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## Conservative Republicans align behind two-bill, border-first reconciliation strategy

As congressional Republicans contemplate how they will advance their legislative agenda in 2025 – when they will control both sides of Capitol Hill and will be working with a Republican president – a group of 28 conservative lawmakers from the House and Senate this week urged current and incoming GOP leaders to invoke fast-track budget reconciliation rules to move a border-focused legislative package early next year and address soon-to-expire tax provisions in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 117-97) in a separate reconciliation measure later in the year.

[URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf](https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf)

Budget reconciliation is an expedited legislative process that has been used by both parties several times in recent decades to sidestep a filibuster in the Senate – a procedural hurdle that can only be overcome with a 60-vote supermajority – to enact qualifying tax and mandatory spending legislation with just 51 votes (which can include the tie-breaking vote of the vice president) instead of 60. Having the ability to advance legislation with a simple majority would be advantageous for Republicans, who will control 53 Senate seats in the 119th Congress and are unlikely to win much if any support from Democrats on party-line legislation addressing key GOP priorities, such as extending expiring pieces of the TCJA.

To put the process in motion, the House and Senate are first required to adopt a joint budget resolution that includes reconciliation instructions directing congressional authorizing committees to report legislation that conforms to certain agreed-upon fiscal parameters. In short, Republicans will have to agree up front on the size of the net fiscal impacts of a tax bill before they can fill in the details; but if they can reach internal agreement on that, they will have the ability to pass legislation without having to secure any votes from the other side of the aisle. Republicans will have an opportunity to advance two reconciliation bills next year if they can agree on a budget resolution for the current fiscal year, FY 2025, before it ends on September 30, 2025, and then adopt a second one with a separate set of reconciliation instructions for FY 2026, which begins on October 1, 2025.

### **Conservatives weigh in**

In a December 18 letter to House Speaker Mike Johnson (R-La.) and incoming Senate Majority Leader John Thune (R-S.D.), 21 conservative Republican House members and 7 conservative GOP senators advocated for “the prompt passage of a border security focused reconciliation bill” as the first step in a bifurcated reconciliation process, citing the Senate’s filibuster rules and the GOP’s “slim majority in the House” next year as evidence that passage of “transformational border security legislation” under regular order is “far from guaranteed.” (Republicans won 220 seats in the House compared to 215 seats for the Democrats in November’s congressional elections but are expecting three vacancies early next year as several lawmakers have been nominated to take up the posts in the new administration or have resigned from office. That would diminish their working majority from 220 to 217 during the first few months of 2025 and leave them with next to no room for internal defections or absences on party-line votes.)

**URL:** <https://www.rickscott.senate.gov/services/files/4BA66AF0-9DF3-46EC-891A-626590A40E71>

The second package, the lawmakers said, should focus on staving off the looming sunset (at the end of 2025) of temporary TCJA provisions such as lower income tax rates for individuals, increased exemption amounts for the individual alternative minimum tax and the estate tax, and the 20 percent deduction for passthrough business income. Allowing those provisions to expire, they wrote, “would undo the major economic benefits the country has enjoyed as a result of the landmark Trump tax cuts.” The tax package should reduce the deficit through “necessary spending reforms and cuts,” such as repealing the clean energy tax credits enacted in the Inflation Reduction Act of 2022 (P.L. 117-169), they said. (To get a sense of the difficult terrain the GOP may have to navigate to move legislation in the 119th Congress, even with the protections afforded under budget reconciliation, it’s worth recalling that a separate contingent of House Republicans earlier this year cautioned against full repeal of the energy provisions in the 2022 law, arguing that certain incentives have driven job

creation in their districts and that many US companies are using them to invest in energy infrastructure and projects across the country.)

[URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf](https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf)

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The conservative lawmakers also noted in this week's letter that economic growth stemming from the extension of the expiring TCJA provisions should be a factor in measuring the legislation's deficit impact.

