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The Basics of Budget Reconciliation

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Introduction

Reports [indicate](#) that Republicans in Congress plan to use the reconciliation process in 2025 to advance priorities Democrats do not support. Republicans previously used this process to pass a tax law during the first Trump administration that [slashed](#) the corporate tax rate and [gave](#) outsized tax breaks to the top 1 percent.

Congress must follow a strict process to advance bills via reconciliation. This explainer walks through reconciliation's basics, highlights major steps in the process, and offers a historical perspective on how Congress may handle hiccups along the way. For definitions of frequently used terms, check out [Understanding Capitol Hill Jargon](#).

Why does Congress use the reconciliation process?

The Senate's rules require most bills to get a supermajority of votes (60 out of 100 senators) to overcome a filibuster and pass. The "budget reconciliation" process allows senators to expedite certain legislation's approval with a simple majority vote. In recent years, as the threat of a filibuster has been increasingly used to [block](#) bills, the majority party in Congress has relied on reconciliation to advance legislation that lacks minority-party support. Such legislation includes:

- Key pieces of the [Affordable Care Act](#) (2010);
- The [Tax Cuts and Jobs Act](#) (2017);
- The [American Rescue Plan Act](#) (2021); and
- The [Inflation Reduction Act](#) (2022).

In the cases above, the majority party in the Senate held fewer than 60 seats and could not have met the 60-vote requirement to overcome a filibuster threat in the face of opposition from a unified minority party. Republicans [will](#) hold 53 Senate seats

in 2025, meaning the GOP is unlikely to garner the requisite 60 votes for legislation Democrats oppose.

What can Congress do via reconciliation?

Reconciliation bills must affect the federal budget. More specifically, they must change how much money the government spends (expenditures) or takes in (revenues). Those changes cannot be “[merely incidental](#)” to the policy changes a bill makes. Put differently: if a specific provision changes a policy and just *happens* to affect the federal budget, the provision may be thrown out (more on that later).

What can't Congress do via reconciliation?

Reconciliation can be used to change most “mandatory” spending, except for Social Security. See Sidebar A for a breakdown of mandatory vs. discretionary spending.

Reconciliation bills must also comply with [Section 313](#) of the Congressional Budget Act of 1974, better known as the “Byrd Rule.” The Byrd Rule deems a provision ineligible for reconciliation if it meets *any* of the following criteria:

- It does not change expenditures or revenues, or the conditions by which they are made or collected.
- The changes to spending or revenues are merely incidental to the relevant provision. The nonpartisan Senate Parliamentarian makes the “merely incidental” determination, arguably the Byrd Rule’s most subjective element.
- It is outside the jurisdiction of the committee that submitted the provision.
- The change in spending or revenues does not comply with the relevant committee’s reconciliation instructions.
- It increases the deficit after 10 years. So, if a provision increases the deficit without an offset, it must wind down or expire to avoid violating this rule.
- It changes Social Security.

This explainer delves into the Byrd Rule’s implications in the sections below.

SIDEBAR A

DISCRETIONARY VS. MANDATORY SPENDING

DISCRETIONARY SPENDING

Every year, Congress allocates funds for everything that falls under the “discretionary” portion of the federal budget —i.e., programs that Congress has discretion over through the appropriations process.

MANDATORY SPENDING

Discretionary spending does *not* include programs like Social Security or Medicare, over which Congress doesn’t have annual funding discretion. We call those programs “mandatory spending,” since Congress can’t cut it off when it crafts annual appropriations bills.

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What are some examples of things Congress has *not* been able to do via reconciliation?

Past reconciliation efforts offer numerous examples of provisions that were deemed ineligible for the process based on the Byrd Rule. These include:

1. Imposing criminal penalties for workplace safety law violations (from the [Omnibus Budget Reconciliation Act of 1990](#)).
2. Limiting health insurers' ability to raise rates (from the [Health Care and Education Reconciliation Act of 2010](#)).
3. Allowing health insurers to charge older patients up to five times what they charge younger patients (from the [Better Care Reconciliation Act of 2017](#)).
4. Allowing taxpayers to set up Section 529 education savings accounts for "unborn children" (from the [Tax Cuts and Jobs Act of 2017](#)).
5. Immigration reforms, including a pathway to citizenship for undocumented immigrants (from the [Build Back Better Act of 2021](#)).

Can Congress use reconciliation whenever it wants?

No. Congress can only pass one reconciliation bill per budget [resolution](#). Since Congress did not approve a budget resolution for Fiscal Year (FY) 2025, the next Congress could potentially pass budget resolutions and reconciliation bills for FY2025, FY2026, and FY2027.

What are the key moments in the reconciliation process?

Step 1: Congress passes a budget resolution.

This resolution instructs specific House and Senate committees to write parts of the reconciliation bill and tells each committee how much to change spending or revenue. This is the container that the actual content of the bill will be put into, and defines what topics will be covered and the maximum "cost" of the bill.

