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House Republicans pass tax bill, heads to the Senate

In a dramatic pre-dawn vote on May 22, 2025, the House of Representatives narrowly passed the One Big Beautiful Bill Act (the "Act") by a vote of 215 – 214, with Rep. Andy Harris (R-Md.) voting "present" and two other Republicans breaking ranks to join all Democrats in opposition. The razor-thin margin underscored the divisions within the GOP and the high-stakes maneuvering required to push the massive reconciliation package through the chamber. The vote was secured thanks to a manager's amendment to the expansive reconciliation package – an eleventh-hour series of late-breaking changes that proved critical to securing Republican near unanimous support ahead of the House vote. (For additional documents, see the Rules Committee page on the Act, H.R. 1)
URL: https://amendments-rules.house.gov/amendments/RCP_119-3_Managers_xml%20(002)250521201648156.pdf
URL: https://rules.house.gov/sites/evo-subsites/rules.house.gov/files/documents/rcp_119-3_final.pdf
URL: https://rules.house.gov/bill/119/hr-ORH-one-big-beautiful-bill-act

Following a round of applause on the House floor, House Republicans celebrated the bill's passage, with Speaker Mike Johnson (R-La.) among those praising the outcome. Johnson, who played a pivotal role in uniting the conference and navigating the bill through a divided chamber, framed the legislation as a landmark achievement for the GOP's economic and national security agenda.

"The media and the Democrats have consistently dismissed any possibility of House Republicans succeeding in our mission to enact President Trump's America First agenda. Once again, they have been proven wrong," he said.

"Today, the House has passed generational, nation-shaping legislation that reduces spending, permanently lowers taxes for families and job creators, secures the border, unleashes American energy dominance, restores peace through strength, and makes government work more efficiently and effectively for all Americans. House Democrats voted against all of it – which clearly proves they want tax hikes on their constituents, open borders, and Medicaid for illegal immigrants."

"We look forward to the Senate's timely consideration of this once-in-a-generation legislation and stand ready to continue our work together to deliver The One Big Beautiful Bill to the President's desk," Johnson added.

With the weight of the GOP's tax agenda on his shoulders, Ways and Means Committee Chairman Jason Smith (R-Mo.) hailed the bill's passage as a pivotal victory. As the architect of its tax provisions, Smith underscored the legislation's mission to cement the 2017 tax cuts and deliver meaningful relief to working families and small businesses.

"Today marks a major milestone in delivering lasting tax relief to the American people. The One, Big, Beautiful Bill locks in the successful 2017 Trump tax cuts [Tax Cuts and Jobs Act, TCJA, P.L. 115-97] and builds on that foundation with bold, pro-growth reforms that will strengthen families, workers, farmers, and small businesses," Smith said.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm
URL: https://republicans-waysandmeansforms.house.gov/news/email/show.aspx?ID=7IT3O5YYR5MMZUCT4IACANSZ7A

"Families stand to gain over $13,000 in take-home pay, and workers could see wage increases of more than $11,000. More than 7 million jobs will be secured in the next four years through enhanced small business relief and made-in-America incentives that reward hiring and investment here at home. Parents will benefit from an expanded, inflation-adjusted Child Tax Credit and an enhanced standard deduction. Family farmers will finally get peace of mind, with a doubled death tax exemption that protects their generational lands and livelihoods."

"We are delivering President Trump's promise of no tax on tips, overtime, auto loan interest, and tax relief for seniors which will put more money in the pockets of millions of Americans every year," he added.

Despite Republican celebrations, Democratic leaders swiftly condemned the bill's passage, warning of its potential harm to American families. In a joint statement, Minority Leader Hakeem Jeffries of New York, Whip Katherine Clark of Massachusetts, and Caucus Chair Pete Aguilar of California criticized the legislation as a betrayal of working families and a threat to essential services.

