



Tax

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As Congress goes quiet, lawmakers face fall debates on highways, international tax reform

The summer congressional work period has come to a close: the House adjourned for its August recess on July 30 and the Senate followed suit on August 6. Congress will return to Capitol Hill on September 8 to face an agenda packed with major tax and nontax items, many of which come with pressing deadlines. And with lawmakers divided on many issues, finding a path forward may prove challenging. Here's a brief rundown of what to expect.

Highway funding/International tax reform

Congress will have to address another extension of spending authority for the Highway Trust Fund before the current authorization expires on October 29. House Ways and Means Committee Chairman Paul Ryan, R-Wis., hopes to link a long-term extension of highway funding with an overhaul of the international tax rules that is expected to include, among other things, a "deemed repatriation" levy on previously untaxed foreign-source income of US multinationals, a shift from a worldwide to a territorial tax regime, an "innovation box" offering a reduced rate of tax on income from patents and certain intellectual property, and provisions intended to prevent base erosion. (For prior coverage, see *Tax News & Views*, Vol. 16, No. 27, July 31, 2015; Ryan makes his case for the need for international tax reform in an August 6 blog post on the Ways and Means Committee Web site.)

[URL: http://newsletters.usdbriefs.com/2015/Tax/TNV/150731_1.html](http://newsletters.usdbriefs.com/2015/Tax/TNV/150731_1.html)

[URL: http://waysandmeans.house.gov/what-is-this-international-tax-reform-of-which-you-speak/](http://waysandmeans.house.gov/what-is-this-international-tax-reform-of-which-you-speak/)

For his part, Senate Majority Leader Mitch McConnell, R-Ky., wants to defer any discussion of tax reform until after President Obama leaves office, and told reporters August 6 that, in his view, international reform is on "a totally separate track unrelated to the highway issue." McConnell is expected to push for a highway package that uses as a starting point the six-year bill the Senate approved on July 30, which is funded for three years with tax compliance

provisions and spending cuts. (For prior coverage of the Senate bill, see *Tax News & Views*, Vol. 16, No. 25, July 24, 2015.)

[URL: http://newsletters.usdbriefs.com/2015/Tax/TNV/150724_1.html](http://newsletters.usdbriefs.com/2015/Tax/TNV/150724_1.html)

If McConnell is successful in moving his vision of a long-term highway bill through Congress, it would greatly reduce the likelihood that tax reform of any kind will be enacted while President Obama is in the White House. At the very least, however, we can expect to see Congress engaged in a robust debate this fall on an overhaul of the international tax rules that, if enacted, would profoundly affect businesses.

Extenders

The Senate Finance Committee last month approved legislation that would retroactively extend through 2016 dozens of tax deductions, credits, and incentives that expired at the end of last year. (For prior coverage, see *Tax News & Views*, Vol. 16, No. 25, July 24, 2015.)

[URL: http://newsletters.usdbriefs.com/2015/Tax/TNV/150724_3.html](http://newsletters.usdbriefs.com/2015/Tax/TNV/150724_3.html)

In the House, Ways and Means Committee Chairman Ryan hopes to advance extenders legislation as early as September, but has indicated that he expects to include permanent extensions of several of the now-expired provisions. So far this year, the House has approved measures that would permanently extend the research credit, the state and local general sales tax deduction, increased section 179 expensing, tax relief provisions targeting S corporations, and several charitable giving provisions. But because the permanent extenders proposals are not offset, they are generally opposed by congressional Democrats and have drawn veto threats from President Obama.

The difference between how the House and Senate want to approach extenders is likely to be the source of a prolonged debate that probably won't be resolved until close to the end of this year, although it is possible that a combined international tax reform/highway spending bill could also include a long-term (and perhaps permanent) extension of several of these now-expired tax provisions.

Tax administration

An open question on the Senate's fall agenda is what action, if any, that chamber will take on recommendations in a bipartisan Finance Committee report released August 5 that details the panel's investigation into the Internal Revenue Service's practices in vetting certain political organizations that applied for tax-exempt status from 2010 through 2013.

[URL: http://www.finance.senate.gov/library/reports/committee/download/?id=8ff9a3ac-74f8-4ec0-a554-40525529920c](http://www.finance.senate.gov/library/reports/committee/download/?id=8ff9a3ac-74f8-4ec0-a554-40525529920c)

Nontax issues

Nontax issues will also be competing for valuable floor time in both chambers. When lawmakers return to Capitol Hill they will have only a few weeks to negotiate discretionary spending levels for fiscal year 2016 (which begins on October 1) and to reauthorize programs under the Federal Aviation Administration which also are set to lapse at the end of the current fiscal year.

Later in the fall, Congress also will have to address the federal debt limit. The statutory debt limit was technically reached on March 16, and since that time the Treasury Department has been utilizing so-called “extraordinary measures” to finance government operations. In a letter to House Speaker Boehner, R-Ohio, dated July 29, Treasury Secretary Jack Lew noted these accounting maneuvers likely will last “for at least a brief additional period of time” beyond late October.

URL: <http://www.treasury.gov/connect/blog/Pages/Treasury-Sends-Debt-Limit-Letter-to-Congress.aspx>

Also expected to consume lawmakers’ time this fall are votes on other major issues, including President Obama’s deal related to Iran’s nuclear program, trade agreements, cybersecurity, and reform of federal programs for elementary and secondary education – not to mention a scheduled address by Pope Francis on September 24 to a joint meeting of Congress.

A note on our publication schedule

The recess likely will slow the pace of action on the tax policy front, although developments could take place behind the scenes. We will report on those as they occur. Otherwise, the next edition of *Tax News & Views* will be published after the congressional session resumes in September.

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