

MARKET COMMENTARY



Source: Mill Creek

Last week the House of Representatives voted 220-212 to approve a 2022 budget resolution. The Senate passed the same budget resolution on August 11. These votes marked the end of the first step in a process called *budget reconciliation* that Democrats will use to change Federal spending and taxation rules for fiscal year 2022.

Budget reconciliation is a process that allows Congress to pass a budget with only a simple majority vote in both the Senate and the House, bypassing the typical 60 vote requirement in the Senate (due to [filibuster rules](#)). Once both chambers have passed the same budget resolution, as is currently the case, work will begin on a “reconciled” budget bill. House and Senate committees will produce and approve legislation consistent with the guidance in the budget resolution, at which point the work of the committees will be combined into draft legislation that will go to both chambers of Congress for a vote.

Once the House and Senate have passed identical bills it will go to President Biden for his signature. The House and Senate both set September 15 as a deadline for writing the reconciliation bill. That deadline is non-binding and completion could be pushed further into the fall. However, Democrats have said they hope to pass the reconciliation bill by late September.

The resolution, as written, calls for \$3.5 trillion of new spending and \$1.5 trillion of tax increases. Most of President Biden’s [priorities from the American Jobs Plan and American Families Plan](#), including higher individual and corporate tax rates, are part of the budget resolution. Even though Democrats will be able to pass a budget along a party line vote, it is not a foregone conclusion that the full scope of President Biden’s budget priorities will make it into the final bill. Senator Joe Manchin, for example, immediately signaled a desire to reduce the size of the final legislation.

It is too early to have a good read on which policies will make it through the reconciliation process, but many of the most significant tax proposals, like getting rid of the basis step-up on appreciated assets at death, remain in play. Changes to the tax code can also be made effective before January 1, 2022. Accordingly, we will continue to communicate frequently on the reconciliation process, and the implications for investing and planning, throughout the month of September.

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