

Washington Watch

Week ended June 2, 2025

Congress returns from Memorial Day recess; Senate expected to make changes in the coming weeks to the House-passed tax and spending package

Highlights

The Senate returned from its Memorial Day recess on June 2. Republican senators are expected to modify the One Big Beautiful Bill (OBBB) in the coming weeks. They will negotiate among themselves to determine what they are willing to keep and what they are going to change in, or remove from, the OBBB, which narrowly passed the House May 22. If any changes are made, the entire OBBB would have to be sent back to the House for that chamber's approval.

The OBBB includes provisions that would extend, or make permanent, many provisions of the 2017 Tax Cuts and Job Act (TCJA) scheduled to expire at the end of 2025. It also includes numerous other GOP tax policy priorities, as well as provisions regarding energy production, border security and spending reform. The non-partisan Joint Committee on Taxation issued a new estimate on May 28 that the tax-related proposals would reduce U.S. government revenues by around \$3.94 trillion over the next 10 years. Among other changes, the OBBB would:

- Permanently extend the 37% top income tax rate;
- Permanently set the "base" amount of the estate, gift, and GST exclusions at \$15MM (the 2025 exclusions are \$13.99MM), beginning Jan. 1, 2026 (and inflation-adjusted thereafter);
- Permanently extend the \$750,000 principal cap on mortgage interest deductibility and disallow miscellaneous itemized deductions (formerly applicable to investment management fees, among other expenses);
- Restore business-friendly provisions – e.g., 100% bonus depreciation, immediate R&D expensing, and more generous limitations on business interest deductibility), boost the Qualified Business Income (QBI) deduction for owners of certain "pass-through" businesses (such as partnerships, S corporations and sole proprietorships), and add a new round of Qualified Opportunity Zone investment incentives;
- Increase the state and local tax (SALT) deduction cap, effective Jan. 1, 2025, to \$40,000 for most households, with a phase-down starting at \$500,000 that effectively keeps the current \$10,000 cap in place for those who make more than \$600,000 (taxpayers who are married filing separately are subject to lower caps and thresholds), and 1% annual increases to these dollar amounts from 2026 to 2033;
- Introduce new limitations on the tax benefit of itemized deductions for high-income taxpayers, effective Jan. 1, 2026;
- Tighten inflation adjustments used to calculate the alternative minimum tax (AMT) exemption and phase-out threshold amounts;
- Increase the excise tax rate on large private foundation net investment income (from the current 1.39% up to a top 10% rate for foundations with \$5 billion in assets) and large private college and university endowments (from the current 1.40% up to a top rate of 21%); and
- Reduce amortization benefits for professional sports team owners that acquire teams after the date of enactment.

The OBBB also includes new taxes on cross-border transactions. One section would, effective Jan. 1, 2026, impose a 3.5% excise tax on transfers to a recipient in foreign country by a "remittance transfer provider." The tax would apply to such transfers by essentially anyone other than a U.S. citizen. Another section would increase the U.S. income tax and withholding rates on certain U.S. source income (such as U.S. dividends) of foreign individuals and entities considered tax residents of countries that impose what is considered an "unfair foreign tax." The applicable tax rate would be increased by 5% in the first year and by 5% each subsequent year, capped at 20% over the statutory rate.

Republicans are still targeting enactment of the bill by July 4, even considering expected back-and-forth between the Senate and House as potential amendments to the bill are considered. For more information, and action items to consider while the bill is under consideration, you can read our latest article: [What you need to know about possible tax policy changes](#).

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