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# After Debt Ceiling Deal is Reached, House GOP Likely to Roll Out Tax Package

A House Republican tax proposal could include changes involving R&D credits and 1099-K relief for casual online sellers.

May. 25, 2023



*By Kelley R. Taylor, Kiplinger Consumer News Service (TNS)*

Debt ceiling talks don't seem to be going very well, since time is running out for a deal to be reached and for legislation to be signed, sealed, and delivered before the Treasury begins running out of money around June 1.

On Wednesday, House Speaker Kevin McCarthy emphasized that Republicans require budget cuts before agreeing to raise the debt ceiling. The White House is open to freezing spending but maintains that safeguarding the United States' full faith and credit should not be compromised by budget negotiations. Treasury Secretary Janet Yellen expressed concern that the economy may still be impacted by the debt ceiling crisis even if a debt ceiling deal is reached.

In a letter sent to congressional leadership on Monday, Yellen wrote, "We have learned from past debt limit impasses that waiting until the last minute to suspend or increase the debt limit can cause serious harm to business and consumer confidence, raise short-term borrowing costs for taxpayers, and negatively impact the credit rating of the United States."

Of course, the hope is that the two sides can agree to raise the debt ceiling. But then what? Will there be any movement on legislation?

## **GOP tax proposal after debt ceiling deal?**

Tax Notes (paywall) reports that House Republicans plan to unveil a 2023 tax package after a debt ceiling agreement is reached. According to the nonprofit tax publisher, that package could address some key tax changes involving research and development credits and 1099-K relief for casual online sellers. In the past, both of those issues have shown potential for some bipartisan support.

## **R&D tax relief: Federal R&D tax credit and bonus depreciation**

One of the tax issues that could reportedly be addressed in the House GOP tax package deals with research and development (R&D) tax credits. Businesses that, as of last year, must amortize their R&D costs over five years would still like to see Congress address R&D tax relief in 2023. The federal R&D tax credit is designed to incentivize R&D investment by allowing companies to claim a tax credit for certain research and development expenses.

But given deep divisions in Congress and all of the wrangling over the debt ceiling, it's been hard to say whether lawmakers on both sides of the aisle can garner the votes for bipartisan R&D tax changes.

Toward the end of last year, there were discussions among Democrats and Republicans regarding support for R&D relief and the reinstatement of the expanded child tax credit, which has been shown to reduce poverty in the U.S. However, talks were stalled due to the high cost of reinstating the child tax credit and other issues, such as a work requirement proposed by Republicans.

If House Republicans do introduce a tax package in the coming weeks that includes R&D tax relief, it will be interesting to see how Senate lawmakers respond.

## **1099-K relief: \$600 rule for casual online sellers**

Previously to receive a 1099-K, you had to have at least 200 third-party payment network transactions totaling more than \$20,000 in gross payments. Now, in 2023, a single transaction on a payment network of just \$600 can trigger a 1099-K. Some people call this the “\$600 rule.” Implementation of the rule was delayed last year by the IRS, but the change and the delay continue to cause confusion.

There is a chance for Congress to provide relief for those affected by the 1099-K rule, with some level of bipartisan support. However, it is currently unclear what the new threshold reporting amount would be.

The Coalition for 1099-K Fairness, which is made up of online marketplaces like eBay, PayPal, and Etsy, has been advocating for Congress to take action over the past year. They are hoping for legislation that will raise the 1099-K threshold, which would benefit “casual sellers”—millions of people who receive smaller payments through third-party networks but have not received 1099-K forms in the past.

## **Trump tax cuts: Making them permanent**

Over the past year or so, House Republicans have pledged to eventually propose legislation to make the so-called Trump tax cuts permanent. The individual tax cuts were enacted with the Tax Cuts and Jobs Act of 2017, and many of the tax breaks tied to individuals are set to expire after 2025.

However, it's unclear at this time whether House Republicans will propose making the cuts permanent in a tax package so close to contentious debt limit negotiations

and concern over whether the debt ceiling will be averted. That's especially true since Republicans have expressed concern about the debt ceiling, the budget, and government spending. The Congressional Budget Office has estimated the cost of making the TCJA cuts permanent to be about \$3.5 trillion over the next 10 years.

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