"House Republicans promised to lower costs. Instead, Donald Trump's One Big Ugly Bill will mean millions of families will pay higher premiums, copays and deductibles. Hospitals will close, nursing homes will shut down and communities will suffer. It will take food out of the mouths of children, seniors and veterans at a time when too many families are already struggling to live paycheck to paycheck," they said.
URL: https://democraticleader.house.gov/media/press-releases/joint-democratic-leadership-statement-passage-gop-tax-scam

The tax package is central to the GOP's economic and policy agenda and includes extensions of the TCJA, new tax relief for individuals and small businesses, and major reforms to energy policy, border security, and federal spending. The razor-thin vote reflected weeks of internal Republican negotiations and last-minute changes designed to unify the party's narrow majority. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 21, May 22, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250522_1.html

The bill's passage followed a tense but successful vote on the rule governing floor debate, which passed earlier that morning, setting the stage for a tightly choreographed two-hour floor debate, with time divided among the Budget and Ways and Means Committee leaders. The final vote on the bill followed shortly after 6:00 a.m., capping a high-stakes legislative sprint driven by Speaker Johnson's self-proclaimed deadline of passing the bill by Memorial Day and bolstered by direct pressure from President Trump, who met with House Republicans twice – once on Capitol Hill and the other time at the White House in the final hours leading up to the vote.

Republicans make key changes to advance tax bill through House

As the tax and spending package advanced through the House, several key tax provisions were revised since the Ways and Means markup last week – largely to win over holdouts from various GOP factions. Among the most significant changes were an upward revision on the cap on the state and local tax (SALT) deduction and new limits on clean energy tax credits. (For prior coverage on the section-by-section summary of the Ways and Means Committee-approved bill, see *Tax News & Views*, Vol. 26, No. 19, May 14, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250514_1.html

State and local tax deduction: Under the House-passed bill, the cap on the SALT deduction would increase to $40,400 for tax years beginning after December 31, 2025 – up from the current $10,000 limit – with a phase-down beginning for individuals earning over $505,000 annually. For those above that threshold, the deduction would be reduced by 30 percent of the excess income, but not below $10,000. For married taxpayers filing separately, the income threshold is $252,500, and the deduction may not be reduced below $5,000.

This marks a shift from the earlier version approved by the Ways and Means Committee, which proposed a $30,000 cap for taxpayers earning up to $400,000.

Further, the SALT cap and modified adjusted gross income thresholds will be increased annually for tax years beginning after December 31, 2026, and before January 1, 2034. Such amounts will be equal to 101 percent of the dollar amount in effect for the preceding taxable year. For tax years beginning after December 31, 2033, the SALT cap and modified adjusted gross income thresholds would not be increased but also would not revert to a lower amount.

If no congressional action were taken by the end of this year, the pre-TCJA unlimited SALT deduction would be restored, but so too would a variety of pre-2017 features of the tax code, including higher marginal tax rates, a smaller child tax credit, a smaller standard deduction, and a more aggressive form of the Alternative Minimum Tax (AMT).

Energy tax credits:

Restrictions on clean electricity production credit: The original version of the bill would have phased out the Clean Electricity Production Credit under Section 45Y for facilities placed in service starting in 2029 through 2031. However, the proposed bill that passed the House will now terminate the section 45Y clean electricity production credit both (a) for any facility that begins construction more than 60 days after the bill's enactment, and (b) for any facility which is placed in service after 2028, except in the case of certain nuclear facilities described immediately below.

In the case of any advanced nuclear facility (as defined in section 45J(d)(2)), the clean electricity production credit is allowed only with respect to a nuclear facility that begins construction by the end of 2028. Advanced nuclear facilities that begin construction after December 31, 2028, will no longer be eligible for the section 45Y credit. Furthermore, a new provision added to the bill will allow the section 45Y clean electricity production credit in the case of an expansion of a nuclear facility with a reactor design approved by the Nuclear Regulatory Commission, but only if the expansion of such facility begins on or before December 31, 2028. No clean electricity production credit will be available for any expansion of a nuclear facility that begins after 2028. This is a more lenient treatment than these facilities received in the version of the bill as approved by the Ways and Means Committee.

In addition, if a taxpayer leases qualified solar water heating property, qualified solar electric property or qualified small wind energy property to a third party during the taxable year and the lessee would qualify for a residential clean energy credit under section 25D, if the lessee owned the property, then, under a new provision added to section 45Y(d), the owner of such property cannot claim the section 45Y credit with respect to such property for taxable years beginning after enactment.

