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Johnson retains House speakership, Senate leadership takes shape as 119th Congress gets started

The119th Congress formally convened on January 3, with the Republican majority in the House of Representatives reelecting Rep. Mike Johnson of Louisiana as the chamber's speaker.

Johnson, who was publicly supported by President-elect Trump, won the election against Minority Leader Hakeem Jeffries (D-N.Y.) in the first roll call vote after two Republicans who had initially voted for other members switched their vote to Johnson while the vote was held open, giving the Louisiana Republican the 218 votes he needed to remain as speaker. Johnson lost one Republican member – Rep. Thomas Massie of

Kentucky – who voted for House Majority Whip Tom Emmer (R-Minn.), while Jeffries won all 215 votes from the Democrats. (The speaker is elected by a vote of the entire House, so to win the gavel, the candidate must secure an absolute majority of all members present and voting.)

Due to the GOP's razor thin majority, Johnson needed near unanimous support from Republican members for the party-line vote. Looking at the numbers, the GOP had secured 220 seats in the House compared to 215 seats for the Democrats in the November congressional elections; however, now-former Republican Rep. Matt Gaetz of Florida resigned after being reelected on November 5 and decided not to take the oath of office when the 119th Congress convened, reducing the Republican majority from 220 to 219 seats. Additional Republican vacancies are expected in the first months of this year as two lawmakers – Reps. Mike Waltz of Florida and Elise Stefanik of New York – have been selected to work for the new administration, and as a result, the GOP's control of the House will be further reduced to 217 seats early in 2025 (with 215 seats for the Democrats). All three vacancies will have to be filled in special elections. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 32, Dec. 6, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241206_2.html

Although there was some uncertainty that Johnson would reach the 218 votes he needed during the first roll call vote, his win was far quicker than the election the House held two years ago when it took former Speaker Kevin McCarthy of California 15 roll call votes to be formally elected as chamber speaker. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 2, Jan. 13, 2023.) Johnson – who has been the speaker since October 2023 – took former Speaker McCarthy's place when he was ousted from the top spot after a handful of House Freedom Caucus members pushed through a "motion to vacate" in response to McCarthy's decision to advance a stopgap government funding measure that relied on Democratic votes for passage. (For prior coverage, see *Tax News & Views*, Vol. 24, No. 36, Oct. 27, 2023.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/230113_1.html
URL: https://dhub.deloitte.com/Newsletters/Tax/2023/TNV/231027_1.html

President-elect Trump congratulated Speaker Johnson after the election "for receiving an unprecedented vote of confidence in Congress." He further declared that "Mike will be a great speaker, and our country will be the beneficiary."

For his part, House Minority Leader Hakeem Jeffries advocated for working in a bipartisan manner this year, stating that "House Democrats will work hard to find bipartisan common ground with our Republican colleagues and the incoming administration on any issue, whenever and wherever possible, in order to make life better for everyday Americans." Jeffries also emphasized in his January 3 floor remarks that Democrats will "fight hard to make sure that no one in [Washington D.C.] takes away Social Security or Medicare from the American people," underscoring the fact that "Social Security and Medicare are not entitlement programs, they are earned benefits."

As the 119th Congress proceeds, Speaker Johnson is joined in the House leadership by Majority Leader Steve Scalise of Louisiana, Majority Whip Tom Emmer of Minnesota, and Republican Conference Chair Lisa McClain of Michigan.

Across the aisle, Hakeem Jeffries, who holds the top spot for House Democrats, will work with Minority Whip Katherine Clark of Massachusetts, and Democratic Caucus Chair Pete Aguilar of California.

Republicans express reservations

Though Johnson got the 218 votes he needed to remain as speaker, some members of the Republican conference still have reservations about his ability to effectively serve in that capacity.

During the roll call vote for speaker, several conservative Republicans who were present in the chamber did not initially cast a vote when their names were called, signaling potential difficulties for the Louisiana Republican, although, they later voted for him. Three other GOP representatives – Ralph Norman of South Carolina, Thomas Massie of Kentucky, and Keith Self of Texas – voted for members other than Mike Johnson for speaker during the initial roll call. Ultimately after receiving a nudge in a telephone call with Trump, and gaining certain assurances from Johnson, Reps. Norman and Self changed their vote, giving Johnson the votes he needed to remain as speaker, with Massie as the lone "no" vote on the final tally.

