In brief

Following the Senate’s August 10 approval of a $1 trillion bipartisan infrastructure bill, the Senate early in the morning of August 11 completed action on a fiscal year 2022 budget resolution that would provide reconciliation instructions for up to $3.5 trillion in spending and tax relief provisions that would be offset in part by corporate and individual tax increases.

The final 50-49 vote on the Senate budget resolution came after an overnight session to consider a series of non-binding amendments expressing the sense of the Senate on various issues. Notably, the Senate adopted non-binding amendments in support of additional research tax incentives, such as preserving full expensing under Section 174, and in support of maintaining the current tax treatment of like-kind exchanges. Other non-binding tax amendments adopted by the Senate include protecting family-owned farms, ranches, and businesses from any changes to step-up in basis at death; prohibiting tax increases on individuals with income below $400,000; and imposing income limits on electric vehicle tax credits. The Senate rejected non-binding amendments opposing changes to the state and local tax deduction cap and information reporting requirements.

House leaders late on August 10 announced that the House would return early from its August recess to consider the Senate budget resolution during the week of August 23. The House had not been scheduled to return until September 20.

Following the final adoption of a joint budget resolution by both the House and Senate with identical budget reconciliation instructions (which can be passed with only Democratic votes), the House Ways and Means and Senate Finance Committees, as well as certain other committees, can begin drafting the reconciliation bill. The pending budget resolution sets a non-binding deadline of September 15 for committees to report legislation for further action by the House and Senate.

Approval by both the House and Senate of a budget resolution with identical reconciliation instructions would provide the procedural protections needed to enact a reconciliation spending and tax bill with only Democratic votes. Support of all 50 Democratic Senators and virtually all House Democrats would be needed to pass such legislation over the objections of Congressional Republicans. It is the goal of President Biden and Congressional Democratic leaders to complete action on reconciliation legislation before the end of this year.
**Observation:** While the budget resolution sets a non-binding deadline of September 15 for the House and Senate committees to report legislation for further action in both chambers, it currently is expected that the House Ways and Means Committee and the Senate Finance Committee could take several weeks after September 15 to draft and report tax legislative proposals. The date is significant, however, because the Senate can discharge its committees from further consideration of the reconciliation measure after that date. As with the earlier COVID-19 related reconciliation measure this year, the Senate may forgo formal committee action after Senate Finance Committee Democrats agree on the proposed legislation. Both the House and Senate also will need to resolve any differences between their reconciliation bills before a final bill can be approved by both chambers and cleared for action by President Biden.

**Action item:** Stakeholders should continue to communicate with policy makers on the potential effects of President Biden’s tax increase proposals on their employees, job creation, and investments in the United States.

**For more information**

For our August 10 PwC Insight on the Senate-passed infrastructure bill and the Senate budget resolution, click [here](#).

**Let’s talk**

For a deeper discussion of how this issue might affect your business, please contact:

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