

Washington Watch

Week ended May 26, 2025

House narrowly passes “One Big Beautiful Bill Act,” a broad tax and spending package; Senate expected to consider bill in early June

Highlights

On May 22, the House of Representatives passed the One Big Beautiful Bill Act by a party-line vote of 215-214. The bill now moves to the Senate, whose Republican members will consider what they are willing to keep and what they are going to change in, or remove from, the House-passed bill. They are expected to begin consideration of the bill shortly after they return from the Memorial Day recess June 2 and are expected to make at least some changes to the bill, which would then have to be sent back to the House for that chamber's approval.

The bill represents a cornerstone of the Republican agenda, and 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. The bill 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 estimates that the tax-related proposals would reduce U.S. government revenues by around \$3.8 trillion over the next 10 years.

Passage occurred after both an eleventh-hour “manager's amendment” and intervention from President Trump persuaded most of the few Republican holdouts to support the bill. Among other changes, the late amendments:

- Increased 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;
- Expanded limitations on itemized deductions for high-income taxpayers, effective Jan. 1, 2026, to reduce the value of the SALT deduction for individuals in (or approaching) the top (37%) income tax bracket;
- Tightened inflation adjustments used to calculate the alternative minimum tax (AMT) exemption and phase-out threshold amounts;
- Reduced, from 5% to 3.5%, the proposed excise tax on remittance transfers to recipients in foreign countries, effective Jan. 1, 2026 (this would apply to transfers by essentially anyone other than a U.S. citizen); and
- Accelerated the phase-out of several clean energy tax credits from the Biden-era Inflation Reduction Act.

The bill permanently extends the 37% top income tax rate and permanently sets the “base” amount of the estate, gift, and GST exclusions at \$15MM (the 2025 exclusions are \$13.99MM) beginning 1/1/26 (and inflation-adjusted thereafter). It also permanently extends the \$750,000 principal cap on mortgage interest deductibility and disallows miscellaneous itemized deductions (formerly applicable to investment management fees, among other expenses). The bill also retains the business-friendly provisions (e.g., 100% bonus depreciation, immediate R&D expensing, and more generous limitations on business interest deductibility), adds a new round of Qualified Opportunity Zone investment incentives, and boosts the Qualified Business Income (QBI) deduction for owners of certain “pass-through” businesses (such as partnerships, S corporations and sole proprietorships). Revenue raisers include an increased excise tax 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), a higher (21%) tax rate on large private college and university endowments, and reduced amortization benefits for professional sports team owners that acquire teams after the date of enactment. The bill did not make changes to the tax treatment of carried interest or tax-exempt municipal bonds.

Republicans are still targeting enactment 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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