The original version of the bill restricted taxpayers who received any material assistance from a prohibited foreign entity from accessing the section 45Y clean electricity production credit. While these rules on prohibited foreign entities were originally proposed to take effect with respect to any facility for which construction begins one year after the date of the bill's enactment, the revised version of the House bill accelerates application of the rules on material assistance from prohibited foreign entities to any facility which begins construction after December 31, 2025.

Finally, the House removed restrictions on the transferability of section 45Y credits under section 6418 from the final version of the bill that passed the House on May 22, 2025. However, the aforementioned changes to the credit effectively limit the period of time during which transferability is available.

Restrictions on clean electricity investment credit: The original version of the bill would have phased out section 48E's clean electricity investment credit for qualified facilities or energy storage technology placed in service staring in 2029 through 2031. However, the proposed bill that passed the House on May 22 will now terminate the section 48E clean electricity investment credit both (a) for any qualified facility or energy storage technology that begins construction more than 60 days after the bill's enactment, and (b) for any such facility or energy storage technology which is placed in service after 2028, except in the case of certain nuclear facilities described below.

In the case of any advanced nuclear facility (as defined in section 45J(d)(2)), the section 48E clean electricity production credit is allowed only with respect to a nuclear facility that begins construction by December 31, 2028. Advanced nuclear facilities that begin construction after 2028 will no longer be eligible for the section 48E credit.

In addition, if a taxpayer leases qualified solar water heating property, qualified solar electric property or qualified small wind energy property to a third party during the taxable year and the lessee would qualify for a residential clean energy credit under section 25D(d)(1), (2) or (4), respectively, if the lessee owned such property, then a new provision under section 48E(e) would prevent the owner of such property from claiming the section 48E credit with respect thereto for taxable years beginning after enactment.

While the original version of the House bill restricted taxpayers who received any material assistance from a prohibited foreign entity from receiving a section 48E clean electricity investment credit with respect to any facility or energy storage technology for which construction begins one year after the date of the bill's enactment, the revised version of the House bill accelerates application of the rules on material assistance from prohibited foreign entities to any facility or energy storage technology which begins construction after 2025.

Finally, the House removed restrictions on the transferability of section 48E credits under section 6418 from the final version of the bill that passed the House on May 22, 2025. However, the aforementioned changes to the credit effectively limit the period of time during which transferability is available.

No phaseout of zero-emission nuclear power production credit: Section 45U provides a federal income tax credit for the production of zero-emission nuclear power. While the bill originally proposed a phase out of the section 45U credit, beginning after 2028, the version of bill that passed the House does not phase out the section 45U credit.

In lieu of the proposed phase out, the section 45U credit's termination for taxable years beginning after December 31, 2032, has been accelerated to terminate under the House bill for taxable years beginning after December 31, 2031.

Finally, while the original bill coming from Ways and Means would have eliminated the transferability election for section 45U credits under section 6418 for electricity produced and sold after December 31, 2027, the revised version of the bill that passed the House removed restrictions on transferability of the section 45U credit.

International

FDII, GILTI, and BEAT: The House-passed bill reduces the current percentage deductions related to a taxpayer's Global Intangible Low-Taxed Income (GILTI) inclusion (and related section 78 gross-up) and Foreign-Derived Intangible Income (FDII). The deduction related to GILTI (and the related section 78 gross-up) would be reduced to 49.2 percent for taxable years after 2025, while the deduction related to FDII would be reduced to 36.5 percent. Under current law, the percentage deductions for GILTI and FDII are 50 percent and 37.5 percent, respectively; however, if no congressional action is taken, the rates are scheduled to be reduced to 37.5 percent and 21.875 percent, respectively, for taxable years after 2025. The House-passed bill would also increase the Base Erosion and Anti-Abuse tax (BEAT) rate to 10.1 percent, up from the current 10 percent rate. If no action is taken, the rate will rise to 12.5 percent starting next year. These changes were likely done with an eye toward the need for the Senate, which intends to use a current policy baseline that assumes there is no cost to extending expiring pieces of the TCJA, to show that every position in reconciliation has an impact on spending or revenue.

Passthrough entities

Payments from partnerships to partners for property or services: Under section 707(a)(2), a contribution to, and distribution by, a partnership may be treated as a sale in certain circumstances, including a sale of partnership interests from one person to another. Current regulations include rules regarding sales of property to or by a partnership but not sales of partnership interests.

