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Expiring Tax Breaks Set Off Year-End Scramble.

Industry groups are pressing lawmakers to include their tax priorities in year-end legislation, setting off a last-minute scramble.

A number of tax breaks, particularly in the energy sector, have already expired or are set to expire at the end of this year, and groups want Congress to renew or update those tax preferences.

The pressure goes beyond expiring tax breaks. Industry groups are also urging Congress to add other tax provisions to legislation, such as a bipartisan retirement bill that has already passed the House, and to repeal or delay ObamaCare taxes.

But it still remains to be seen whether any year-end tax package comes together this year, since Democrats and Republicans have some differing priorities and there's little time remaining to put together a deal.

It's not uncommon for Congress to pass a tax package at the end of the year, taking action to renew expired and expiring tax breaks known as "tax extenders." But Congress hasn't passed extenders legislation since early 2018, and some tax breaks, including in the renewable energy area, have been expired since the end of 2017. Other tax breaks are set to expire at the end of this year, including a couple of provisions created by President Trump's tax-cut law.

But the pressure this year from industry groups for action is intense, with many offering dire warnings that companies could go out of business without extensions.

For the energy industry, the tax breaks that expired at the end of 2017 include incentives for energy efficiency improvements and biodiesel. A tax credit for wind energy is slated to go away at the end of the year, and a tax credit for investment in solar energy is slated to be reduced next year.

"One thing Congress can do before the end of the year to help rural economies and provide some policy stability is extend the expired biodiesel and renewable diesel tax incentive," a group of biodiesel and agricultural groups wrote in a letter to House and Senate leaders earlier this month.

Some groups are arguing that extensions of their tax incentives would be a way for Congress to help tackle climate change.

"Energy efficiency is the most effective solution we have for climate change," said Ben Evans, vice president of government affairs at the Alliance to Save Energy. "It's a huge hole in the tax code that we don't currently have any energy efficiency incentives."

Alcohol industry groups, meanwhile, are pushing Congress to extend tax relief for brewers, winemakers and distillers that was included in the 2017 tax law but is slated to expire at the end of the year. Groups held a day of action last week to mobilize people to contact Congress on the issue.

"We could see businesses shutting down as a result of this not being passed," said Chris Swonger, president and CEO of Distilled Spirits Council.

Tax extenders, though, are only one item on the docket as the legislative year draws to a close and groups seek a host of other changes.

The House in May passed a bipartisan bill with a host of provisions aimed at boosting retirement savings that also included a fix to an area of Trump's tax law that had the unintended consequence of raising taxes on certain income received by children, such as survivor benefits for the children of deceased military members and first responders. The bill has stalled in the Senate, but it has bipartisan support in the chamber and retirement-industry groups want it to become law by the end of the year.

"If anything has a good chance of passing in spite of the clock, it's this bill for everyday Americans," said Susan Neely, president and CEO of American Council of Life Insurers.

Groups are also pushing for the repeal or further delay of several taxes created by ObamaCare, including the repeal of the "Cadillac tax" on high-cost health plans.

"This tax does not hit 'overly-generous' plans," said James A. Klein, president of the American Benefits Council, which is pushing for repeal of the Cadillac tax. "It disproportionately affects health plans that are expensive because they cover large numbers of older workers, women, and families with chronic or catastrophic health conditions. Congress must act now!"

Many of these priorities have support among at least some lawmakers in Congress, and a number of them — including repeal of the Cadillac tax, passage of the retirement bill and extension of the alcohol excise tax relief — have bipartisan backing.

Earlier this week, a group of Senate Democrats wrote a letter to the chamber's leaders urging them to prioritize clean energy tax extenders in any tax bill.

But it's not clear whether there will be any year-end tax legislation this year, and some lawmakers and observers think that a package is unlikely.

"If I had to handicap the prospects for an end-of-year tax deal right now, I would be more pessimistic than optimistic," said Todd Metcalf, a former aide to Democrats on the Senate Finance Committee and now at PricewaterhouseCoopers.

Tax legislation would likely move along with a spending bill that isn't just a short-term stopgap measure, Metcalf said. Lawmakers are still negotiating on spending bills ahead of a Dec. 20 deadline.

Metcalf also said that some of the tax provisions that used to motivate Congress to pass end-of-year tax extenders are now permanent. The remaining temporary tax provisions "don't have the same kind of political juice," he said.

And the parties have their own priorities. House Democrats are interested in pairing a renewal of tax breaks benefiting businesses with expansions of refundable tax credits that benefit low- and middle-income families, such as the earned income tax credit and the child tax credit. But that's a tough ask for Republicans, and any year-end tax package would need to be bipartisan to be enacted.

House Ways and Means Committee Chairman Richard Neal (D-Mass.) on Wednesday reiterated his interest in expanding the tax credits and said he thinks there's room to reach an agreement with Republicans.

"I think that the extenders bill ought to include an expansion of the earned income tax credit and a

more robust child credit,” he told reporters.

The top Republican on the Ways and Means Committee, Rep. Kevin Brady (R-Texas), told reporters Wednesday that Democrats and Republicans are trading offers to try to reach a consensus but don’t have a deal yet. He said that if talks fall through, he doesn’t think there will be a package to simply extend expired provisions.

Brady said that the sizable refundable tax credit expansions Democrats are seeking are a “non-starter.”

“We continue to have concerns about the fraud within those programs,” he said, adding that the amount of spending Democrats are seeking is “not realistic.”

As the clock ticks down, industry groups are remaining upbeat about the chances their priorities will be addressed.

Jim McGreevy, president and CEO of the Beer Institute, said he feels that there is energy at the end of the year for Congress to tackle a number of items.

“I hope extenders is one of them,” he said.

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