



Tax

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Senate set to move government funding bill with extension of Internet tax moratorium

With federal appropriations legislation set to lapse after the end of the current fiscal year on September 30, Senate Majority Leader Mitch McConnell, R-Ky., this week laid the groundwork for passage in that chamber of a continuing resolution (CR) that would fund discretionary government programs at current levels through December 11, 2015. The measure also would extend the federal moratorium on state and local taxation of Internet access under the Internet Tax Freedom Act (ITFA) through December 11, 2015. The ITFA is scheduled to expire after September 30.

McConnell's actions represent the first legislative step in ongoing efforts by House and Senate Republican leaders to craft a CR that can clear both chambers in Congress and win approval from President Obama.

Two Senate versions

McConnell introduced a different version of his CR on September 22; but Senate Democrats blocked that measure in a procedural vote two days later, citing their opposition to a policy "rider" included in the bill that would have stopped funding to Planned Parenthood for one year and redirected it to other community health centers.

Soon after that vote, McConnell teed up a separate but broadly similar funding bill that does not include the Planned Parenthood rider. (McConnell's revised CR also drops a provision from the original version that would have extended through March 31, 2016, the excise taxes that help fund the Federal Aviation Administration. Those excise taxes, which are scheduled to expire on September 30, are expected to move separately.)

The Senate's first procedural vote on McConnell's revised stop-gap spending bill is set to occur on September 28, and is expected to pass.

Boehner to move 'clean' CR in House, announces resignation

Senate passage of the so-called "clean" CR – that is, without the Planned Parenthood rider – would kick the issue across the Capitol, leaving the House with little time to act on it before federal programs run out of money. Although the measure is likely to face strong opposition from conservative Republicans in that chamber who object to providing funding to Planned Parenthood, Speaker John Boehner, R-Ohio, reportedly told House GOP Conference members September 25 that he intends, if necessary, to get it across the finish line – and avert the threat of a government shutdown – by relying on Democratic support. (House Appropriations Chairman Hal Rogers, R-Ky., confirmed that development in remarks to reporters.)

It had been unclear in recent weeks whether Boehner would be willing enlist to Democrats in cobbling together a majority for a clean CR, particularly in light of calls from some in his party that he should be replaced as speaker. But that issue was laid to rest with Boehner's surprise announcement September 25 that he will give up the speaker's gavel and resign his seat in Congress at the end of October. The announcement is expected to set up a short but intense campaign for Boehner's job – and likely others, because if Boehner is replaced by a member currently serving in another leadership position it would create an additional vacancy that would need to be filled. A timetable for selecting Boehner's replacement and filling any resulting leadership vacancies has not yet been announced. (House Ways and Means Committee Chairman Paul Ryan, R-Wis., told reporters September 25 that he does not intend to seek Boehner's job.)

Tax News & Views will provide additional details on the upcoming leadership elections as they become available in the weeks ahead.

More fiscal fights ahead this year

Even if Congress sends President Obama a short-term spending bill he can sign into law, the broader fight over appropriations levels for the remainder of fiscal 2016 will only be deferred until winter – around the same time that the government's statutory borrowing limit also will likely need to be raised. In general, Republicans are seeking to boost defense spending while leaving funding for domestic programs at so-called "sequester" levels. Democrats, on the other hand, are pushing for parity between defense and domestic spending increases.

As a result, many Democrats – including President Obama – want to begin negotiations on a deal similar to the one negotiated in late 2013 by then-Budget Committee chairs Paul Ryan and Sen. Patty Murray, D-Wash., that lifted discretionary spending above sequester levels for fiscal years 2014 and 2015 and paid for the increases with savings generated elsewhere in the budget. To date, congressional Republicans have not indicated a willingness to begin such talks.

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Senate taxwriters to examine improper payments under EITC, Medicare, Medicaid

Senate Finance Committee Chairman Orrin Hatch, R-Utah, announced this week that his panel will hold a hearing on October 1 to examine “improper payments” under the Earned Income Tax Credit (EITC), Medicare, and Medicaid. US Comptroller General Gene L. Dodaro of the Government Accountability Office (GAO) is scheduled to testify.

According to GAO estimates cited in a Finance Committee release announcing the hearing, improper payments from federal programs in 2014 totaled \$124.7 billion (up from \$105 billion in 2013). The EITC, Medicare, and Medicaid accounted for 76 percent of all improper payments in fiscal year 2014.

“Every single taxpayer dollar that is misallocated takes precious resources away from programs meant to serve our nation’s most vulnerable,” Hatch commented in the release. “Congress owes it to taxpayers and beneficiaries to address fragmentation, overlap, and duplication in the federal bureaucracy that lead to improper payments on a bipartisan basis, and this hearing will give Committee members the opportunity to examine solutions to do so.”

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