The House-passed legislation would amend section 707(a)(2) by replacing "Under regulations prescribed by the Secretary" with "Except as provided by the Secretary" as the introduction to the rules under section 707(a)(2). The amendment would apply to services performed, and property transferred, after the date of the enactment of the legislation. The amendment would not create any inference with respect to the proper treatment under section 707(a) involving payments from a partnership to a partner for services performed, or property transferred, on or before the date of the enactment of the legislation.

Other individual deductions, personal exemptions, and other items to note

Itemized deduction limitation: The itemized deduction limitation provision was modified to subject state and local tax deductions to a greater limitation than other allowable itemized deductions for taxpayers in (or approaching) the highest tax bracket.

Individual alternative minimum tax: The provision was modified to calculate inflation adjustments for the tax starting in 2025 rather than 2017. Thus, the provision would apparently cause the 2026 AMT exemption and phase-out threshold amounts to be equal to the original TCJA amounts, with no inflation adjustments for the intervening years.

No tax on tips: The definition of qualified tips was modified to exclude individuals who receive earned income in excess of the dollar amount in effect under section 414(q)(1)(B)(i), which would apparently permit an employee who is a 5 percent owner to qualify for the above-the-line deduction provided that the employee did not receive earned income in excess of the threshold. Under the prior version, individuals who are highly compensated employees (as defined in section 414(q)(1)) were also excluded.

Tax-exempt organizations

Scholarships received from certain organizations: Revisions added new section 139J exempting scholarship income received by dependents for qualifying elementary and secondary education expenses. This provision would apply to scholarship income received after December 31, 2025, and before January 1, 2030.

Expanding application of tax on excess compensation within tax-exempt organizations: The House-passed bill limits the definition of covered employee to include only "any employee (including any former employee) of an applicable tax-exempt organization." The prior version of the bill included related persons and governmental entities in this definition.

Increase in rate of tax on net investment income of certain private foundations: The House-passed bill clarifies that assets and net investment income of any related organization that are not available for the use or benefit of the private foundation shall not be taken into account in computing net investment income.

State tax

State tax conformity to federal legislation: Many state corporate income tax regimes are affected by federal tax law changes because states conform to the Internal Revenue Code ("IRC") for purposes of administrative ease by either incorporating the IRC in whole or in part, or by using federal taxable income as the starting point. Generally, states that incorporate the IRC either: (1) conform to the IRC as of a specific date ("Fixed Date Conformity"); or (2) automatically follow the version of the IRC in effect for the current tax year ("Rolling Conformity"). However, some states, like California, only selectively conform to specific IRC provisions ("Selective Conformity").

While Rolling Conformity states may choose to later decouple from any IRC provisions enacted by Congress through state legislative action, the Fixed Date Conformity states would continue to use a version of the IRC prior to the amendments in the tax bill unless and until they updated their conformity date. These differences can lead to different tax outcomes at the state level when compared to federal.

Specific provisions with potential state nonconformity: Many of the provisions which may create a federal/state disconnect in Fixed Date Conformity states remained unchanged in the House-passed version of the bill. However, with respect to the amendments to slightly reduce the current percentage deductions related to a taxpayer's GILTI inclusion and FDII percentages, certain states may continue to follow the lower deduction percentages prescribed in the current version of section 250 for years 2026 and later instead of the permanent 49.2 percent and 36.5 percent deduction amounts for GILTI and FDII respectively (ex., Arizona, Georgia, Minnesota). This will depend largely on how each affected state views whether adopting the IRC "in effect" as of a certain date includes future operative provisions contained in the IRC as of that fixed date. States have historically taken differing views.

State passthrough entity tax: In response to the SALT cap enacted as part of the TCJA, many states in the past few years have enacted Passthrough Entity Tax ("PTET") regimes where passthrough entities could elect to pay tax at the entity level on income that would be allowed as a credit against the owner's state personal income tax liability. While each state's regime has its own nuances, it is anticipated that state PTETs may be affected by the new sections highlighted above aimed at the ability of certain taxpayers to take credits for amounts paid under a PTET regime.

