



TAX DEAL BUILDING BIPARTISANSHIP IN WASHINGTON

THE LATEST:

Bipartisanship seems to be breaking out in Washington thanks to taxes. Earlier this week, Senate Finance Committee Chairman Ron Wyden (D-OR) and House Ways and Means Chairman Jason Smith (R-MO) announced a significant bipartisan, bicameral agreement on business and individual tax relief. The proposal would address critical business tax breaks as well as provide low-income families with additional access to the child tax credit. The committee leaders had been negotiating the package for months, and while their goal is to implement any changes in time for the 2023 tax filing system which is set to begin on January 29th, there are significant hurdles that must be overcome for this package to succeed.

On Friday, January 19, 2024, the House Ways & Means Committee held a markup of H.R. 7024, the “Tax Relief for American Families and Workers Act of 2024”. During this markup, 10 amendments were introduced by Democratic members, six of which were withdrawn and four were not adopted. Most of the amendments focused on further expansions of the Child Tax Credit. Ultimately the bill passed overwhelmingly by a vote of 40-3 (Democratic Reps. Lloyd Doggett, Linda Sanchez and Gwen Moore voted no). Following the committee vote, the White House indicated President Biden’s support for the package.

To move through the House, the package will likely have to be considered as a standalone measure that would come up under a suspension of the rules, requiring a two-thirds vote of the full House. At present, there are 218 Republicans and 213 Democrats; therefore, 286 votes would be necessary for passage. The soonest such a bill could be placed on the suspension calendar would be the week of January 29th, since the House is not in session next week. Senate consideration has not yet been scheduled as Ranking Member Crapo is reportedly seeking changes to the Child Tax Credit and corporate deductions.

WHAT IT MEANS:

A bipartisan bicameral agreement on tax relief is a significant breakthrough, especially in an election year. The framework would offer relief to low-income Americans on a number of fronts, as well as provide three large tax breaks that have been top priorities for much of the

broader business community. The Joint Committee on Taxation estimates the plan would cost roughly \$70-80 billion. Aides indicated they would cover the cost by ending the COVID-era Employee Retention Tax Credit (ERC). More specifically, the bill would prohibit additional ERC claims after Jan. 31, 2024, extend the statute of limitation on ERC claims to six years, and increase the preparer penalties on ERC claims for advisors that charged contingent fees or received 20% of gross receipts from ERC claim fees with a minimum of \$500,000.



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“Today’s vote shows a real appetite for legislating on both sides of the aisle. This package has been in the works for some time and kudos to Chairman Smith and Ranking Member Neal for advancing it. There’s a ways to go but this is great, and much needed bipartisan cooperation on an important policy objective.”



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“The bipartisan, bicameral tax deal had a rather large bipartisan showing in today’s markup. Committee Democrats pushed for further enhancements to the Child Tax Credit but did not let the perfect be the enemy of the good. There was enough in the base bill for the majority of the panel’s Democratic members to support. This is another microcosm of why an announced bipar-bicam deal on tax policy presents such a unique opportunity for Congress. No one gets everything, but everyone gets a lot. This is a rare, but welcome occurrence in the current Congress.”

THE BILL:

The proposed legislation, which is being introduced as *“The Tax Relief for Families and Workers Act of 2024,”* includes the following key components:

Business Tax Relief:

- Restores Section 174 Expensing for U.S. companies (foreign R&D expenses not restored)
 - IMPACT: Taxpayers would be able to expense domestic costs retroactive to 2022 and through tax years beginning before 2026 (foreign expenses would continue to be required to be amortized over 15 years).
- Restores Section 163(j) interest deductions
 - IMPACT: The proposal would retroactively adjust the interest expense limitation for taxable years beginning after December 31, 2021 and would be extended through December 31, 2025. The adjustment would revert to prior law and

would allow calculation the limitation based on 30% of earnings before interest, taxes, depreciation, and amortization (EBITDA). The change could allow taxpayers to deduct more of their interest expense, particularly important with the rising costs of financing.

- Restores Section 168(k) “bonus” depreciation
 - IMPACT: The deduction for bonus depreciation on qualified property is phasing out by 20 percent each year through December 31, 2026. For tax year 2023 the bonus depreciation deduction would be limited to 80 percent on eligible property. Proposed changes would also extend 100 percent bonus depreciation on qualified property through December 31, 2025. This would retroactively apply to tax year 2023, allowing for a 100 percent deduction on eligible property.
- Provides temporary increase in Section 179 small business expensing
 - IMPACT: Section 179 depreciation limitations would increase to \$1.29 million for taxable years beginning after December 31, 2023, the deduction would be reduced for qualifying property purchases in excess of \$3.22 million.
- Provides tax relief for disaster-impacted communities
 - IMPACT: Provides personal casualty loss relief for any disaster area declared since 2020
- Provides U.S.-Taiwan double taxation relief
 - IMPACT: Would extend almost tax treaty treatment benefits to Taiwan.

Individual Tax Relief:

- Increases low-income housing tax credit
 - IMPACT: Credits would increase from 9 percent to 12.5 percent through 2025, and bond financing requirements would decrease from 50 percent to 30 percent.
- Provides relief for casualty and theft losses for victims of disasters
 - IMPACT: would include enhanced ability to retroactively deduct losses related to major disasters.
- Increases refundable amount of per-child tax credit for 2023, 2024, and 2025
 - IMPACT: Ensures the Child Tax Credit phase-in is applied to families with multiple children, eliminating penalties for larger families; creates flexibility for taxpayers to use either current- or prior-year income to calculate the Child Tax Credit in 2024 or 2025; adjusts the tax credit for inflation starting in 2024.

Notable omissions from the package:

- Railroad maintenance tax credit
- Full deductibility for business meals expensing

WHAT'S NEXT:

The soonest the full House could vote on the package would be the week of January 29th, following a scheduled one-week District Work Period. The strong bipartisan vote in committee bodes well for a similarly bipartisan vote in the full House.

As for the Senate, Majority Leader Chuck Schumer (D-NY) has expressed his support for the package, while Minority Leader Mitch McConnell (R-KY) has yet to offer substantive public comment on it. Senate Finance Committee Ranking Member Crapo called this a “thoughtful starting point” and that, “With the tax filing season approaching, there is a short timeline to advance tax legislation that can pass both the House and Senate.” His statement continued, “I will continue to build broad, bipartisan support for a tax package that provides appropriate relief for working families and businesses.” Neither has expressed opposition to or support for the deal; however, both will be seeking changes to the package, yet details on what changes remains unclear as of now.

While the House can expedite passage of the measure without amendments, the Senate would need to proceed through regular order on the floor and amendments would need to be made in order. Given the amount of time that will be needed to process spending measures to meet the current March 1 and March 8 deadlines for passage, it is highly unlikely floor time will be available for the bill to be considered under such a tight timeline.

Today’s strong bipartisan vote represents significant progress on a host of critical tax issues and, at a minimum, lays the groundwork for the coming tax debate in 2025.

Resources:

- [H.R. 7024](#), the "Tax Relief for American Families and Workers Act of 2024"
- [Amendment in the Nature of a Substitute \(ANS\) to H.R. 7024](#), the “Tax Relief for American Families and Workers Act of 2024”