Waiting for tax extenders? Better settle in

By Brian Faler

1/14/14 5:32 AM EST

When House Republicans met for the first time since returning from the holiday recess, party leaders presented them with an agenda of top priorities.

Among about a dozen items listed, enough to keep the chamber busy for the next six months, was a farm bill, a water resources measure and an omnibus spending package, Rep. Charles Boustany (R-La.) said of last week's meeting.

And the tax extenders?

"No extenders," said Boustany, who sits on the tax-writing House Ways and Means Committee. "Extenders was not on there."

Those wondering about the fate of some 55 just-expired tax breaks known as extenders might want to settle in. Congress is unlikely to renew them anytime soon, and some observers predict this will be the toughest year yet to revive them. Many may never be renewed, said Greg Valliere, chief political strategist at the Potomac Research Group.

"It's going to be much more difficult to get some of these extenders through," he said.

At issue is almost $50 billion worth of temporary tax breaks for teachers, restaurants, multinational corporations, charities, wind energy producers and myriad others that expired with the new year. Congress routinely extends the provisions — some have been allowed to lapse, only to be revived a bit later, for more than a decade.

But as their leaders' agenda suggests, House Republicans have no plans to take them up anytime soon. Ways and Means Committee Chairman Dave Camp has not given up on tax reform, and renewing the provisions now would amount to waiving the white flag.

Asked when his committee might produce legislation restoring the breaks, the Michigan Republican said: "I hope we don't."

Camp's push for tax reform means the extenders will most likely have to wait until at least this spring, said Sen. John Thune (R-S.D.), who sits on the Senate Finance Committee. "When it becomes clear that comprehensive tax reform is not realistic, is not going to happen, then I think you will get more interest in the extenders," he said.

Senate Democrats could try to force the issue, perhaps with a big bipartisan vote to renew the provisions that would put pressure on the House to act. Action in the Senate is unsettled, though, with Finance Committee Chairman Max Baucus's appointment to become ambassador to China.

Baucus himself says he doesn't know when he might be confirmed or if he'll be around to handle the extenders.

They will most likely fall to his likely successor, Sen. Ron Wyden (D-Ore.), who has said he wants to take up the breaks soon.

Then there is the growing demand that lawmakers should begin paying for the breaks, which they've typically tacked onto the deficit.

With extending jobless benefits held up over pay-fors and lawmakers still taking hits over cuts to military pensions used to help pay for sequestration repeal, Congress will have a hard time waving through breaks without paying for them, said Valliere.

"This is a new climate," he said. "How the hell are they going to come up with offsets of this magnitude?"

Pete Davis, a former congressional aide who now runs Davis Capital Investment, says much of the low-hanging fruit has already been used to finance other legislation. "A good chunk of the easy pay-fors are gone already," he said.

Lawmakers say they are debating whether the extenders will need offsets. "That's under discussion, as well — I'm discussing that with myself right now," said Baucus.

Said Sen. Mike Crapo (R-Idaho), another Finance member: "That's one where I'm of mixed feelings."

Another hurdle: Some of the extenders aren't all that popular. Sure, provisions subsidizing corporate research and development, public transportation and teachers enjoy broad support.

But others, such as those benefiting Nascar racetrack owners, U.S. rum makers and Samoan tuna processors, make some lawmakers wince.

"If you laid them out in front of the American public, probably 20 percent of them they'd agreed with, and 80 percent, they'd say, 'That's B.S.,'" said Sen. Tom Coburn (R-Okla.), a longtime critic of the provisions.

One of the most expensive provisions, $11 billion known as the "exemptions under Subpart F for active financing income," trims the U.S. taxes owed by multinational corporations on offshore profits — something that has come under growing scrutiny in Congress.

Sen. Carl Levin, who led a high-profile probe into Apple's tax practices, said he hopes there will be more scrutiny among his colleagues this year, though the Michigan Democrat acknowledged that "these are so complex, these extenders, especially the international ones, that it's hard for people for focus on [them]."

There's also a dearth of legislative vehicles. Last year, the extenders slipped through by hitching a last-minute ride on the budget-busting fiscal cliff deal. There are fewer obvious bills this election year to muscle them through, though they could potentially be attached to debt-limit legislation that will be needed by around March.

Over the years, lawmakers have allowed some provisions to die and remain dead. Last year, they didn't renew a pair of charitable provisions as well as several energy subsidies.

Historically, though, it hasn't been wise to bet against the extenders, said Davis. "There's a lot of support that comes out of the woodwork," he said. "Somehow they always end up in a bill."