Since the release of the Ways and Means Committee's markup, the House-passed bill reflects several additional changes to other provisions – such as:

- The name of the Money Account for Growth and Advancement accounts has been changed from "MAGA Accounts" to "Trump Accounts;"
- The proposed repeal of the excise tax on indoor tanning services was removed;
- The provision treating name and logo royalties as unrelated taxable income has been removed; and
- The provision involving the termination of the tax-exempt status of terrorist organizations has been removed.

— This report was prepared by the tax professionals in Deloitte Tax LLP's Washington National Tax practice.

From Budget Committee to floor vote: Tracing the path of the GOP tax bill

This week on Capitol Hill was marked by a flurry of legislative activity, beginning Sunday evening with a pivotal vote in the House Budget Committee that set the stage for one of the most consequential tax and spending debates in recent memory.

The drama began late Sunday night, May 18, when Republican members of the House Budget Committee narrowly advanced their party's sweeping tax and spending package. After the Budget Committee initially failed to advance the tax bill in a vote on Friday, May 16, Chairman Jodey Arrington (R-Texas) reconvened the panel late Sunday night to reconsider the measure. In a narrow 17 – 16 vote, the committee agreed to send the package to the House floor, with four Republicans voting "present" amid ongoing concerns about the legislation. While typically a procedural step, the vote took on outsized importance amid internal divisions within the GOP. Four conservative hardliners – Reps. Chip Roy of Texas, John Brecheen of Oklahoma, Ralph Norman of South Carolina, and Andrew Clyde of Georgia – who had previously opposed the bill, shifted their votes to “present,” which move allowed the reconciliation package to advance despite continued opposition, sending it to the House Rules Committee.

Following the second Budget Committee vote, Rep. Roy – a fiscal conservative and House Freedom Caucus member – acknowledged in a social media post that, while the “One, Big Beautiful Bill” had successfully cleared the committee, significant revisions were still needed.
URL: https://x.com/chiproytx/status/1924296387040080036

“But the bill does not yet meet the moment – leaving almost half of the green new scam subsidies continuing. More, it fails to end the Medicaid money laundering scam and perverse funding structure that provides seven times more federal dollars for each dollar of state spending for the able-bodied relative to the vulnerable,” Roy noted.

“I joined with 3 of my colleagues to vote ‘present’ out of respect for the Republican Conference and the President to move the bill forward. It gives us the opportunity to work together this week to get the job done…,” he added.

Separately, Vice Chair Lloyd Smucker (R-Pa.), who also initially voted against advancing the bill, clarified that his vote was procedural, allowing a faster process of reconsideration two days later, and not a reflection of opposition; Smucker also serves on the House Ways and Means Committee where he played a key role in shaping the tax provisions addressed in the reconciliation bill.

House Freedom Caucus weighs in: Shortly after the legislation advanced out of the Budget Committee, the House Freedom Caucus released a statement on social media acknowledging that, while progress had been made on the tax and spending bill, additional work remains.
URL: https://x.com/freedomcaucus/status/1924297767754530957?s=42

“We are determined and committed to working through the remaining obstacles within this bill, and we stand with our colleagues Reps. Roy, Brecheen, Clyde and Norman in the Budget Committee who voted present to signal the need for further negotiations.”

“We face a serious fiscal crisis, and we must put an end to Washington’s wasteful spending now.”

Trump presses GOP lawmakers to unite as tax bill faces internal resistance

President Trump made a rare visit to Capitol Hill on Tuesday to rally House Republicans behind what he has dubbed the “One, Big Beautiful Bill,” arriving ahead of a pivotal House Rules Committee meeting early Wednesday morning. Seeking to exert influence over skeptical factions within the party, Trump urged lawmakers to unify and support the bill’s advancement.

Meanwhile, Speaker Johnson aimed to hold a full House vote Wednesday evening. This urgency was driven by the fast-approaching Memorial Day recess, which Johnson had adopted as a self-imposed deadline to advance the sweeping tax and spending package. In addition, the legislation includes a provision to raise the federal debt limit, adding further pressure to act swiftly, as the Treasury is expected to exhaust its borrowing capacity later this summer.