The letter was spearheaded by Republican Sen. Rick Scott of Florida and House Freedom Caucus Chairman Andy Harris of Maryland. Notable signers include incoming Senate Budget Committee Chairman Lindsey Graham of South Carolina (whose panel, along with the House Budget Committee, will play a key role in drafting any budget resolutions and related reconciliation instructions next year) and Senate Finance Committee members Ron Johnson of Wisconsin and Marsha Blackburn of Tennessee (whose panel, along with the House Ways and Means Committee, will be responsible for drafting any tax legislation mandated under those reconciliation instructions).

### **An ongoing debate**

The letter from the conservative lawmakers is the latest development in a debate that has been playing out largely at the leadership level among Republicans in both chambers since the start of the post-election lame duck legislative session last month.

John Thune, who will become the Senate majority leader in the 119th Congress, has argued for two reconciliation bills next year, with tax-related changes trailing behind an initial package that would be focused on energy, defense, and border security. He and other top Senate Republicans such as incoming Majority Whip John Barrasso of Wyoming contend that moving a nontax reconciliation bill early in the second Trump administration would allow the GOP to notch a quick policy win that would help pave the way for action on a large, complex tax package later in the year.

House Ways and Means Committee Chair Jason Smith (R-Mo.), meanwhile, has countered that Republicans should advance one large reconciliation measure – addressing tax and nontax priorities – relatively early in 2025. Specifically, Smith has argued in recent weeks that the effort involved in securing an agreement on a nontax package, particularly given the extremely narrow GOP majority in the House next year that will require absolute unity on party-line legislation, could sap the momentum for a separate follow-up tax bill.

For his part, Rep. Jodey Arrington (R-Texas), who chairs the House Budget Committee and is a member of Ways and Means, has maintained that a single reconciliation measure that includes key nontax GOP priorities such as border security could help shore up support within the Republican Conference for the tax component.

(For prior coverage of comments from Thune, Smith, and Arrington, see *Tax News & Views*, Vol. 25, No. 33, Dec. 13, 2024.)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241213\\_1.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241213_1.html)

## Trump's stance still unclear

Republican leaders in both chambers expect that President-elect Trump ultimately will determine the path forward for budget reconciliation legislation in 2025, but exactly where he stands remains unclear. To date, Trump has not commented publicly on his preferred approach, although Stephen Miller, who will become the Trump administration's deputy chief of staff for policy, noted in a recent interview on Fox News that taking up a tax bill after Congress has addressed a border-focused reconciliation package would give lawmakers additional time to iron out differences over some potentially tricky tax policy issues such as whether to retain or relax the TCJA's \$10,000 cap on the deduction for state and local taxes (SALT), which is among the provisions in the 2017 law that are scheduled to sunset after next year. (The SALT deduction cap does not divide lawmakers neatly along party lines and has been a sticking point for Republicans and Democrats who represent jurisdictions with high state and local income and property taxes.)

House Speaker Mike Johnson had announced plans to discuss reconciliation priorities with the president-elect over the weekend of December 14, but no details regarding what was said have emerged in the ensuing days. Ahead of that planned meeting, Johnson told Fox News that "[t]here probably will be at least two reconciliation packages" in 2025 and suggested that the issue to be resolved is whether the TCJA extensions and other possible tax provisions should be included in the first package or wait until later in the year.

Ways and Means Chair Jason Smith, who thus far has shown no signs of backing down from his call for a single reconciliation bill, acknowledged in an interview on Fox Business on December 17 that Trump "is absolutely the final decision maker. I will respect and do whatever he wants us to do."

"But I want to make sure he has all the information at hand," Smith said.

## Ways and Means Committee finalizes membership rosters

With tax expected to take center stage next year as part of the budget reconciliation process, the Ways and Means Committee will be a central part of tax negotiations as Congress works to extend the expiring provisions in the TCJA and further cut taxes as Trump pledged during the campaign. Both Republicans and Democrats have now finalized their membership rosters for the 119th Congress after the loss of several rank-and-file committee members who retired or lost reelection in November, while the top posts are expected to stay the same as they were in the 118th Congress, with Rep. Jason Smith continuing as chairman and Rep. Richard Neal (D-Mass.) continuing as ranking member. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 30, Nov. 15, 2024.)

