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WASHINGTON POLICY STRATEGY

Potomac Perspective

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After months of internal debate, the Biden administration has proposed a gas tax holiday, but is unlikely to pass Congress.

A Senate committee is debating part of the Secure Act 2.0 which, among other things, is intended to expand retirement savings options and delay mandatory withdrawals from retirement accounts. Despite enjoying bipartisan support, the bill's prospects are muddled.

GAS TAX PROPOSAL

After months of weighing the costs and benefits of a gas tax holiday, the Biden administration finally put forth a proposal for a three-month holiday for the federal 18-cent gas tax. Congressional Democrats, however, have already labeled a gas tax holiday as a “gimmick” which means that proposal is effectively dead on arrival in Congress. Democrats might want to be seen as doing something to alleviate higher gas prices, but congressional Democrats are generally skeptical regarding the effectiveness of a gas tax holiday (Would the tax cut actually flow through to consumers? Would a gas tax holiday be counterproductive and increase demand which would actually drive up prices?)

Some Democrats have expressed support for the proposal, but they appear to be in the minority and House leadership seems cool to the idea. The baseline expectation is for Congress to simply ignore the administration's proposal and not vote on it. Even if Congress decides to vote on the proposal, it is difficult to see how a bill would get the requisite 60 votes in the Senate.

SECURE ACT 2.0

On Wednesday, the Senate Finance Committee passed the Enhancing American Retirement Now (EARN) Act, which is the committee's portion of a larger Secure Act 2.0. Part of the broader bill was passed by the Senate Health, Education, Labor & Pensions (HELP) Committee, which shares jurisdiction over some of the bill's contents. Next, the EARN Act will be combined with the HELP Committee's bill and voted on by the full Senate. The timing on such a vote is unclear and could be tied to the outcome of a slimmed down Build Back Better bill (BBB 2.0). Although the Secure Act 2.0 bill enjoys bipartisan support, passing BBB 2.0 along party lines could kill bipartisanship and Republican support for Secure Act 2.0. Even if BBB 2.0 fizzles and Republicans agree to support the Secure Act 2.0, the full Senate might not vote on the bill until after the November elections.

Given the calendar and competing priority items in Congress (judicial nominations, gun legislation, possibly a China competition bill, and a potential symbolic vote on abortion if the Supreme Court reverses *Roe v. Wade*, etc.), it will be challenging to get a Senate vote on the Secure Act 2.0 before the August recess. In September, the annual spending bills, which need to pass by October 1, will occupy much of Congress's attention and Congress will leave for the campaign trail in early October and not return to Washington until mid-November. Perhaps Congress will be able to pass the Secure Act 2.0 during a lame duck session, but such sessions are typically unproductive and reserved for legislation that absolutely must pass by year end (i.e. extending laws that sunset at year end). So while the Secure Act 2.0 has broad bipartisan support, there are significant hurdles that could prevent the bill from passing in 2022.

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