

SPOTLIGHT REPORT

December 5, 2024

The 2025 Budget Reconciliation Process Explained

What's Happening: GOP lawmakers are laying the groundwork for a sweeping reconciliation bill next year in the hope that tax reform, immigration reform, energy policy, and federal spending can be addressed in one party-line bill.

Why It Matters: With only a handful of legislative days remaining before Congress' holiday recess, GOP lawmakers are turning their attention to next year's priorities. Top of the list is a legislative package that would combine an extension of the 2017 Tax Cuts and Jobs Act (TCJA) with other party goals such as border security, spending cuts, deregulation, and more. **With unified control of government, the GOP can utilize the filibuster-proof budget reconciliation [process](#) as the vehicle for the bill, allowing the party to pass federal tax and spending changes without input from the minority party.** Discussions around what to include in the sweeping legislative package among GOP leadership began as early as this [Spring](#). With the party's governing trifecta now official, lawmakers are hoping to act on those plans quickly. **House Majority Leader Steve [Scalise](#) (R-LA) and other members of GOP leadership have laid out an aggressive timeline for passage of a reconciliation package, suggesting that the party could finalize the bill within the first 100 days of President-elect Trump's second administration. Incoming Senate Majority Leader John Thune (R-SD) [told](#) his GOP colleagues Tuesday that the party could split its priorities into two bills, aiming to pass a non-tax reconciliation bill in the first 30 days of the new administration.** Party leadership is hoping to avoid the mistakes of the first Trump administration during which a multi-month failed push to repeal the Affordable Care Act delayed the passage and signing of the TCJA until [December](#) of 2017. **But while GOP leadership and the incoming Trump administration would prefer quick passage of a reconciliation bill, procedural constraints and a dramatically different political environment than in 2017 are likely to impede speedy progress.** In particular, unlike in 2017, the GOP's House majority is set to be as slim or slimmer than the party's Senate majority. The reversal will make the politics of the GOP's House majority the limiting factor as to the scope of the legislative package, a challenge given the high levels of concern among House conservatives as to the bill's potential impact on the deficit. Relatedly, higher levels of inflation, the growing cost of tax reform itself, and an increasing federal deficit will also play a role in intraparty negotiations. **With this in mind, talk of a fast-tracked**

reconciliation process should be viewed through the lens of the party's recent electoral success and the excitement it has brought with it. The GOP doesn't yet hold the reins of power and the realities of governing can be very different.

Broadly speaking, while a tax-focused reconciliation bill will likely cross the finish line next year, there will be no shortage of speed bumps on the road to passage.

What's Next: Over the next few weeks, we expect GOP lawmakers to continue to privately and publicly discuss the contours of the reconciliation bill, leading to additional media speculation around the bill's future size and scope. On Tuesday alone GOP senators spent five hours discussing their priorities for 2025 at a DC policy retreat. **With that in mind, the rubber won't meet the road on any reconciliation bill until party leaders introduce a budget resolution early next year.** A precursor to the reconciliation bill itself, the budget resolution, which must be agreed upon by both the House and Senate majorities, includes instructions as to how large a deficit impact the bill can have over its first 10 years. Agreeing on the deficit impact is no small task, but until that point the reconciliation process won't have begun in earnest.

The Keys to Understanding the Budget Reconciliation Process

Whether the GOP can quickly advance a reconciliation bill that includes the party's top legislative priorities will be as much a function of the reconciliation process' constraints as it will be intraparty politics. In many ways, it's the statutory limitations of budget reconciliation that creates the political headaches around which policies can be included in the bill and how much it will cost.

The Filibuster-Proof Basics

The most commonly cited (but worth repeating) limitation on budget reconciliation is its area of focus. Since the mid 1970s, Congress has been [required](#) to pass an annual budget resolution, or agree to a substitute for the budget resolution, which outlines federal fiscal targets for the year. Budget [reconciliation](#) is a nonobligatory offshoot of this responsibility, originally developed as a tool Congress could use to expedite changes to federal spending to conform with the targets outlined in the budget resolution. **Given this, budget reconciliation bills are limited in scope to changes to federal spending, revenues, or the debt. Both the budget resolution and the reconciliation bill itself only require majority support in either chamber of Congress.** The filibuster-proof nature of the budget reconciliation process makes it an advantageous vehicle for one party to make spending changes when it holds unified control of government, but fewer than 60 votes in the Senate.

