



The Daily Dish

The Budgetary Playing Field in 2025

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It was only a matter of time before this idea surfaced. As [flagged](#) earlier in the year by Eakinomics, the Congressional Budget Office (CBO) constructs the baseline budget projection by following current law – for taxes. Thus, because current law is for the Tax Cuts and Jobs Act (TCJA) to largely sunset at the end of 2025, the baseline shows a large tax increase beginning in 2026. In contrast, spending is favored in the baseline because any program with more than \$50 million in outlays (i.e., essentially everything) is extended in the baseline automatically even if the program is no longer authorized. One way to think of this is that taxes follow current law in the baseline, while spending follows current policy.

This has the implication that any law passed to extend (even if reformed somewhat) some or all of the expiring tax provisions must contain offsets (other tax increases or spending reductions) or it will be scored as increasing deficits. This matters most if the bill is being considered under the fast-track reconciliation procedures that require only a simple majority in the Senate. Reconciliation bills cannot increase deficits in years after the 10-year budget window, which is why the TCJA sunsets.

Enter the leading Republican on the Senate Finance Committee. As [reported](#) by Roll Call: “Sen. Michael D. Crapo, top Republican on the tax-writing Finance Committee, hinted Tuesday at a possible workaround for the ballooning price tag attached to extending the 2017 tax cuts and enacting new tax breaks former President Donald Trump has floated on the campaign trail.” In effect, Crapo is arguing for a current policy baseline. “Using current policy as the baseline next year would allow lawmakers to wipe out the \$4 trillion or so it would cost to extend the 2017 tax law when it came to the bill’s score. Then, presumably, only the incremental cost of new tax or spending ideas — Trump’s plan to exempt tips from taxes, for instance — would count toward reconciliation targets.”

Could they do that? Of course they could. This is Congress, where there are literally no rules that actually bind the House and Senate. The baseline is set by the House Budget Committee and Senate Budget Committee, typically by simply adopting the CBO baseline. But they could easily cook up their own baseline and have done so in the past. Notice also that to use reconciliation the House and Senate must first pass – and agree on – a budget resolution containing the reconciliation goals for taxes, spending, and debt. That means they would have already agreed on the baseline under that joint budget resolution, and it could easily be a current policy baseline. All it would take is unified control of Congress and agreement on the objectives and tactics. A tall order, but doable.

All of this is, however, simply legislative games. To make progress on the real problem – the debt – Congress must control spending (especially mandatory spending) and raise revenue (especially in a pro-growth fashion). That is, it must have the gumption to do things that are most definitely not current policy but are the necessary changes.