

Outlook for U.S. Tax Laws - Potential Changes and Process

As of May 5, 2025



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Private Bank's *Washington Tax Watch* – May 5, 2025 Edition

Recent Developments

Aiming to pass tax legislation by July 4, Republicans continue work on budget reconciliation package; House Ways & Means Committee expected to release markup of draft tax legislation within next two weeks

Highlights

Behind closed doors, Congressional Republicans continue to craft a tax bill they intend to pass with a simple majority in each chamber pursuant to the budget reconciliation process. The House Ways & Means Committee is set to release the tax provisions of a budget reconciliation bill in the coming days – probably by the end of the week of May 12 – while other House committees address other priorities on the Republicans' agenda, including border security, national defense and energy policy, as well as spending cuts to offset the projected cost of the bill.

The tax portion is expected to include an extension of the Tax Cuts & Jobs Act (TCJA) provisions scheduled to expire at the end of this year, plus additional tax cuts. Little detail is known outside an inner circle of policymakers and their staff, but President Trump and other Republican leaders have repeatedly said the bill would eliminate taxes on tips, Social Security and overtime, and include business-friendly provisions to address recently expired or reduced tax benefits (for example, restoring 100% accelerated depreciation for certain business property placed into service, allowing immediate expensing of domestic research and development expenditures, and providing more generous limitations on business interest deductibility). President Trump said last week that the bonus depreciation provision would be retroactive to Inauguration Day (Jan. 20), and be effective for a four-year period. Additionally, Treasury Secretary Scott Bessent suggested last week that full expensing could be expanded to include certain domestic factory buildings.

GOP lawmakers remain divided on the details of certain provisions likely to be included in the bill, with negotiations continuing over the level of increase to the \$10,000 cap on the state and local tax deduction, and the repeal of clean energy tax credits from the 2022 Inflation Reduction Act. Other big-picture issues that remain undecided among Republicans include the amount of spending cuts, the baseline that Congressional budget scorekeepers will use to determine the estimated cost of a tax bill ("current law" versus "current policy"), and the debt ceiling. These issues will need to be resolved before the bill has any chance of passing the slim Republican majorities in the House and Senate.

The budget reconciliation process could take months to conclude. Speaker Mike Johnson (R.-La.) aims to get the bill through the House by Memorial Day, and Secretary Bessent has suggested the tax legislation could be finalized by July 4. Senate Majority Leader John Thune (R.-S.D.) has affirmed the July 4 target date.

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