**URL:** [https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241115\\_2.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241115_2.html)

**New Republican committee members:** Chairman Smith announced on December 13 that the House Republican Steering Committee selected four new members to join the prestigious taxwriting committee starting next year. A seat on the majority side of the committee is expected to be a prominent spot within the conference in 2025.

The new Republican committee member selections are Reps. Aaron Bean (R-Fla.), Nathaniel Moran (R-Texas), Rudy Yakym (R-Ind.), and Max Miller (R-Ohio) whose nominations are subject to approval by the House Republican Conference in 2025. The incoming new committee members will replace Reps. Brad Wenstrup of Ohio and Drew Ferguson of Georgia who did not seek reelection, and Rep. Michele Steele of California who lost reelection. The committee is also expanding in size, which accounts for the fourth new member being added.

“I look forward to working with [the new committee members] as we take action to improve the lives of the American people,” said Chairman Smith in his December 13 announcement. The Ways and Means Committee will “continue to lead on delivering for America’s worker, families, farmers, and small business,” he added, and “all of those efforts will benefit from the input and knowledge these new members are bringing to the Committee.”

**New Democratic committee members:** Del. Stacey Plaskett of the Virgin Islands, and Reps. Brendan Boyle of Pennsylvania and Tom Suozzi of New York, will return to the Ways and Means committee next Congress, as reported by Bloomberg Tax on December 18. Plaskett lost her seat on the panel in 2023 in a party reapportionment after Democrats lost the House majority in the November 2022 midterms, and Boyle went on leave from the committee beginning in 2023 after becoming ranking member of the House Budget Committee. Suozzi did not seek reelection to Congress in November of 2022 and instead launched an unsuccessful bid to become governor of New York. He reclaimed his former congressional seat following his victory in a special election earlier this year to replace expelled GOP Rep. George Santos.

Two of the minority’s taxwriters – Reps. Earl Blumenauer of Oregon and Dan Kildee of Michigan – did not seek reelection this year.

— Michael DeHoff and Steven Grodnitzky  
Tax Policy Group  
Deloitte Tax LLP

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## Government shutdown possible as funding deal proves elusive

Efforts by House Republicans to reach an agreement on a short-term spending deal that would keep the government’s doors open after the current continuing resolution (CR) funding government operations expires at midnight on December 20 were upended this week after GOP lawmakers, at the behest of President-elect Donald Trump, abandoned a bipartisan stopgap proposal that would have funded federal departments and agencies into next March and included a host of new spending provisions. Instead, lawmakers in both parties rejected a subsequent, slimmed-down measure that would have also lifted the federal debt ceiling for two years.

## Bipartisan funding bill unveiled, then abandoned

The bipartisan bill that House Speaker Mike Johnson (R-La.) negotiated with congressional Democratic leaders and unveiled on December 17 would have funded government operations at fiscal year 2024 levels through March 14, 2025. But that proposal also included an array of unrelated spending provisions such as \$100 billion in disaster assistance, an extension of the current-law farm bill, new funds for certain health care and child-care programs, a cost-of-living salary increase for members of Congress, and a commitment for the federal government to cover the cost of replacing Baltimore's Francis Scott Key Bridge, which collapsed earlier this year after being struck by a freighter.

**URL:** <https://www.congress.gov/bill/118th-congress/house-bill/10445/text>

Many of the additional spending provisions were included to gain support from congressional Democrats to ensure that the measure would clear the Democratic-controlled Senate and be signed into law by President Biden; however, they drew the ire of President-elect Trump as well as some of those who are in his close orbit, including Elon Musk who will lead an effort (along with Vivek Ramaswamy) to increase government efficiencies.

In messages to Congress delivered through his social media posts, Trump called on the GOP to significantly pare-down the temporary funding bill, stressing that "Republicans want to support our farmers, pay for disaster relief, and set our country up for success in 2025. The only way to do that is with a temporary funding bill WITHOUT DEMOCRAT GIVEAWAYS. . . ."