In the Context of 2025

In recent years, both political parties have increasingly turned to the budget reconciliation process to enact major legislation. The GOP began to outline the first contours of a sweeping reconciliation package in the Spring of 2024 and the planning process accelerated last month following the party's sweep of the November elections. While the decision to use budget reconciliation to advance the party's major priorities will somewhat limit the non-tax policy changes that can be made, particularly when it comes to immigration reform, it will also eliminate the need to work with Democrats. That's particularly advantageous when it comes to extending the expiring provisions of the Tax Cuts and Jobs Act (TCJA). In a reference to the difficulty of working across the aisle on tax reform, incoming Senate Finance Committee Chair Mike Crapo (R-ID) [told](#) Bloomberg Law this month, "I don't see where we can find the necessary middle ground right now."

It All Begins with a Budget Resolution

The first step in the budget reconciliation [process](#) is for both chambers of Congress to adopt a budget [resolution](#). The budget resolution outlines the so-called "instructions" for the budget reconciliation process. The reconciliation instructions include a target for how large a deficit impact the bill can have within its budgetary window (typically 10 years) along with more specific instructions as to which congressional committees are authorized to draft the bill. Each committee is also given instructions on spending or deficit reduction targets to ensure the overall bill falls within total spending or saving targets set out in the instructions. The instructions themselves do not determine which policies go into the bill; that is determined by each authorized committee working within the fiscal constraints laid out in the instructions.

In the Context of 2025

The first sign of whether (or not) the GOP is on track to quickly advance a reconciliation bill will be whether the party is able to agree on the text of a budget resolution early next year. Party leaders such as incoming Senate GOP Whip John Barrasso (R-WY) told [reporters](#) last month that GOP lawmakers are hoping to have a budget resolution ready on January 3rd 2025, the first day of the 119th Congress. Barrasso and other members of GOP leadership are modeling the effort on the GOP's 2017 attempt to repeal the Affordable Care Act (ACA) via reconciliation as well as Democrats' 2021 passage of the American Rescue Plan Act (ARPA), also by way of budget reconciliation. In the ACA case, the GOP was able to introduce and agree to a budget resolution by early [January](#) 2017. In 2021, Democrats were able to introduce and agree to a budget resolution by early [February](#), clearing the whole reconciliation bill for passage in early March.

Where 2025 differs from the ACA repeal attempt in 2017 and passage of ARPA in 2021, and the reason to be skeptical of GOP leadership's optimistic reconciliation timeline, is its [cost](#). For the GOP to introduce a budget resolution on January 3rd of next year, the party will have to agree on the amount of deficit impact the bill can create within its budgetary window, or as Richard Rubin of the Wall Street Journal [dubbed](#) it last month, "The Number." Finding agreement on The Number will require

GOP leadership to bridge a significant [divide](#) between the expectations of fiscal conservatives in the House and experienced tax writers in the Senate.

GOP lawmakers have been involved in a multi-month intraparty fight over how much of the TCJA to pay for. With the 10-year deficit impact of a TCJA extension projected to be greater than \$4 trillion, GOP lawmakers on the House Ways and Means Committee and within the House Freedom Caucus argue that much of the cost of the bill should be offset. Meanwhile, on the other side of Congress, Crapo has [argued](#) for months that the party shouldn't have to offset the cost of an extension of existing tax law. He instead proposes that the official scoring of the bill should be changed to account for this, a move House Ways and Means Committee Chair Jason Smith (R-MO) [indicated](#) some openness to earlier this week.