With President Trump's visit to Capitol Hill on Tuesday and the legislative calendar rapidly narrowing, a wave of high-stakes negotiations and strategic maneuvering unfolded among House GOP leaders and key lawmakers early in the week.

While reports suggested that Trump expressed frustration during that meeting with some of those who had not committed to voting for the bill, particularly with respect to those with further demands on Medicaid and the cap on the SALT deduction, he struck a notably upbeat tone in public at his Tuesday visit to Capitol Hill, casting himself as a party unifier.

"We have a tremendously unified party," Trump told reporters, adding that "[w]e have unbelievable unity." He also stated that "[I] think we are going to have a great victory."

Pressed on the issue of Republican holdouts, he said, "[T]here are some people who want a couple of things that maybe I don't like, or that they're not going to get," further indicating that "there are a couple that will grandstand."

Two of the most contentious issues that delayed finalizing the House tax bill as of Tuesday afternoon were the revised cap on the state and local tax (SALT) deduction and proposed changes to the Medicaid program.

During his Tuesday visit, the president characterized the SALT deduction as a benefit primarily for blue-state governors and urged the group of Republican holdouts to accept a modest increase to the current $10,000 cap. By contrast, on the presidential campaign trail last year, he pledged to restore the deduction to help residents of high-cost states such as New York, New Jersey, and California – signaling to voters that he would champion the interests of lawmakers from those regions and support efforts to deliver meaningful relief to their constituents.

Following Trump's visit to the Capitol, House Republicans continued to work to bridge internal divisions on the issue, as the conference includes both Members who wanted a higher SALT cap and others who saw it as an expensive giveaway to higher-income taxpayers in several blue states. The cap on the SALT deduction remained a central point of behind-the-scenes negotiations throughout the week. While several proposals were floated, a deal was ultimately struck with Republican lawmakers to secure their votes for advancing the bill.

In addition to addressing the revised cap on the SALT deduction, President Trump issued a pointed warning to fiscal conservatives pushing for deeper Medicaid cuts, reportedly telling them not to interfere with the program – emphasizing that, while he supports efforts to root out waste, fraud, and abuse, he opposes further reductions to a program some lawmakers have eyed to help offset the cost of the proposed tax cuts.

When asked by a reporter about potential spending cuts to Medicaid, Trump emphasized that the focus has been solely on eliminating “waste, fraud, and abuse” in the program, adding, “no cutting of anything that is meaningful.” He also stated that the goal is “to strengthen Medicaid.”

The numbers matter

GOP leadership faced a delicate balancing act in its effort to secure the votes needed to pass the tax package through the narrowly divided House. As outlined above, early resistance emerged from two influential factions within the party – each with competing demands that complicated the path forward. Navigating these internal divisions required ongoing negotiations, strategic concessions, and careful vote counting as leadership worked to unify the conference around a final deal.

When GOP negotiators reached a tentative agreement with the SALT-aligned members – raising the cap on the SALT deduction to $40,000 with a phase-out for high-income earners – it appeared momentum was building. But that breakthrough triggered opposition from fiscal conservatives, who balked at the revised terms and signaled they could not support the bill in its current form, throwing the vote count back into uncertainty.

On Wednesday, Rep. Andy Harris (R-Md.) cast doubt on the bill’s prospects for passage in the near term, citing concerns over the expanded cap on the SALT deduction and what he views as inadequate spending cuts.

“I think, actually, we [are] further away from a deal because that SALT cap increase, I think, upset a lot of conservatives,” Harris told Newsmax.

“This bill actually got worse overnight,” he said. “There is no way it passes today. We may need a couple of weeks to iron everything out.”

Rep. Roy, a key member of the Rules Committee, had been especially vocal, warning that the bill still lacks the fiscal discipline conservatives were demanding. His opposition was particularly significant given his role in previously stalling the bill in the Budget Committee and his perch on the Rules Committee.

