J.P. MORGAN PRIVATE ADVISORY | U.S. WEALTH ADVISORY

Washington Watch

Week ended June 9, 2025

Senate Republicans prepare to modify parts of the One Big Beautiful Bill (OBBB); key issues remain, with July 4 deadline looming

Highlights

Senate Republicans are preparing to put their mark on the One Big Beautiful Bill (OBBB), a comprehensive tax and spending package that narrowly passed the House of Representatives May 22. Several Republican Senators have said they would like to see changes to the OBBB, which would require that the bill be sent back to the House for that chamber's approval before it heads to the President's desk for enactment.

Generally, 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.

To get some form of the OBBB passed, Republican policymakers will need to reconcile, among other things, their differences on the level and nature of tax cuts and spending cuts. Some Senate Republicans have suggested they would expand certain tax cuts, while others have indicated the bill should include additional spending cuts or longer phase-outs of many Biden-era energy tax incentives (which are, for budget "scoring" purposes, revenue losers). Disagreements among even small numbers of Republicans could derail GOP leaders' efforts to secure enough votes for passage; Republicans can afford to lose only three votes in either chamber.

As they negotiate what they are willing to keep and what they are going to change in, or remove from, the OBBB, Republicans will look to updated estimates released last week from non-partisan Congressional "scorekeepers," the Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO). A June 2 report from the JCT estimates that the tax provisions of the OBBB would increase the national debt by $3.8 trillion over 10 years; taking into account proposed spending cuts, a June 5 letter from the CBO estimates the overall net effect of the OBBB would increase the national debt by $3.0 trillion over 10 years, including the cost of debt service.

The bill would also increase the U.S.' debt limit – which is set by law – by $4 trillion. While many Congressional Republicans are loath to vote for an increase to the debt ceiling, if Congress does not act before the ceiling is reached – an event that is expected to occur in August – the U.S. government would begin defaulting on its debt.

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. Some observers have suggested that a more realistic date is late July: just before Congress' extended August recess, and the debt ceiling deadline.

A summary of key substantive terms of the OBBB may be found on the following page.

What's in the bill

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.

IMPORTANT INFORMATION

This material is for informational purposes only, and may inform you of certain products and services offered by private banking businesses, part of JPMorgan Chase & Co. ("JPM"). Products and services described, as well as associated fees, charges and interest rates, are subject to change in accordance with the applicable account agreements and may differ among geographic locations. Not all products and services are offered at all locations. If you are a person with a disability and need additional support accessing this material, please contact your J.P. Morgan team or email us at accessibility.support@jpmorgan.com for assistance. **Please read all Important Information.**

General Risks & Considerations
Any views, strategies or products discussed in this material may not be appropriate for all individuals and are subject to risks. Investors may get back less than they invested, and past performance is not a reliable indicator of future results. Asset allocation/diversification does not guarantee a profit or protect against loss. Nothing in this material should be relied upon in isolation for the purpose of making an investment decision. You are urged to consider carefully whether the services, products, asset classes (e.g., equities, fixed income, alternative investments, commodities, etc.) or strategies discussed are suitable to your needs. You must also consider the objectives, risks, charges, and expenses associated with an investment service, product or strategy prior to making an investment decision. For this and more complete information, including discussion of your goals/situation, contact your J.P. Morgan team.

Non-Reliance
Certain information contained in this material is believed to be reliable; however, JPM does not represent or warrant its accuracy, reliability or completeness, or accept any liability for any loss or damage (whether direct or indirect) arising out of the use of all or any part of this material. No representation or warranty should be made with regard to any computations, graphs, tables, diagrams or commentary in this material, which are provided for illustration/ reference purposes only. The views, opinions, estimates and strategies expressed in this material constitute our judgment based on current market conditions and are subject to change without notice. JPM assumes no duty to update any information in this material in the event that such information changes. Views, opinions, estimates and strategies expressed herein may differ from those expressed by other areas of JPM, views expressed for other purposes or in other contexts, and **this material should not be regarded as a research report**. Any projected results and risks are based solely on hypothetical examples cited, and actual results and risks will vary depending on specific circumstances. Forward-looking statements should not be considered as guarantees or predictions of future events.

Nothing in this document shall be construed as giving rise to any duty of care owed to, or advisory relationship with, you or any third party. Nothing in this document shall be regarded as an offer, solicitation, recommendation or advice (whether financial, accounting, legal, tax or other) given by J.P. Morgan and/or its officers or employees, irrespective of whether or not such communication was given at your request J.P. Morgan and its affiliates and employees do not provide tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any financial transactions.

Legal Entity, Brand & Regulatory Information
In the **United States**, bank deposit accounts and related services, such as checking, savings and bank lending, are offered by **JPMorgan Chase Bank, N.A.** Member FDIC.

JPMorgan Chase Bank, N.A. and its affiliates (collectively **"JPMCB"**) offer investment products, which may include bank-managed investment accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through **J.P. Morgan Securities LLC ("JPMS")**, a member of FINRA and SIPC. Insurance products are made available through Chase Insurance Agency, Inc. (CIA), a licensed insurance agency, doing business as Chase Insurance Agency Services, Inc. in Florida. JPMCB, JPMS and CIA are affiliated companies under the common control of JPM. Products not available in all states.

References to "J.P. Morgan" are to JPM, its subsidiaries and affiliates worldwide. "J.P. Morgan Private Bank" is the brand name for the private banking business conducted by JPM. This material is intended for your personal use and should not be circulated to or used by any other person, or duplicated for non-personal use, without our permission. If you have any questions or no longer wish to receive these communications, please contact your J.P. Morgan team.