Tax-Writers Again Facing Highway Funding Dilemma, Unsure On International Tax Reform

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Legislative Activity

Tax-Writers May Punt Highway Bill...Again

On July 29, just prior to adjourning, the House overwhelmingly approved a three-month compromise highway spending bill. This three-month extension, which also costs $8 billion and expires on October 29, was passed with hopes that both chambers will now have sufficient time to negotiate a compromise on tax reform that could generate revenues to pay for a longer highway bill.

On the Senate side, lawmakers eventually acceded to the House approach and, on July 30, passed the three-month extension by a vote of 91-4. Still, just hours before passing the House bill, the Senate passed Senate Majority Leader Mitch McConnell’s (R-KY) bill—a six-year highway reauthorization with three years’ worth of funding (approximately $47 billion) — by a vote of 65-34. Though he knew that the procedural clock has run on his bill, it is thought that Leader McConnell was previewing for the House the best way to get a long-term highway bill.

Committed to pressing forward with his proposal, Leader McConnell continued to fight for his three/six year bill during the summer recess, emphasizing that the bill provides three years of guaranteed funding without raising taxes or adding to the deficit. Importantly, bipartisan support for Leader McConnell’s proposal appeared to grow over the recess, with Senator Deb Fischer (R-NE) and Transportation Secretary Anthony Foxx jointly drafting a recent Op-Ed noting that “investing in our transportation infrastructure is vital to our nation’s economic health and global competitiveness.”

However, late-breaking news from the Department of Transportation (DOT) that they now expect to have sufficient funding to meet their obligations through spring 2016 has called Leader McConnell’s approach into question. In other words, lawmakers might, predictably, pursue the least-common-denominator approach and simply pass legislation extending the Highway Trust Fund’s expenditure authority before it expires on October 29.

Still, given Leader McConnell’s commitment to his approach, it is uncertain whether lawmakers will ultimately choose to kick the can until the spring or work now to push through Leader McConnell’s proposal (or something similar) to get this issue off lawmakers’ plates until after the 2016 Election.

Ryan Unsure on International Tax Reform

After months of pushing his preference to pursue international tax reform this Congress — and use part of the revenue from deemed repatriation for long-term highway funding — House Ways and Means Committee Chairman Paul Ryan (R-WI) announced last week that he may not release his international tax reform proposal this year. Instead, Chairman Ryan has turned his focus to the “Innovation Box”
proposal released earlier this year by Representatives Charles Boustany (R-LA) and Richard Neal (D-MA) – a proposal that is sure to be a critical part of Chairman Ryan’s larger efforts. Importantly, as we have previously indicated, if tax-writers do ultimately pursue a short-term highway funding option this fall, the likelihood that international tax reform gets done this year will be significantly lower.

This Week’s Hearings:

- Wednesday, September 16: The Senate Finance Committee will hold a markup of legislation to prevent identity theft and tax refund fraud.

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