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Budget Reconciliation: A Potential Path for President Biden's Plans



President Biden has recently proposed a \$2.29 trillion American Jobs Plan and a \$1.9 trillion American Families Plan, but a closely divided senate makes it challenging to turn these bills into law. This document discusses the potential paths and requirements for these plans to become law.

Majority Vote

Most bills require a simple majority vote in the Senate for a bill to be sent to the President. If there is a tie among senators, then the vice president can cast the tie-breaking vote.

Prior to a vote, senators must first debate the bill. Sixty votes are required to end debate and proceed with a vote, and Senators can block a vote by simply continuing to debate indefinitely. This is known as the filibuster, which has been the topic of heated discussion. It is possible for the Democrats to modify the rules of the senate to modify or eliminate the filibuster, but there may not be enough support among Democrats to do so.

So with the threat of a filibuster, it may seem impossible for the senate to pass the American Jobs Plan or the American Families Plan. However, the Budget Reconciliation process may be a viable path to passing the bills.

Reconciliation

Reconciliation is a special process that makes legislation easier to pass in the Senate. Instead of needing 60 votes, a reconciliation bill only needs a simple majority in the Senate. Senate debate time is limited and cannot be stalled in the Senate by a filibuster.

Reconciliation bills can be passed on spending, revenue, and the federal debt limit, and even though the Senate can pass one bill per year for each subject, it typically passes just one bill for both spending and revenue. The "Byrd Rule" prohibits any non-fiscal-related policies from being included in reconciliation bills, prohibits reconciliation bills from increasing the federal deficit after a ten-year period and prohibits making any changes to Social Security.

Only certain kinds of amendments can be offered. With only a few exceptions, amendments to a reconciliation bill on the Senate floor cannot increase the deficit; they must either lessen the deficit or be deficit-neutral.



In March of 2021, the Senate passed the American Rescue Plan Act of 2021 using the Budget Reconciliation Process. Typically, Reconciliation can only be performed once per year and so theoretically the American Jobs Plan and the American Families Plan would need to wait until October 1, 2021 when the next fiscal year begins. However, the Senate parliamentarian recently advised “that a revised budget resolution can include reconciliation instructions”, which helps to pave the way for the bills to be passed as an amendment to the reconciliation originally used to pass the American Rescue Plan Act.

Challenges Ahead

There are many challenges ahead for passage of the two plans. First, the Byrd Rule prohibits increasing the deficit beyond a 10-year window and many of the infrastructure construction initiatives in the American Jobs Plan would go beyond 10 years. Second, amendments to the budget reconciliation cannot further increase the deficit defined in the original budget. Finally, the two plans combined are nearly \$4.2 trillion of new spending with many new tax changes. Because of their sheer scope, it may be difficult to reach consensus among Democrats on what is ultimately included.



Final Thoughts

The American Jobs Plan and the American Families Plan both face significant challenges and are likely to be modified through the legislative process. If you would like to discuss how these plans if enacted may affect you and your business, please give us a call.



About us

At Raven A. Herron & Company we perform many different types of accounting and tax services to meet the needs of both individuals and business owners. We understand the importance of having a well organized, knowledgeable team guide you through the ever-changing economic landscape.

Our team of professionals have become known for providing expert analysis and excellent customer service. Additionally, our service offerings are supported by the industry's latest technologies, providing more customized services and giving you greater access to the pertinent financial information you need to make well-informed decisions.

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