Self described his conversation with Trump this way: "The message was that he wants what everyone else wants: his agenda to pass." Self added that his message to Trump was "Mr. President, we need a strong negotiating team."

Following the roll call vote, House Freedom Caucus Board members released a letter to their Republican colleagues which highlighted their concerns about Johnson's track record over the past 15 months as speaker. In demanding the House deliver quickly on President-elect Trump's agenda, the conservative lawmakers maintained that the speaker has not yet committed to: modifying the House calendar to work at least 5 days per week for the first 10 weeks (similar to the Senate calendar); ensuring any reconciliation package reduces spending and the deficit in real terms; and guaranteeing members can offer amendments on legislation and ending the practice of putting bills on the floor that violate the rule that members have at least 72 hours to review the final text.
URL: https://x.com/freedomcaucus/status/1875270593333039601

With respect to legislation before Congress, some of the must-do items for this group of lawmakers include: cutting what they consider rampant inflationary spending to guarantee deficit reduction and a path to a balanced budget; not increasing federal borrowing before real spending cuts are agreed to and put in place; repealing electric vehicle provisions enacted in the Inflation Reduction Act; and enacting border security reforms.

Notable signers of the letter include House Budget Committee members Ralph Norman of South Carolina and Chip Roy of Texas (whose panel, along with the Senate Budget Committee, will play a key role in drafting any budget resolutions and related reconciliation instructions this year that will give Republicans an opportunity to fast-track the Trump administration's tax policy priorities).

New rules for the 119th Congress

After the speaker election and the swearing-in of House members, it is customary at the outset of a new Congress for the majority party in the House to debate and adopt a package of rules designed to, among other things, govern member conduct and the terms of legislative debate in that chamber during the two-year span of that Congress. The GOP rules package for the 119th Congress (legislative text and summary) was originally released on January 1, then modified, and ultimately adopted on January 3 by a vote of 215 to 209.
URL: https://www.congress.gov/bill/119th-congress/house-resolution/5/text?s=4&r=221
URL: https://docs.house.gov/billsthisweek/20241230/119th%20Congress%20Rules%20Section%20by%20Section%20For%20Circulation%2001.03.25.pdf

At a high level, the package reaffirms most of the rules adopted by House Republicans in early 2023 after they captured the chamber's majority in the November 2022 elections but makes several amendments to that earlier package. In assessing the provisions discussed here it is important to keep in the mind that House rules can be – and often are – waived by a simple majority as legislation moves through the chamber. In this way, House rules sometimes serve more as messaging tools at the beginning of a Congress than true restrictions on policy.

Several rules changes, described below, are likely to have a direct impact on tax and budget policy. These include:

US-Taiwan Double Taxation Relief: In a list of 12 bills named in the rules package, the House included a Taiwan tax measure that is expected to get fast-track consideration and would provide special rules for the taxation of certain residents of Taiwan of income from sources within the United States. The measure is part of a greater ongoing effort by Congress to address double taxation burdens on Taiwanese companies in the United States.

Early last year, a Taiwan tax proposal was included as part of a larger tax package – Tax Relief for American Families and Workers Act of 2024 (H.R. 7024) – which passed the House with wide bipartisan support but stalled in the Senate. The bill was negotiated between House Ways and Means Chairman Jason Smith (R-Mo.) and Senate Finance Committee Chairman Ron Wyden (D-Ore.). (For prior coverage, see *Tax News & Views*, Vol. 25, No. 3, Jan. 19, 2024.) The proposal generally would provide benefits for income from US sources earned or received by qualified residents of Taiwan, including reduced tax rates, taxation of only that income effectively connected with a US permanent establishment, and preferential treatment of wages and related income earned by qualified residents. It also would authorize the president to negotiate additional tax benefits between the US and Taiwan subject to certain limitations. The provisions reflect the fact that the US cannot sign a tax treaty with Taiwan because of the "One China" policy, under which the US recognizes the People's Republic of China (PRC) as the sole legal government of China, therefore maintaining formal relations with the PRC and only unofficial relations with Taiwan. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 5, Feb. 2, 2024.)
URL: https://www.congress.gov/bill/118th-congress/house-bill/7024/text
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240119_1.html

URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240202_1.html

In another attempt at moving a Taiwan tax bill, a bipartisan group of lawmakers on December 6 of last year urged Senate and House leaders to pass legislation before the end of the 118th Congress that would fix the double taxation issue between the United States and Taiwan. The lawmakers argued that "tax disincentives discourage Taiwanese and American companies from expanding reciprocal investments in both economies due to the absence of a bilateral tax arrangement." Though a proposal could have been attached to a larger bill – such as legislation reauthorizing the National Defense Authorization Act – or fashioned as a stand-alone measure, Congress failed to act before the end of the year when the 118th Congress expired.
URL: https://bera.house.gov/news/documentsingle.aspx?DocumentID=400430

With the rules package now adopted, the House can consider the new bill (H.R. 33) in the 119th Congress to fix the double taxation issue between the United States and Taiwan in a speedy manner. Under the rules package, the bill will be subject to just one hour of debate and one motion to recommit, with a subsequent vote on its passage. It is unclear, however, when the bill will be taken up in the House, and it still needs to be considered in the Senate. (Congressional Republicans plan to move tax legislation through the budget reconciliation process this year, however, certain budgetary impact requirements could keep a Taiwan tax bill from being included in the package.)
URL: https://www.congress.gov/bill/119th-congress/house-bill/33/text

Inflationary analysis for new legislation: The rules package continues a previously adopted rule that would require the Congressional Budget Office (CBO) to analyze the potential inflationary impact of certain legislation. As written, if an estimate of the fiscal impact of proposed legislation provided by the CBO shows changes in mandatory spending causing a gross budgetary effect in any fiscal year over a ten-year period (defined as equal to or greater than 0.25 percent of the gross domestic product), then that estimate shall include a statement estimating the inflationary effects of the legislation.

Motion to vacate: A key change in the rules package that is not related to tax or fiscal policy involves the "motion to vacate the Chair" (that is, forcing a vote to remove a sitting speaker), which now requires that the motion be made by a member of the majority party along with eight cosponsors of that party. (In other words, it now will take 9 members of the majority party – instead of just 1 – to compel action on a motion to remove a sitting speaker.) The prior rule was agreed to by McCarthy to win over recalcitrant Republicans during his speaker bid in 2023 and was a restoration of long-standing House precedent, however, the ability to trigger a motion by a single member was ultimately used against the now-former speaker when he relied on Democrat support to approve a stopgap government funding measure.

Leadership changes in the Senate

The kickoff of the 119th Congress was less strained in the Senate, where Republicans and Democrats this week installed their respective leadership teams.

With the Republicans taking control of the Senate starting this year, Sen. John Thune of South Dakota is the new majority leader of the chamber, John Barrasso of Wyoming is majority whip, and Tom Cotton of Arkansas is Republican conference chairman. Sen. Charles Grassley of Iowa will resume his role as president pro tempore of the Senate, a position that is third in line to the presidency after the vice president and the House speaker and is traditionally held by the most senior senator in the majority party.

On the other side of the aisle, the Democratic roster includes Sen. Charles Schumer of New York who will continue to lead Democrats in the minority, Richard Durbin of Illinois as minority whip, and Amy Klobuchar of Minnesota as chair of the party's Policy and Communications Committee, taking over the position when now-former Sen. Debbie Stabenow (D-Mich.) retired.

Taxwriting committee developments

With President-elect Trump and congressional Republicans aiming to extend soon-to-expire tax cuts in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), and further cut taxes on individuals and businesses, the taxwriting committees will play a prominent role in congressional legislative action this year. 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.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

For a current list of members on the House Ways and Means Committee and on the Senate Finance Committee for the 119th Congress, see a chart prepared by Deloitte Tax LLP.
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250103_1_suppA.pdf

New House Ways and Means Committee members: The House Ways and Means Committee's four new Republican members in the 119th Congress include Reps. Aaron Bean of Florida, Nathaniel Moran of Texas, Rudy Yakym of Indiana, and Max Miller of Ohio. 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. Rep. Jason Smith of Missouri will continue as the committee's chairman.

For the minority, Leader Hakeem Jeffries (D-N.Y.) announced on January 7 that Del. Stacey Plaskett of the Virgin Islands, Reps. Brendan Boyle of Pennsylvania and Tom Suozzi of New York are returning to the Ways and Means Committee following an absence. 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 in 2024 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 in 2024.
URL: https://jeffries.house.gov/2025/01/07/leader-jeffries-announces-new-appointments-to-committees-for-the-119th-congress/

Democratic Rep. Gwen Moore of Wisconsin will become the committee's new vice ranking member.