With fiscal conservatives still withholding their support midweek, President Trump met with key holdouts on Wednesday afternoon where he delivered a blunt message: stop stalling and vote to advance the tax and spending package. Meanwhile, the White House underscored the stakes in a newly released Statement of Administration Policy, warning that the House should immediately pass this bill to “show the American people that they are serious about ‘promises made, promises kept.’ President Trump is committed to keeping his promises, and failure to pass this bill would be the ultimate betrayal.”
URL: https://www.whitehouse.gov/wp-content/uploads/2025/03/SAP-HR1.pdf

Rules Committee

As negotiations continued behind the scenes, the House Rules Committee convened a hearing on the Act beginning at 1:00 a.m. Wednesday that stretched for more than 20 hours – an unusually long and tension-filled

session even by Capitol Hill standards. Over 500 amendments, most offered by Democrats, were stacked for consideration as the committee worked through the night and day and night again. After a marathon session, the committee ultimately advanced the Republicans' sweeping tax and spending package, incorporating a series of revisions outlined in a separate story in Tax News & Views, but without making in order any of the more than 500 individual amendments that House Members hoped to offer during Floor debate.
URL: https://rules.house.gov/bill/119/hr-ORH-one-big-beautiful-bill-act

Ways and Means Committee Chairman Jason Smith (R-Mo.) proudly touted the tax package crafted by his committee at the hearing, describing it as a bold blueprint for economic growth and middle-class prosperity. He highlighted key provisions such as an expanded standard deduction, a larger child tax credit, a permanent 23 percent deduction for small business income, and renewed incentives for research and development. Smith argued that these measures would not only provide immediate relief to families and entrepreneurs but also lay the foundation for long-term innovation and competitiveness.

"The result will be economic prosperity for workers and families like the boom times of President Trump's first term. Take-home pay for the typical family with two children will increase by as much as $13,300. Annual real wages for workers will rise by as much as $11,600. Pro-growth tax policy will save up to 7 million jobs, while the permanent and expanded small business deduction will add 1 million new jobs each year and expand small business economic output by $1.5 trillion," Smith said.

Smith's comments echoed the broader message from other Republicans at the hearing who framed the package as a pro-growth, pro-worker plan aimed at delivering tangible benefits to American families and businesses.

Democrats, led by Rules Committee Ranking Member Jim McGovern (D-Mass.), strongly objected to the timing and substance of the overnight hearing, characterizing it as a rushed effort to push through a sweeping tax and spending bill with minimal public scrutiny. They argued that the Act would disproportionately benefit the wealthy while placing new burdens on working families – warning of deep cuts to Medicaid, food assistance, and other essential programs. McGovern and his colleagues framed the legislation as fiscally reckless, saying it would balloon the national debt while prioritizing tax breaks for the wealthy over investments in everyday Americans.

Democratic members also emphasized that the bill undermines the social safety net at a time when many families are still struggling with rising costs. In response, they offered a series of amendments aimed at preserving equity in the tax code and protecting vulnerable communities.

CBO weighs in on cost, distributional effects

Although a final assessment of the House-passed bill's budgetary effects is not yet available, the nonpartisan Congressional Budget Office (CBO) on May 20 did issue a pair of fiscal analyses of the legislation as it was constructed on May 18 when it was reported to the full House by the Budget Committee. Importantly, then, the figures overviewed below do not factor in the changes made to the bill as part of the manager's amendment adopted by the Rules Committee on May 21. (Updated analyses of the final bill are expected from the CBO and Joint Committee on Taxation in the coming days.)

In its first release on May 20, the CBO provided a spreadsheet detailing the budgetary effects of the legislation reported by all 11 House committees that received reconciliation instructions under the GOP-approved fiscal year 2025 budget resolution.
URL: https://www.cbo.gov/publication/61420

Mirroring the JCT's May 13 analysis (JCX-22-25R) of the Ways and Means Committee's tax title, CBO's spreadsheet projects that the net effect of the committee's revenue changes would increase deficits by roughly $3.8 trillion over the next decade.
URL: https://www.jct.gov/publications/2025/jcx-22-25r/

Other committees – in particular, the Energy and Commerce, Agriculture, and Education and Workforce panels – generate about $1.5 trillion in net deficit reduction by way of paring back programs such as Medicaid, food stamps, Pell grants, and student loans.

In total, then, CBO's analysis suggests that the bill – again, prior to adoption of the manager's amendment – would increase deficits on net by about $2.3 trillion over the next decade. It is important to note, however, that this simple summation does not include any macroeconomic feedback effects that the legislation may produce (which Republicans generally argue would reduce its net deficit impact). Furthermore, the CBO cautions that its analysis does not factor in the budgetary "effects of interactions among titles of the legislation."