Step 2: Committees write reconciliation bills that follow instructions in the budget resolution.

Now, committees are filling that container with their portions of the bill. The budget resolution dictates what committees may produce. A committee cannot increase spending or reduce revenue by more than the amount directed in the budget resolution unless, within its jurisdiction, it also finds corresponding cuts or revenue raisers.

Only committees named in the budget resolution may write reconciliation bills. Those committees cannot write bills that touch issues outside their jurisdiction. For example, if a reconciliation bill is being used to modify the Child Tax Credit (CTC), the

budget resolution *must* provide instructions to committees with jurisdiction over the CTC (the Senate Finance Committee and House Ways and Means Committee).

Step 3: Committees mark up their bills.

A “markup” is a committee meeting during which the committee’s members consider legislation and vote on whether to send it to the full House or Senate for a vote. This allows members to offer amendments modifying—i.e., “marking up”—the legislation.

Again, in recent years, reconciliation has been used to advance the majority party’s priorities in the face of minority opposition. In 2025, Republicans will [hold](#) 220 House seats, just over the minimum number of votes required to pass legislation (218 out of 435). Republicans [will](#) also hold 53 out of 100 Senate seats. These razor-thin majorities mean that any GOP votes *against* the reconciliation effort could doom it entirely, as three GOP senators did when they [opposed](#) Republicans’ Affordable Care Act (ACA) repeal bill in 2017.

Because majority-party defections are verboten, members of the minority have used the reconciliation markup process to force votes on *their* priorities to put majority party members on the record on key issues, even if the votes are destined to fail. For example, during the 2017 GOP effort to repeal the ACA, Democrats [forced](#) votes to block tax hikes on families, to make the ACA repeal bill available to the public three days before a final vote, and much more.

Step 4: The committees’ bills are combined into a single reconciliation package.

Once the committees’ bills are merged into one reconciliation bill, that bill can come before the House and Senate for a vote. However, the chambers’ processes for reaching that vote are quite different.



House passage

Passing a reconciliation bill in the House is not very different from passing any other bill. The majority leadership may restrict opportunities to amend the package to mitigate the risk of changes that lead to defections and ensure the bill continues to adhere to reconciliation's strict parameters.

Senate passage

The Senate's process is far more complicated. Before floor debate even starts, the Senate's Parliamentarian determines whether the bill's provisions adhere to the aforementioned Byrd Rule. If the Parliamentarian advises that a provision does *not* comply with the Byrd Rule, the provision is typically removed—either preemptively before the bill reaches the floor, by floor amendment, or by point of order.

If the Parliamentarian advises *against* a provision and the provision is *not* removed before the bill reaches the Senate floor, a senator may raise a point of order during floor debate. Think of this like an attorney “objecting” in a courtroom. It is possible for the Senate's Presiding Officer—a member of the majority party—to ignore the Parliamentarian's guidance, determine that the point of order is without merit, and allow the provision to stay in place. While this has [rarely](#) happened, stakeholders have [suggested](#) that the new GOP Senate majority should consider this tactic to achieve their policy goals, especially concerning immigration.

If a point of order is raised and sustained by the Senate's Presiding Officer, the provision is stricken—*unless* a senator moves to waive the point of order and retain the provision. In that case, the Senate votes on whether to keep the provision in the bill, with 60 votes required to do so.

Senate debate time on a reconciliation bill is fixed at 20 hours. Once time is up, the Senate can only add additional debate time by unanimous consent—that is, if all 100 senators agree. Otherwise, the Senate may only consider amendments and a vote on final passage. There is no limit to the number of amendments that can be offered, which typically results in an hours-long series of amendment votes known as “vote-a-rama.” Like markups, vote-a-rama offers the minority a chance to force votes on their priorities. However, the amendments must adhere to specific parameters:

- The amendments must be germane.
- The amendments cannot violate the Byrd Rule.
- The amendments must lower the deficit or leave it untouched. Amendments cannot raise the deficit, *except* amendments that strike whole provisions from the bill. These are [permitted](#) even when the eliminated provision would reduce the deficit.

Once no more amendments are offered, the Senate votes on passage. Passage requires a simple majority vote (51 of 100).

Step 5: Differences between the House and Senate bills are reconciled.

The House and Senate must approve the same version of the reconciliation bill before it can become law. If the chambers each pass their own versions of the package, they must meet to reconcile any differences and each chamber must vote to approve the resulting bill. Alternatively, the House can vote on the Senate version—which has already passed the Byrd Rule tests—as-is.

For example, in 2021, the House version of the [American Rescue Plan Act](#) raised the minimum wage—a provision the Senate Parliamentarian had previously said [violated](#) reconciliation's rules. Thus, the House eventually approved the Senate-passed version of the American Rescue Plan Act, clearing the way for the bill to become law.

Step 6: The President signs the bill into law.

Once the House and Senate pass the same version of the reconciliation bill, the final bill goes to the President to sign into law or veto, just like any other bill.