But the president-elect also added a new demand: an increase in the federal debt ceiling.

"Increasing the debt ceiling is not great but we'd rather do it on Biden's watch. If Democrats won't cooperate on the debt ceiling now, what makes anyone think they would do it in June during our administration? Let's have this debate now. And we should pass a streamlined spending bill that doesn't give [Senate Majority Leader] Chuck Schumer and the Democrats everything they want," Trump stated in a December 18 social media post.

The most recent suspension of the debt limit, which was enacted in the Fiscal Responsibility Act of 2023 (P.L. 118-5), expires on January 1, 2025, but lawmakers typically would have several months after January 1 to raise or suspend the statutory debt limit, without risking default on the nation's credit while the Treasury Department uses "extraordinary measures" to pay the nation's bills. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 22, June 1, 2023.)

**URL:** <https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf>

**URL:** [https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230602\\_1.html](https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230602_1.html)

Shortly after Trump's call for a debt ceiling increase, House Majority Leader Steve Scalise (R-La.) told reporters that the bipartisan funding plan had been officially scrapped, as reported by CNN, and that Republicans were discussing how to include the president-elect's new priority in a revised government funding bill.

House Minority Leader Hakeem Jeffries (D-N.Y.), however, emphasized in a statement issued December 18 that by rejecting the bipartisan funding measure “House Republicans will now own any harm that is visited upon the American people that results from a government shutdown or worse.” In remarks the next day, Jeffries argued for keeping the bipartisan funding bill, stating that “[f]amilies will be hurt. Farmers will be hurt. Everyday Americans whose lives were turned upside down by extreme weather events like hurricanes floods and wildfires will be hurt if they don’t get the relief that they need and deserve to improve their quality of life.”

**URL:** <https://jeffries.house.gov/2024/12/18/leader-jeffries-house-republicans-will-now-own-any-harm-that-is-visited-upon-the-american-people/>

**URL:** <https://jeffries.house.gov/2024/12/19/leader-jeffries-this-reckless-republican-driven-shutdown-can-be-avoided-if-house-republicans-will-simply-do-what-is-right-for-the-american-people/>

### **Streamlined spending bill unveiled, then voted down**

Republicans unveiled a revised bill later on December 18 to fund federal departments and agencies into mid-March, which included a clean farm bill extension, the \$110 billion disaster aid package previously negotiated with Democrats, several health care provisions, and a two-year suspension of the debt limit, until January 2027.

Trump touted the revised measure on social media as “a very good deal for the American People” and urged House members in both parties to support it during a floor vote that was set for the evening of December 19.

**URL:** <https://truthsocial.com/@realDonaldTrump/posts/113681499338715649>

But comments from lawmakers earlier in the day signaled that the measure faced a difficult path forward.

House Freedom Caucus member Chip Roy (R-Texas), speaking on the Sean Hannity Show, dismissed the revised proposal as “a watered-downed version of the same . . . bill people were mad about yesterday.”

As for getting any Democrat support, Minority Leader Hakeem Jeffries, who was left out of the negotiations for the new measure, told lawmakers in his caucus that, “I’m not simply a no. I’m a hell no,” according to comments reported by *Politico*.

The new funding agreement failed to clear the House on December 19 by a vote of 174 to 235 under an expedited procedure known as “suspension of the rules,” which allows for limited debate, no amendments, and passage upon an affirmative two-thirds vote. In all, 2 Democrats joined with 172 Republican to support the stopgap, a margin well short of the supermajority required for passage. Thirty-eight Republicans joined 197 Democrats in the “no” column.

### **Next steps**

House Republican leaders are currently mulling their next steps in the wake of the failed suspension vote. Republicans had not expected the bill to receive the two-thirds vote necessary for passage but were hoping to

use the vote to identify any recalcitrant Members who might be persuaded to come aboard later. But with 38 Republicans in the “no” column, that hill seemed too steep to climb.

Speaker Mike Johnson told reporters that Republicans would find “another solution,” according to comments reported in *The Washington Post*, but he provided no additional details.