But any attempt to avoid offsetting a sizable chunk of a TCJA extension would go over like a lead balloon among fiscal conservatives. House Freedom Caucus Policy Chair Chip Roy (R-TX) told [Politico](#) last month "Under no circumstances should we just blindly say, 'Here's the policy,' without regard to the impact on the deficit." **The fact that intraparty disagreements over how much of the bill to offset continue to run deep in December suggests that the GOP faces an uphill climb to introduce a budget resolution laying the groundwork for a tax-related reconciliation bill early next year.**

With all that said, there is one quirk of reconciliation that could help the GOP skirt the deficit impact debate and quickly introduce a budget resolution. Instead of listing a specific number of allowable deficit impact in the budget resolution, reconciliation allows for an alternative method in which the party in power frames the deficit impact as a floor or ceiling. In practice, the GOP could require something like a minimum of \$1 trillion in gross deficit reduction over 10 years while still allowing the bill to have a significant net impact on the deficit within that window. The new framing, at least on its surface, could be more appealing to fiscal conservatives worried about the bill's cost. It's also the same approach the party took in [2017](#) in the budget resolution governing the ACA repeal effort. However, in that instance, it was easier to find a net savings to the deficit because the repeal, if enacted, would have saved the government money.

The Vote-a-Rama

The budget resolutions originate in the House and Senate Budget Committees before advancing to the floor in each chamber, respectively. A budget resolution isn't subject to the Senate filibuster, but it is subject to amendments. Debate on a budget resolution in the Senate is limited to 50 hours, after which the infamous "vote-a-[rama](#)" ensues. **During a vote-a-rama, the minority party typically offers a series of more than 15 amendments to the budget resolution to force the majority party to take votes on the record on politically challenging topics. Each amendment must be germane, or related to the budget resolution.** Once all amendment votes are completed, the Senate can move on to final passage of the budget resolution. If the House and Senate have passed the same

budget resolution, they can then move on to writing the reconciliation bill. If they have passed differing budget resolutions, they must first reconcile them and then vote again on the agreed upon resolution. A second vote-a-rama occurs immediately before final passage of the reconciliation bill itself in the Senate.

In the Context of 2025

While vote-a-ramas receive plenty of attention each time they occur, they have little to no impact on the final bill. The exercise is an opportunity for the minority party to demonstrate opposition to the reconciliation bill that they didn't take part in drafting. In 2022, Senator Thom Tillis (R-NC) told The [Hill](#) "Generally speaking, it's theater, where the underlying bill is what ultimately passes out, and it's dishonest." Senator Richard Blumenthal (D-CT) similarly called the process "largely a waste of time."

Reconciliation Can Be More Than Just One Bill

As incoming Senate Majority Leader John Thune (R-SD) alluded to on [Tuesday](#), Congress isn't limited to only one reconciliation bill per year. In any given fiscal year, the budget reconciliation process allows for action on up to three separate bills: one addressing spending, one addressing revenue, and one addressing the debt. The catch is that if Congress addresses one or more of these issues in a given reconciliation bill, it then becomes ineligible for inclusion in a second reconciliation bill for that same fiscal year. As an example: If the first reconciliation bill addresses spending and revenue, a second bill could only address the debt.

Theoretically, three separate bills can be enacted in one year by passing a budget resolution that includes instructions to draft three separate bills, with each focused on a different area of reconciliation. More commonly, it has been done by first passing a budget resolution for the existing fiscal year with instructions for an all-encompassing bill and then again passing a second budget resolution for the next fiscal year. This second avenue is how the GOP attempted to eliminate the Affordable Care Act in 2017 by way of reconciliation and then again passed the Tax Cuts and Jobs Act (TCJA) by the same method later that year. Democrats attempted a similar feat in 2021 with the American Rescue Plan Act and then the Inflation Reduction Act, although the latter was delayed until 2022.

In the Context of 2025

The news cycle erupted Tuesday following reports from Senate Republicans' policy retreat that Thune had pitched his colleagues on two separate reconciliation bills: the first dealing with only immigration, energy policy, and [defense](#) spending, while the second would deal with a TCJA extension. Arguably more important, Thune indicated that he'd like the first reconciliation bill done in the first 30 days of the incoming Trump administration, or by the end of February. Both House Speaker Mike Johnson (R-LA) and President-elect Trump were briefed on the plan.

Could the GOP split their policy priorities into two reconciliation bills and pass a non-tax reconciliation package within 30 days? Yes, it's allowable under the rules, but if there was a betting market on the timeline, we'd take the over.