(For prior coverage of Republican and Democratic Ways and Means Committee member developments, see *Tax News & Views*, Vol. 25, No. 34, Dec. 20, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241220_1.html

Ways and Means subcommittee leadership changes: With the new Congress, Republican Rep. Ron Estes of Kansas will take over as chair of the Social Security subcommittee, replacing Rep. Drew Ferguson of Georgia who did not seek reelection. The other Republican heads of the Ways and Means subcommittees will remain the same, with Rep. David Schweikert of Arizona at Oversight, Rep. Vern Buchanan of Florida at the Health subcommittee, Rep. Mike Kelly of Pennsylvania on the Tax panel, Rep. Adrian Smith of Nebraska at the Trade subcommittee, and Rep. Darin LaHood of Illinois at Work & Welfare.

On the other side of the dais, two Ways and Means Committee Democrats are taking on new roles as subcommittee ranking members. Rep. Linda Sanchez is taking over as the ranking member of the Trade subcommittee amidst the retirement of Rep. Earl Blumenauer of Oregon at the end of the 118th Congress, and. Rep. Terri Sewell of Alabama grabbed the top Democratic spot on the Oversight subcommittee. The Democratic ranking members of the other Ways and Means subcommittees will remain the same, with Rep. Lloyd Doggett of Texas at the Health subcommittee, Rep. John Larson of Connecticut at Social Security, Rep. Mike Thompson on the Tax panel, and Rep. Danny Davis of Illinois at Work & Welfare.

New Senate Finance Committee members: The Republican takeover of the Senate means that leadership of the Senate Finance Committee has changed hands, with Sen. Mike Crapo (R-Idaho) taking over as the new chairman (he previously served as the panel's ranking member) and Sen. Ron Wyden (D-Ore.) serving as the new ranking member (he previously served as the panel's chairman).

After securing the gavel, Crapo issued a statement stressing that the Finance Committee would "preserve and build on pro-growth tax policies, improve our global competitiveness in trade deals, and expand access to affordable, quality health care." With a nod to the TCJA, he maintained that congressional Republicans would prevent a tax increase on "American workers and businesses," that he said would result if the TCJA's various temporary tax cuts were allowed to expire as scheduled at the end of this year. The new chairman also indicated that the committee would consider "new tax policies to provide further relief to the American families, workers and small businesses who continue to grapple with the unaffordable cost of living."
URL: https://www.crapo.senate.gov/media/newsreleases/crapo-named-chairman-of-senate-finance-committee

The committee rosters have been adjusted to reflect the new Republican majority on the Senate floor, with the Republicans controlling 53 seats in the 119th Congress, while Democrats hold 47 seats – including 2 Independents who caucus with the party. All Republican members who served on the Finance Committee in the 118th Congress are back on the taxwriting panel, however, the GOP now has another seat to their side of the dais with the addition of Roger Marshall of Kansas, with a total of 14 seats, compared to the Democrats with 13 (the Democrats had 14 seats in the 118th Congress when they were in the majority).

On the other side of the dais, Democrats saw significant turnover on their roster in the 119th Congress as six current members either did not seek re-election in 2024 or lost their re-election bids. Democratic Sens. Debbie Stabenow of Michigan, Thomas Carper of Delaware, and Benjamin Cardin of Maryland had previously announced that they would not seek another term in office. Also gone is Democrat George Helmy of New Jersey, who was appointed by New Jersey Gov. Phil Murphy (D) in August of last year to fill the Senate vacancy created by the resignation of former Sen. Robert Menendez, and who also took over Menendez's Senate committee assignments. Menendez's former Senate seat was among those that were in play in the 2024 election cycle; however, Helmy did not run for a full term in his own right. Two other Democrats—Sens. Sherrod Brown of Ohio and Robert Casey of Pennsylvania—lost re-election to their Republican opponents.

Replacing Democratic members who have left the committee are Sens. Bernie Sanders (I-Vt.) (an Independent who caucuses with the Democrats), Tina Smith (D-Mont.), Ben Ray Lujan (D-N.M.), Raphael Warnock (D-Ga.), and Peter Welch (D-Vt.).

