of 1974, P.L. 93-344.
- Congress adopts budget reconciliation instructions through a budget resolution. See [H. Con. Res. 14](#) for a relevant example.
- Congress then develops and passes legislation consistent with that resolution.
- The Byrd Rule governs whether the legislation is consistent with the resolution.

The **Byrd Rule** is as important as budget reconciliation itself.

# What is the Byrd Rule?

- The Byrd Rule dates to 1985 and was made permanent in 1990.
- The Byrd Rule allows Senators to offer amendments to, and raise points of order against, extraneous items.

## Why?

To protect the effectiveness of the  
reconciliation process

To preserve the deliberative character of  
the Senate.

# What is extraneous?

- Extraneous items: provisions unrelated to achieving the goals of the reconciliation instructions. There is a list of six items.
- Five of the six items paraphrased: produces no change in outlays or revenues or produces one that is either contrary to the reconciliation instructions, incidental, or outside the Committee's jurisdiction; changes Social Security.

The big one: increases the deficit for a fiscal year beyond the “budget window” covered by the resolution.

# What is the budget window?

- The period covered by the budget resolution.
- At a minimum it is the “budget year” (FY2026) and the four following years, the “outyears.”<sup>\*</sup>
- The budget resolution can cover the “current year” (FY2025) plus an additional five years after the “outyears” for a total of 11 years.<sup>\*\*</sup>
- For the current resolution, the window is 10 years. Fiscal years 2025 (current year) through fiscal year 2034.

<sup>\*</sup> Section 301(a) of the Congressional Budget Act, as amended.

<sup>\*\*</sup> Unsure of source.

# Scoring – Determining How Much it Costs

Current policy – scoring based on current “policy” which is the current state of things regardless of expirations contained in the law.

Current law – scoring based on current law, which contains expirations for many provisions.

Under current policy scoring, extending the TCJA is free.

Under current law scoring, extending the TCJA ‘costs’ trillions.



# Substance

## **Potential tax reductions:**

Permanent TCJA

Increase SALT Cap

Exemption for tip income

Exemption for overtime

Exemption for Social Security  
benefits

## **Potential tax increases:**

Disallowing PTE workarounds

Corporate SALT Cap

Carried Interest

Sports stadiums

# Jonathan's Bold Prediction

- Current policy scoring
- Permanent TCJA
- \$25,000/\$50,000 individual SALT cap
- Exemption for tip income
- Exemption for overtime
- Exemption for Social Security benefits
- PTE workarounds remain allowed
- No change to corporate SALT deduction
- No change to carried interest
- No change to sports stadiums



# That's It, That's All

for now

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