Setting aside the procedural challenges of such an aggressive effort, it's worth looking at the context of Thune's remarks and the reaction they received. **House Ways and Means Committee Chair Jason Smith pushed back on the idea, calling it "reckless" in [remarks](#) to Punchbowl News within hours of Thune's comments.** Smith followed up the next day with the same stance, indicating that he had the backing of the rest of the GOP members of the House Ways and Means Committee. As NOTUS [reported](#) on Wednesday, even some of Thune's Senate colleagues seem wary of the idea.

For Smith, whose primary objective is the extension of expiring TCJA provisions, the entire process is put at risk by punting on tax reform until later in the year. Congress has a rich recent history of attempting and failing to pass two major reconciliation bills within one year. Confounding the issue is that it's tax reform that has a deadline – the individual provisions of the TCJA expire in December 2025 – not immigration reform or energy policy. Furthermore, combining the bills provides some incentive for conservatives who are wary of the cost of tax reform, but enthusiastic about changes to immigration policy. **As Smith [told](#) CNBC's Emily Wilkins this week, "I remind my colleagues on the other side of the building, there is no one that understands the House Republicans better than I do. And I know what's necessary to get to 217 votes. And it will be a reconciliation bill that has everything in it."**

Robert Byrd and the Senate Parliamentarian Have the Last Say

While the budget reconciliation process has many procedural advantages that can speed passage of a spending bill, there are a handful of unique restrictions that will prevent the GOP from attaching any and every policy priority to the legislation. **First introduced by the late Senator Robert Byrd (D-WV), 1980s and 1990s amendments to budget reconciliation prevent the inclusion of any policies which: 1) Have no budgetary effect; 2) Have only a "merely incidental" impact on spending or revenues; 3) Impact the spending or revenue of Social Security; 4) Increase the deficit outside of the budget window; 5) Are outside the jurisdiction of the congressional committee recommending them; or 6) Are recommended by a congressional committee that did not achieve its fiscal target as laid out in the budget resolution.**

Although not explicitly outlawed in the Byrd Rule, one other oddity of the reconciliation process is that lawmakers likely can't use it to make changes to discretionary [spending](#). That being said, lawmakers have been able to include funds for programs that are typically considered discretionary in reconciliation by classifying them as mandatory spending. This is a function of committees other than the appropriations committees drafting those provisions. An example is the inclusion of \$80 billion in funding for the Internal Revenue Service in the Inflation Reduction Act.

Whether a provision satisfies the Byrd Rule or not is determined by the Senate parliamentarian. Typically, the party drafting the reconciliation bill will consult with the parliamentarian on any provisions they are uncertain about – a process known as the “Byrd Bath” – to receive a ruling as to whether the provisions can be included in the bill. Alternatively, when the bill comes to the Senate floor for final consideration, the minority party can raise points of order demanding a ruling as to whether a given provision satisfies the Byrd Rule. In this instance, the presiding officer will make a determination based on the Senate parliamentarian’s advice and either strike down or permit inclusion of the provision in question. The removal of any one provision won’t impact the bill as a whole. Additionally, if the minority party fails to bring up a point of order against a provision that would otherwise violate the Byrd Rule, it doesn’t have to be struck from the legislation. Points of order striking down a provision can be overruled with a 3/5ths vote in the Senate.

In the Context of 2025

When it comes to tax reform, the Byrd Rule and the Senate parliamentarian won’t cause too many hiccups. The TCJA was, of course, already passed via the budget reconciliation process, so an extension of the law’s expiring provisions should be fairly straightforward in a procedural sense. Even the inclusion of new tax policy changes, such as those Trump proposed on the campaign trail, shouldn’t create too many issues from a procedural standpoint. Instead, the real question is what, if any, changes can be made to immigration, energy, and possibly healthcare policy.

Changes to immigration policy, in particular, are on the least stable footing. **Politico [reports](#) that GOP lawmakers are fairly confident they can include funding for the border wall, related technology, and border personnel in a reconciliation package. This would likely be done by categorizing the spending as mandatory and it would be permissible given its direct impact on federal spending, although nothing is certain until the Senate parliamentarian rules on it. Some GOP lawmakers have also proposed taxing remittances, or money sent by immigrants to their families outside of the US.** In 2023, soon-to-be Vice President JD Vance (R-OH) introduced [legislation](#) that would create a 10 percent tax on remittances leaving the US.