— Steven Grodnitzky
Tax Policy Group
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Still no clear path forward for the GOP's budget reconciliation plans

With the Republican-led 119th Congress now officially in session and President-elect Donald Trump set to return to the White House on January 20, the GOP is just days away from having unified control of both ends of Pennsylvania Avenue, which means the stage is set for Republican lawmakers to implement their plan to use fast-track budget reconciliation procedures to extend expiring provisions in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) – the signature tax legislation of Trump's first administration—and advance a host of other priorities related to energy, defense, and border security. But House and Senate GOP leaders remain divided over whether that ambitious agenda is best accomplished through one mammoth reconciliation measure or two separate packages, while the president-elect continues to send mixed signals on his preferred approach.
URL: 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 usually 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 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 provisions 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.

One bill or two?

Newly minted Senate Majority Leader John Thune (R-S.D.) has argued for two reconciliation bills, 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 Speaker Mike Johnson (R-La.) and House Ways and Means Committee Chair Jason Smith (R-Mo.), meanwhile, have countered that Republicans should advance one large reconciliation measure – addressing tax and nontax priorities – relatively early in 2025. Specifically, Smith has argued that the effort involved in securing an agreement on a nontax package, particularly given the extremely narrow GOP majority in the House that will require near-absolute unity on party-line legislation, could sap the momentum for a separate follow-up tax bill. (House Republicans currently hold just 219 seats in the chamber, compared to 215 for Democrats, with 1 seat vacant, leaving the GOP with just a single-vote margin on any party-line legislation that comes to the floor.)

Johnson stated in a January 5 interview on Fox News that if Republicans in his chamber can keep the "trains moving in the right direction and on time," they should be able to "get [a bill] out of the House in early April, maybe as soon as April 3, and then move it over to the Senate" and that legislation could reach the White House by Memorial Day. To support that timeline, House Majority Leader Steve Scalise (R-La.) told reporters this week that he expects to have a budget resolution with reconciliation instructions on the chamber floor in February and have the relevant authorizing committees crafting legislative proposals in March, according to *Politico*.

Republican leaders in both chambers have stood by their respective positions in recent weeks, although they also made clear that they would defer to President-elect Trump once he weighed in with his preferred approach. Trump, who had been tight-lipped on the issue, provided what appeared to be clear marching orders in a January 5 social media post in which he called for "one powerful Bill" that would "Secure our Border, Unleash American Energy, and Renew the Trump Tax Cuts."
URL: https://truthsocial.com/@realDonaldTrump/posts/113778957475969583

But Trump moderated that stance just one day later when he said in an interview with talk show host Hugh Hewitt that "[w]hile I favor one bill, I also want to get everything passed. And you know, there are some people that don't necessarily agree with it."

A group of Senate Republicans – including Majority Leader Thune – made their case for a two-bill strategy during a private meeting with Trump in Washington on January 8. Lawmakers inside the room subsequently told *The Washington Post* that the president-elect reiterated his preference for a single bill, but he did not commit to a specific path forward. *The Post* also noted that Trump appeared noncommittal when addressing reporters after the meeting.

"Whether it's one bill or two bills, it's going to get done one way or the other. I think there's a lot of talk about two, and there's a lot of talk about one, but it doesn't matter. The end result is the same," he said.

What next?

In the absence of clear guidance from Trump, GOP leaders in both chambers indicated this week that they are prepared to move forward with their respective reconciliation bill strategies.

According to Bloomberg Tax, House Budget Committee Chairman Jodey Arrington (R-Texas), told reporters that Republicans in that chamber are "going to work as if it's one bill" and change course if the president-elect ultimately settles on a different approach.

"If [Trump] ever decides that because of resource constraints or time constraints that he needs a security reconciliation package that's more targeted to border and defense, then we will be able to easily peel that off and drive that on a second track," Arrington said.

Senate Majority Leader Thune told reporters after the January 8 meeting with Trump that House and Senate leaders are engaged in "an ongoing conversation," but according to *Politico*, Thune indicated that he is still committed to moving two separate reconciliation measures.

"Obviously, we want to give the House as much space as possible. They believe they can move and execute on getting a bill across the finish line fairly quickly. But we are prepared to move here, as well," he said.

Possible non-TCJA provisions

As the debate over strategy continued this week, congressional leaders and President-elect Trump also revealed some of their thoughts about certain tax-related items (aside from the expiring TCJA provisions) that they want to include in – or leave out of – a reconciliation package.

