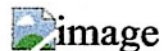


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Republicans Eye Deficit Amid Tax-Cut Plans

BY RICHARD RUBIN

As Republicans prepare the party-line tax bill at the core of their 2025 agenda, the key to everything is, simply, "The Number."

The Number is the maximum budget-deficit increase that Republicans are willing to tolerate as they extend tax cuts scheduled to expire after 2025 and advance the rest of President-elect Donald Trump's plans. To unlock the gate to the legislative fast track that lets them sidestep Democratic objections, Republicans must agree, with virtually no defections, on The Number.

It is a fraught conversation that is just starting, now that Republicans have won the Senate and stand close to winning enough seats for narrow control of the House. The intraparty debate will expose the tensions between deficit hawks and tax cutters and perhaps require Trump to be a referee.

Lawmakers are starting to lay down markers on The Number before the new Congress takes office in January.

Sen. James Lankford (R., Okla.) said Republicans should emphasize tax policies that spur economic growth, knowing they would be estimated to increase deficits. "We're not going to have something that's going to have zero deficit impact. That's not going to happen," he said.

But, he said, the GOP appetite for higher deficits isn't unlimited. The federal government spent \$1.8 trillion more than it collected in fiscal 2024, hitting levels unprecedented outside of wars, recessions and emergencies.

House Republicans say they intend to move a bill in the first 100 days of the new Congress. It is likely to include tax cuts, border-security spending and energy policies such as expanded drilling on federal land. They can't do that until they agree among themselves and with senators on The Number.

"I want us to be bold and creative so we can include as many reforms in this package as possible," House Majority Leader Steve Scalise (R., La.) wrote to lawmakers last week.

But there is no firm agreement yet on what should go in that bill, how big it should be and how quickly it should move.

Sen. Ron Johnson (R., Wis.) said a straight extension of tax cuts would be a mindless approach that would prevent Republicans from pursuing the kinds of rate-lowering, base-broadening tax policies they campaign on.

"We've got a year. I'd rather take that year," he said.

Republicans are planning to use a procedure known as reconciliation. It is clunky, because it is restricted to budgetary items and because Congress can't use it to increase budget deficits beyond a 10-year window. But reconciliation's

advantage is that the Senate can pass bills with a simple-majority vote. That is why Republicans used it for the 2017 tax law and why Democrats used it for partyline bills in 2021 and 2022.

First, the House and Senate must agree on a budget with fiscal targets, with some general idea of what policies they are pursuing. Then, they advance bills that fit in those targets. Those fiscal targets will include The Number. (Technically, it could be several numbers, with benchmarks for several committees.)

The bigger The Number, the more net tax cuts Congress can pass.

The smaller The Number, the more those tax cuts must be dialed back or offset with spending cuts, tax increases or tariffs.

Trump has proposed large tax cuts on top of extensions and promised to protect major programs such as Social Security and Medicare while talking generally about spending cuts.

As the debate advances, wavering Republicans might look to him for a decision.

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