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GOP Gears Up for Tax-Overhaul Push

With passage of Senate budget, Republicans are setting their sights on finishing a tax bill before year-end

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WASHINGTON—Now that the [Senate](#) and House have both passed their own 2018 budgets, the sprint to write [a major tax bill](#) is on.

Republicans hope to finish a bill by year-end. The budget's passage in both houses allows Republicans to pass a tax bill with just 50 votes in the Senate, but they still have a lot of work to do. Here is a look at what happens now:

Budget Deal

The Senate and House must first agree on the same document. Two big differences stand in the way.

First, the Senate budget allows for tax cuts that reduce revenues and increase deficits by \$1.5 trillion over a decade; the House version calls for a revenue-neutral tax bill that doesn't increase deficits.

Second, the [House budget](#) ties \$203 billion in spending cuts and other deficit-reducing ideas to make room for tax cuts. The Senate budget has just one such offset, which generates federal revenue by allowing the opening of Alaskan land to oil production.

At first, it looked like negotiations to reconcile those conflicting positions would take a week or two. But senators and House members were working on a deal under which the House could vote next week without the need for a formal House-Senate conference committee. That would expedite the process of moving a tax bill.

The budget, which President Donald Trump doesn't need to sign, allows Congress to use fast-track reconciliation procedures. Those allow the Senate to pass a bill with a simple majority and not with a 60-vote threshold that would require Democratic votes.

House Tax Bill

Rep. Kevin Brady (R., Texas), the top House legislator, says that once the budget deal is delivered, his panel will release its tax bill. That proposal will fill in many of the blank spaces in a framework Republicans released in September.

It will spell out exactly what House Republicans plan to do with state and local tax deductions, child tax credits and other points of contention. It will also show income cutoffs for various tax brackets, giving Americans a chance to calculate their tax bill under the new plan.

For businesses, it will show which companies qualify for a special 25% rate for "pass-through" businesses such as partnerships and S-corporations and will spell out which tax breaks go away.

Those details will stir disagreement among interest groups and House members. The Ways and Means Committee, where Republicans have a 24-16 edge, will consider amendments and vote on the bill. Then it heads to the House floor, where Republicans can lose 22 members at most.

House Speaker Paul Ryan (R., Wis.) has said a tax bill could pass the House by early November.

Senate Tax Bill

The Senate Finance Committee will release its own tax plan. Lawmakers expect it to be different from the House version, though it isn't clear how far apart they will be.

In the committee, Republicans have a 14-12 edge, meaning the GOP will have to find a way to keep all its members on board. For now, votes from Democrats aren't likely.

Democrats on the committee say Mr. Trump supports some of their principles—for example, a focus on the middle class instead of tax cuts for high-income households—but that the plans so far haven't backed that up that specific objective.

Republicans have slightly more room to maneuver on the Senate floor, where they can lose two members and still pass a bill. But that may be a challenge: Sen. Rand Paul (R., Ky.) has called for significant tax cuts even if they increase budget deficits, Sen. Bob Corker (R., Tenn.) has pledged not to increase the budget deficit, and Sens. Mike Lee (R., Utah) and Marco Rubio (R., Fla.) are seeking bigger child tax credits that aren't in the Republican plan so far.

Democrats can offer unlimited amendments on the Senate floor, putting them in a position to drag out voting and write proposals that could peel off Republicans, such as increasing child tax credits in exchange for higher taxes on millionaires. It was on the Senate floor that Republicans' health-care plans fell apart this year, when they couldn't get 50 senators to agree on any particular plan.

Conference and President

Once the House and Senate have each passed their tax bills, they will have to bridge any differences, presumably in a House-Senate conference. Then the Senate and House will vote again and send the measure to President Trump for his signature.

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