Tariffs: In his January 5 social media post extolling the merits of a single reconciliation bill, Trump commented that the cost of TCJA extensions and the border security and energy provisions would be paid for "WITH TARIFFS, AND MUCH MORE, FROM COUNTRIES THAT HAVE TAKEN ADVANTAGE OF THE US FOR YEARS."

But according to *Politico*, House Ways and Means Committee Chairman Jason Smith indicated this week that any tariffs offsetting the cost of a reconciliation package likely would be implemented administratively and not through a reconciliation bill.

"Tariffs will pay for it. [Trump] didn't say it was going to be in the bill," Smith stated in an interview. "Revenues coming into the country are revenues coming into the country," he added.

Ways and Means Committee member Kevin Hern (R-Okla.) commented this week that the Congressional Budget Office (CBO) would not consider revenue from tariffs implemented through executive action when measuring the deficit-reduction impact of an eventual reconciliation package.

"From a CBO standpoint, we don't always get to take those [revenues] as part of the scoring, because that's an executive action, not a legislative action. Where you're going to see it is at the Treasury when you're looking at deficits," Hern said.

Debt limit increase: The most recent suspension of the debt limit expired on January 1 of this year, but current forecasts suggest that the government can take certain "extraordinary measures" to stave off the possibility of default for several months.

House Speaker Mike Johnson indicated this week that he intends to include a debt limit increase in a reconciliation measure in the hopes that any tax cuts, spending cuts, and border security provisions in that package would be enough to win over a contingent of conservative Republicans who otherwise would not be inclined to support raising the limit on federal borrowing. (It's worth noting that 38 Republicans late last month voted against a short-term government funding measure that also would have suspended the debt limit for two years – a provision that was included at the behest of President-elect Trump. For prior coverage, see *Tax News & Views*, Vol. 25, No. 34, Dec. 20, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/241220_2.html

According to *Politico*, at least one Republican in the Senate – John Cornyn of Texas – is skeptical of that plan, telling reporters this week that "[h]ow we deal with the debt limit is currently unresolved."

Tax exemption for tipped income: President-elect Trump's January 5 social media post called for "no tax on tips" as part of an eventual reconciliation package – a reference to a proposal he made during the presidential campaign to end taxes on tips for individuals working in the restaurant and hospitality industries, although he did not specify whether the exemption would apply only to federal income taxes or also would apply to employment (Social Security and Medicare) taxes.

SALT deduction fix: Trump also proposed during the presidential campaign to eliminate a TCJA provision (which is set to expire at the end of this year) that imposed a $10,000 cap on the deduction for state and local taxes (SALT).

Politico has reported that Trump intends to meet with House Republican members from New York, New Jersey, and California over the weekend of January 11 to discuss the possibility of relaxing the current-law cap under budget reconciliation as part of an effort to win their support for a broader package. (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.)

No word on other Trump tax proposals: Trump thus far has not stated publicly whether he will insist on including other tax-related campaign proposals – such as eliminating taxes on Social Security income and overtime income and reducing the corporate tax rate to 15 percent for domestic manufacturers – in a reconciliation measure this year. (See *Scaling the cliff: Tax policy implications of a Donald Trump presidency* from Deloitte Tax LLP for a detailed discussion of Trump's tax policy campaign platform.)
URL: https://www2.deloitte.com/us/en/pages/tax/articles/implications-of-a-donald-trump-tax-policy.html

— Michael DeHoff
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Kies picked for Treasury tax policy post

President-elect Trump on January 2 announced Ken Kies as his choice for assistant Treasury secretary for tax policy. If confirmed by the full Senate, he will be responsible for analyzing, developing, and implementing federal tax policies and programs.

More specifically, Kies will be the point person facilitating the extension of expiring tax cuts in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97), and in developing additional tax legislation affecting individuals and businesses. With more than 40 years of experience as a tax lobbyist and former Republican congressional staffer on the House Ways and Means Committee and a former chief of staff at the Joint Committee on Taxation, Kies has been lauded as a serious pick for the administration and will play a key role in negotiations this year to get tax legislation through Congress before the year-end deadline when many tax breaks in the TCJA are set to expire.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

"Ken Kies will bring his brilliant understanding of tax policy and extensive knowledge from his work on both the Ways and Means Committee and the Joint Committee on Taxation to pass solutions that put working families first," said House Ways and Means Committee Chairman Jason Smith (R-Mo.) on January 3.