More substantial policy changes, such as the restrictions on asylum, visas, and humanitarian parole included in the GOP’s Secure the Border [Act](#) (better known as HR 2) are less likely to pass muster with the Senate parliamentarian. Politico notes that the GOP may still try to include those alongside a possible reimposition of Trump’s “remain in Mexico” policy. **Former GOP aide James Wallner told The [Hill](#) last month that inclusion of those policies will depend on whether the GOP can get nonpartisan budget scorers to score the provisions as having a significant budgetary impact.** Back in [2021](#), the Senate parliamentarian ruled against the inclusion of changes to work permits and Temporary Protected Status in Democrats’ reconciliation bill.

Energy policy changes are likely more permissible, at least insofar as they pertain to

taxation and fees. House Majority Leader Steve Scalise (R-LA) made clear he [believes](#) the party can expand oil and gas exploration in the Arctic National Wildlife Refuge (ANWR) in a reconciliation package, noting the GOP did as much in 2017. The GOP could also draw on policies for the party's 2023 Lower Energy Costs [Act](#) that could have a deficit impact or which relate to taxation. Some examples include a repeal of restrictions on the import and export of natural gas, a repeal of the Clean Air Act's natural gas tax, a ban on further increases to royalty rates for oil companies, and a number of permitting measures to speed construction of energy projects.

When will the GOP Finalize a Reconciliation Bill?

With all the procedural quirks of reconciliation in mind, when can the GOP finalize one, or two, reconciliation bills? It's hard to know for certain, but **we believe that the timelines GOP leadership have thrown around over the last few weeks are optimistic. Even by removing tax reform from the first reconciliation bill, an outcome that is far from certain, the process won't be as quick as leadership hopes.**

The fact that the party is currently at odds over how to advance its policy agenda at all doesn't bode well for the rapid finalization of an otherwise tedious procedural process. The issue runs much deeper than simply choosing one or two bills. Instead, the debate is indicative of the many challenges posed by both the cost of the party's agenda and the razor thin margin the GOP has in the House.

With a 217-215 House majority until early [Spring](#), it's entirely possible that any reconciliation bill simply gets hung up early in the process. Convincing House conservatives to support the budget resolution will be no easy feat. Splitting up policy priorities into two bills won't solve the problem on its own either; there are plenty of intraparty disagreements as to which immigration and defense policy priorities should be included. Other procedural obstacles will by no means upend the process, but going through the Byrd Bath and getting budget scores on each provision within the bill will also take time. **When Democrats quickly advanced ARPA in 2021, they had already drafted much of the bill at this point in 2020.**

In all the debate over how to advance the GOP's priorities, it's also important to note that the fact that the party is entertaining splitting up the bills and passing tax reform second suggests there's agreement that a tax bill will take a while. In fact, Crapo and his counterparts on the House Ways and Means Committee haven't put too much emphasis on moving quickly, instead suggesting that getting the bill right is more important. Outside factors, like Trump weighing in on a mostly-baked bill to demand the addition of some of his campaign promises, could also slow the process.

Congress often needs a forcing mechanism for action, even when only one party is in control, and the GOP's 2025 reconciliation plans may be no different. In this case, the somewhat ceremonial 100-day mark in Trump's presidency, or April 30th 2025, will be a milestone GOP lawmakers hope to beat, at least for the budget resolution.

More realistically, the August recess period will likely be the first major forcing mechanism for action on the reconciliation bill itself. In 2022, the threat of a lost recess period helped Democrats finalize work on the Inflation Reduction Act by early August. **Of course, it's worth remembering that the actual deadline by which legislation extending the TCJA must be passed is December 31st, 2025, when much of the law expires (and technically, it could even be passed later in 2026 and made retroactive to the start of that year, although that wouldn't prevent the inevitable political backlash that would ensue from failing to act by the end of 2025).** After all, Congress has a history replete with waiting right up until the deadline to act.



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