



SENATE LEGISLATION TO FUND GOVERNMENT INTRODUCED

Funding for the federal government is scheduled to expire on March 27th. In order to avoid a government shutdown, both the House and the Senate have been working on temporary spending bills known as Continuing Resolutions (CR). The House CR passed last week by a wide bipartisan majority – with more than 50 Democrats joining all but 14 Republicans in voting for the legislation.

This week, the Senate has proposed a bipartisan CR – introduced by Senator Mikulski (D-MD) and Senator Shelby (R-AL) – that includes higher total spending than the House-passed CR.

The House-passed CR checks in at \$982 billion, while the Senate has proposed a \$1.043 trillion CR: a difference of more than \$200 billion additional dollars in the Senate CR.

In addition to the six-month funding extension, the House CR includes full-year funding for Defense and for Military Construction/VA. The Senate added full-year funding for three additional departments.

The Senate CR includes full-year funding for the following departments:

- Agriculture - \$19.565 billion in 2012, \$20.532 billion in 2013 (+\$977 million)
- Commerce - \$52.744 billion in 2012, \$50.210 billion in 2013 (-\$2.534 billion)
- Defense - \$633.229 billion in 2012, \$604.900 billion in 2013 (-\$28.329 billion)
- Homeland Security - \$39.600 billion in 2012, \$39.609 billion in 2013 (+\$9 million)
- Military Construction and VA - \$71.7 billion in 2012, \$71.9 billion in 2013 (+\$200 million)

Speaker of the House John Boehner (R-OH) had threatened to put all remaining FY2013 funding into a CR, a move that would cut additional spending for Defense and Military Construction/VA included in the House CR, if the Senate got “greedy” in its CR.

There is another hurdle for the Senate CR before dealing with House Republicans because it must still get 60 votes on the Senate floor to win passage in the upper chamber. Given the bipartisan nature of the bill, however, most experts believe it has a good shot of passage in the Senate.

SMALL BUSINESS TAX REFORM

Today, Ways and Means Chairman Rep. Dave Camp (R-MI) released a discussion draft of tax reform aimed at creating a simpler and fairer tax code for small businesses. As part of a broader, comprehensive tax reform package that significantly lowers rates for individuals, small businesses and corporations, the discussion draft reforms and simplifies a number of tax rules affecting small businesses and their workers.

The discussion draft includes two separate options designed to achieve greater uniformity between S corporations and partnerships. The Committee is soliciting comments from stakeholders on both options – one that revises current rules and a second that replaces current tax rules with a new unified pass-through regime.

The discussion draft is designed to provide more uniform tax treatment for pass-through businesses, such as sole proprietorships, partnerships and S corporations. The discussion draft includes proposals that would:

- Spur investment in equipment needed to grow business operations by providing permanent expensing of investments and property under section 179 of the tax code;
- Simplify tax and accounting practices by expanding the use of the simpler “cash accounting” method to businesses with gross receipts of \$10 million or less;
- Provide relief for start-up and organizational costs by establishing a unified deduction for these expenses; and
- Make tax compliance easier for partners and S corporation shareholders by reordering and simplifying the due dates of tax returns for partners and S corporations.

In addition, the draft outlines and seeks feedback on two separate options for reform of tax rules governing S corporations and partnerships.

- Option 1 improves the ability of S corporations to compete, grow and gain access to capital by revising and modernizing current tax rules affecting S corporations and partnerships.
- Option 2 simplifies the tax treatment of non-publicly traded companies by repealing existing tax rules governing partnerships and S corporations and replacing those rules with a new unified pass-through regime.

FOR MORE INFORMATION

Please reach out to **McDonald Hopkins Government Strategies** for more information regarding the proposed continuing resolution in the Senate or the small business tax reform proposal and how it may impact you and what you can do about it.

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Steven C. LaTourette, President | 202.737.8933

McDonald Hopkins Government Strategies LLC

101 Constitution Avenue NW, Suite 600 East, Washington, D.C. 20001

www.mcdonaldhopkinsgs.com

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