As this edition of *Tax News & Views* goes to press, reports in *Politico* on December 20 indicate that Johnson has settled on a funding package that would include a clean CR, with a March deadline, a one-year farm bill extension, and the \$110 billion disaster aid package, an already agreed-upon bipartisan provision. Notably absent with this option is a provision to extend the debt limit for two years, to January 2027, which President-elect Trump called for earlier in the week, ultimately demolishing a bipartisan funding agreement that was expected to be signed into law before the December 20 deadline.

It is believed that Speaker Johnson will bring the measure to the floor under suspension of the rules, thus requiring a two-thirds supermajority vote – and Democrat support – for passage, though at press time, it is unclear if Democrats would support this revised attempt. Developments continue to evolve in the waning hours before the midnight deadline as House members work to bring a bill(s) to the floor and get it passed, however, as we get closer, it seems unlikely that both the House and the Senate will clear a funding bill, and President Biden will sign it into law by the end of the day.

— Michael DeHoff and Steven Grodnitzky  
Tax Policy Group  
Deloitte Tax LLP

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## IRS Chief Counsel Rollinson to retire

Marjorie Rollinson, the 49th IRS Chief Counsel and first woman to permanently hold the post, announced her intention to retire early next year at a George Washington University tax conference panel on December 13, as reported by *Bloomberg Tax*. The chief counsel for the agency plays a key role in developing guidance and regulations on enacted tax legislation.

### Trump’s second bite at the IRS

The IRS chief counsel’s departure – as per tradition when a new administration begins – sets up President-elect Trump’s second opportunity to reshape IRS’ leadership after he is sworn into office next January. Trump has already announced his intention to nominate former Rep. Billy Long (R-Mo.) as the new commissioner and replace current IRS Commissioner Danny Werfel, who was nominated by President Biden and confirmed by the Senate in 2023 but has not completed his full-term at the agency. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 32, Dec. 6, 2024.)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241206\\_3.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241206_3.html)



While Rollinson has spent less than a year as the agency's top legal advisor, some significant tax guidance was released under her watch, including the Inflation Reduction Act's (P.L. 117-169) proposed rules on the corporate alternative minimum tax as well as a variety of energy tax credit regulations. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 27, Sept. 13, 2024.)

[URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf](https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240913\\_2.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240913_2.html)

The Senate confirmed Rollinson's nomination to become the IRS chief counsel in a bipartisan vote on February 29. Before taking the position, she had spent much of her career at a Big Four professional services firm, as well as served in the IRS's Chief Counsel office from 2013 to 2019. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 8.)

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240301\\_2.html](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240301_2.html)

— Steven Grodnitzky  
Tax Policy Group  
Deloitte Tax LLP

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## IRS modifies procedural guidance for section 174 method changes

The Treasury Department and the Internal Revenue Service on December 17 issued Rev. Proc. 2025-08, which modifies the automatic consent procedures for accounting method changes for section 174 specified research or experimental expenditures. Specifically, it expands the waiver of eligibility rules in Rev. Proc. 2015-13 to include changes made for taxable years beginning in 2022, 2023, or 2024, and permits taxpayers to use the automatic consent procedures regardless of whether the taxpayer made a change for the same item for any other taxable year beginning in 2022, 2023, or 2024.

[URL: https://www.irs.gov/pub/irs-drop/rp-25-08.pdf](https://www.irs.gov/pub/irs-drop/rp-25-08.pdf)

[URL: https://www.irs.gov/pub/irs-drop/rp-15-13.pdf](https://www.irs.gov/pub/irs-drop/rp-15-13.pdf)

This revenue procedure is effective for Forms 3115, Application for Change in Accounting Method, filed on or after December 17, 2024.

### Find out more

Details on the revenue procedure are available in a new alert from Deloitte Tax LLP.

[URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241220\\_4\\_supplA.pdf](https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241220_4_supplA.pdf)

— Michael DeHoff  
Tax Policy Group  
Deloitte Tax LLP

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