

POLITICS

Congressional Leaders Reach Sweeping Deal on Tax and Spending Legislation

Agreement averts government shutdown



House Speaker Paul Ryan, speaking earlier Tuesday, told Republicans that a deal has been reached on spending and taxes.

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WASHINGTON—Congressional leaders early Wednesday unveiled a sweeping deal on spending and tax legislation that would avoid a government shutdown and make major changes to energy policy and the 2010 health law.

The \$1.15 trillion spending bill to fund fiscal year 2016 was completed and released around 1:30 a.m. on Wednesday, following weeks of negotiations on Capitol Hill. Late Tuesday night, lawmakers also reached a deal on legislation that would revive and extend dozens of lapsed and expiring tax breaks. As part of the year-end legislative push, lawmakers agreed to lift the ban on U.S. oil exports among other policy shifts.

The government's current funding expires at 12:01 a.m. Thursday and lawmakers are expected to pass another short-term spending patch through Dec. 22 to prevent a brief lapse while both chambers consider the full-year spending bill. Congress passed a bill funding the government for five days last week.

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“This bill will allow Congress to fulfill its constitutional duty to responsibly fund the federal government and avoid a shutdown,” House Appropriations Committee Chairman Hal Rogers (R., Ky.) said in a statement early Wednesday. “It will help move our country in the right fiscal

direction as we embark on a new year, and I urge its quick consideration and enactment.”

House Speaker Paul Ryan (R., Wis.) announced the agreement’s contours to House Republicans on Tuesday night, but Democrats didn’t confirm the deal until the spending bill’s text was posted online.

Lawmakers agreed in late October to the spending bill’s overall funding level as part of a two-year budget agreement, but have been haggling for weeks over which policy provisions will get attached to it. The agreement would make permanent tax breaks backed by each party and is expected to suspend for two years a tax on medical devices and delay for two years the scheduled 2018 start of the so-called Cadillac tax on high-cost employer health plans.



A federal bill may extend wind and solar tax credits. Shown, part of a wind farm near Vesper, Kan. PHOTO: CHARLIE RIEDEL/ASSOCIATED PRESS

Democrats said they expected to stave off most of the conservative measures, known as “riders,” that Republicans had been pushing to include in the year-end legislation.

“We were told that there are virtually no riders,” Sen. Richard Durbin of Illinois, a member of Senate Democratic leadership said Tuesday afternoon.

In one major concession to Democrats, the spending bill won’t cut off federal funding to Planned Parenthood Federation of America, as many conservatives had sought.

“There were a lot of riders we [Republicans] had that are not apparently going to be in there,” said Rep. John Kline (R., Minn.), who said he planned to support both bills. “We need to move past this, get this done.”

Republicans said they viewed lifting the oil export ban as one of their biggest victories in the bill.

“I’ll be able to vote for it with that,” Rep. Kevin Cramer (R., N.D.) said of the spending bill provision lifting the oil export ban. “I really felt like this was what would be plausible to get to a yes for me.

In exchange for lifting the oil ban, the deal would adopt environmental and renewable measures that Democrats want. These include extending wind and solar tax credits, reauthorizing a conservation fund for three years and excluding any measures that block major administration environmental regulations.

Republicans control both the House and Senate, but they will need Democratic votes to pass the legislation in both chambers, as well as the president’s signature. That is because Republicans will likely back the tax deal but not the spending measure, while many Democrats will do the reverse. That has given Democrats some leverage in the weeks of tense negotiations.

The tax measure, poised to pass the House and Senate later this week, would break Congress’ habit of extending lapsed tax breaks retroactively and then setting the next expiration date just weeks or months ahead. To become law, the package will have to withstand opposition from Democrats concerned that it provides too little for families, Republicans opposed to targeted tax breaks and deficit hawks worried about the impact on the country’s finances.

The likely winners include large manufacturers, medical device makers and labor unions, who would all get tax breaks they’ve been seeking for years. Lawmakers plan to combine the tax bill with the spending bill, creating a giant end-of-year fiscal deal that will create certainty for businesses and taxpayers—as long as it doesn’t collapse under its own weight.

Lawmakers and aides said the spending bill doesn’t include any restrictions on the resettlement of Syrian and Iraqi refugees into the U.S. The House last month had passed legislation with bipartisan support that would halt the Syrian refugee program while its vetting process is overhauled, drawing a White House veto threat.

Some conservatives said they were disappointed at that omission.

“I would say that’s a major sticking point,” said Rep. Lou Barletta (R., Pa.). “The Syrian refugees is an issue that I feel very strongly about.”

Senate Majority Leader Mitch McConnell (R., Ky.) said the White House had been heavily involved in the negotiations.

“The president in our system is not irrelevant,” Mr. McConnell told reporters Tuesday. “He’s the guy with the pen.”

To address security concerns fanned by Islamic State attacks in Paris, lawmakers said the spending bill would limit certain travel privileges granted to citizens of 38 friendly foreign countries that are allowed to enter the U.S. without obtaining a visa, aides said.

The year-end legislation also would reauthorize programs to compensate and provide health care for first responders and survivors of the Sept. 11, 2001, attacks.

The House is expected to vote on the spending and tax legislation separately later this week. The bills are likely to then be combined into a package to send to the Senate, where legislation often takes longer to clear the chamber’s procedures.

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