Other picks for key positions in the Treasury Department include Alexandra Preate for senior counselor to the secretary as well as Daniel Katz as Treasury's chief of staff, with Samantha Schwab and Cora Alvi as deputy chiefs of staff.

In a related development, Senate Finance Committee Chairman Mike Crapo (R-Idaho) announced this week that the taxwriting panel will hold a hearing on January 16 at 10:30 a.m. to consider President-elect Trump's nomination of Scott Bessent to serve as Treasury secretary. (Trump nominated Bessent for the post on November 22.)

Bessent, like Kies, must be confirmed by the full Senate, and the Finance Committee hearing is an important first step in the confirmation process.

Senate taxwriters will vet Kies at a yet-to-be-scheduled hearing.

— Michael DeHoff and Steven Grodnitzky
Tax Policy Group
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Ways and Means Committee to discuss making the Trump Tax Cuts permanent at upcoming hearing

The House Ways and Means Committee announced that it will hold a hearing on January 14 to discuss the need to make the Trump tax cuts permanent for working families. The hearing will take place immediately following the committee's organizational meeting to be held on January 14 at 10:00 am.

A witness list for the hearing was not available at press time.

— Steven Grodnitzky
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Deloitte Tax looks at more year-end guidance from Treasury, IRS

New alerts from Deloitte Tax LLP discuss guidance from the Treasury Department and the Internal Revenue Service issued late last year on a new method for pricing certain controlled transactions involving baseline marketing and distribution activities of goods, as well as digital asset broker reporting requirements.

IRS provides streamlined approach to pricing certain qualified intercompany transactions; OECD releases Amount B guidance

The Treasury Department and the IRS released guidance (Notice 2025-04) on December 18, 2024 announcing their intent to issue proposed regulations that, for purposes of applying section 482, provide a new method for pricing certain controlled transactions involving baseline marketing and distribution activities of goods.
URL: https://www.irs.gov/pub/irs-drop/n-25-04.pdf

This method, referred to as the Simplified and Streamlined Approach (SSA), is similar to the comparable profits method under US transfer pricing regulations and the OECD Transfer Pricing Guidelines.

The notice allows taxpayers to elect to apply the SSA annually for taxable years beginning on or after January 1, 2025, in advance of the Treasury Department and the IRS issuing the proposed regulations.

Additionally, on December 19, 2024, the OECD released fact sheets and a pricing tool to facilitate the understanding and operation of the SSA for transfer pricing.
URL: https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/cross-border-and-international-tax/pillar-one-amount-b-fact-sheets.pdf
URL: https://www.oecd.org/en/topics/sub-issues/transfer-pricing/pillar-one-amount-b.html#pricing-automation-tool

A new alert from Deloitte Tax LLP provides highlights of Notice 2025-04 as well as the OECD fact sheets and pricing tool.
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250103_5_suppA.pdf

Final regulations address digital asset broker reporting for 'non-custodial industry participants'

The Treasury Department and the IRS on December 27, 2024 released final regulations under section 6045, titled "Gross Proceeds Reporting by Brokers that Regularly Provide Services Effectuating Digital Asset Sales." The regulations address reporting rules for "non-custodial industry participants," the term used in the preamble for the first set of final digital asset broker reporting regulations published in the Federal Register on July 7, 2024.
URL: https://public-inspection.federalregister.gov/2024-30496.pdf
URL: https://www.federalregister.gov/documents/2024/07/09/2024-14004/gross-proceeds-and-basis-reporting-by-brokers-and-determination-of-amount-realized-and-basis-for

In conjunction with the release of these regulations, the government also issued Notice 2025-03 to provide transitional relief for digital asset brokers impacted by the new rules.
URL: https://www.irs.gov/pub/irs-drop/n-25-03.pdf

Details on the new guidance are included in a new alert from Deloitte Tax LLP.
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250103_6_suppA.pdf

Notice 2025-07 provides temporary relief from certain digital asset identification rules

On December 31, 2024, the Treasury Department and the IRS released Notice 2025-07, which allows taxpayers, during the period beginning on January 1, 2025 and ending on December 31, 2025 (the "relief period"), to specifically identify the units of digital assets held in the custody of a broker that are sold, disposed of, or transferred without requiring the taxpayer to notify the custodial broker of the identification.
URL: https://www.irs.gov/pub/irs-drop/n-25-07.pdf

Details on the new guidance are included in a new alert from Deloitte Tax LLP.
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250103_6_suppB.pdf

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