On that topic, the JCT released its macroeconomic analysis of the Ways and Means Committee tax proposal (JCX-25-25) on May 22. The JCT projected that, while the proposal would initially boost labor supply and real GDP, it would also lead to higher federal deficits and debt. Over time, they projected that this rising debt would crowd out private investment, reducing the capital stock and eventually causing real GDP to fall below baseline projections. As a result, JCT projected that the long-term economic benefits would fade, and the proposal's positive budgetary feedback would diminish in the decades following enactment of the legislation.
URL: https://www.jct.gov/publications/2025/jcx-25-25/

Distributional effects analyzed too: Also on May 20 – in response to a request from House Minority Leader Hakeem Jeffries, (D-N.Y.) and Budget Committee Ranking Member Brendan Boyle (D-Pa.) – CBO released a letter detailing the distributional effects of the GOP legislation, taking into account both its proposed revenue and spending changes.
URL: https://www.cbo.gov/system/files/2025-05/61422-Reconciliation-Distributional-Analysis.pdf

In general, CBO estimates that the version of the bill originally reported by the Budget Committee would slightly decrease "household resources" (*e.g.*, total income, including the effect of federal tax and spending programs) for the bottom tenth of income earners while slightly increasing such resources for the top tenth.

"CBO estimates that household resources would decrease by an amount equal to about 2 percent of income in the lowest decile … of the income distribution in 2027 and 4 percent in 2033, mainly as a result of losses of in-kind transfers, such as Medicaid and SNAP…," the letter states.

"By contrast, resources would increase by an amount equal to 4 percent for households in the highest decile in 2027 and 2 percent in 2033, mainly because of reductions in the taxes they owe."

Though the report's findings were seized on by congressional Democrats, they ultimately did not move the Republicans to change the bill.

What's next

Now that the tax and spending package has cleared the House, attention shifts to the Senate, where Finance Committee Republicans are expected to unveil their own version of the tax package in the coming weeks.

Changes are almost certain in the Senate where lawmakers must navigate not only their own policy priorities and political dynamics, but also the procedural constraints of budget reconciliation. With a narrow margin and differing views among Senate Republicans on this complex legislation (including both tax and non-tax elements), the upper chamber is likely to revise key provisions of the House bill to ensure it complies with reconciliation rules and can secure the necessary support for passage.

As Senate Republicans prepare to reshape the House bill, broader fiscal concerns – amplified by rising national debt and deficit levels – are shaping the debate, with Senate Majority Leader John Thune (R-S.D.) emphasizing the need for fiscal discipline.

"A lot of our colleagues have made it very clear that in order for a bill to get through the House and the Senate and on the president's desk, it has to make a meaningful dent in the out-of-control spending we've seen over the past several years," Thune said at a press conference.

Even as Senate Republicans emphasized the need for fiscal restraint, lawmakers found common ground on a narrower tax measure. The Senate demonstrated rare bipartisan agreement in passing the No Tax on Tips Act (S. 129) by unanimous consent this week. The measure would allow service industry workers to deduct up to $25,000 in reported cash tips from their taxable income. The bill, which applies to workers earning up to $160,000 annually, was framed by supporters as a way to provide immediate relief to working-class Americans – and its swift passage underscores the political appeal of targeted tax breaks even amid broader debates among lawmakers.
URL: https://www.congress.gov/bill/119th-congress/senate-bill/129/text

Sen. Ted Cruz (R-Texas), who introduced the bill, stressed its alignment with President Trump's campaign promise and its potential impact on working Americans. Notably, both Democratic Senators from Nevada – Jacky Rosen and Catherine Cortez Masto – joined Cruz as cosponsors.

“President Trump made a promise to the American people that he would eliminate taxes on tips. In Congress, I formed a bipartisan, bicameral coalition to get that done, and in the Senate introduced the No Tax on Tips Act. Today, I went with Senator Rosen to the floor to secure Senate passage of the bill. This legislation will have a lasting impact on millions of Americans by protecting the hard-earned dollars of blue-collar workers, the very people who are living paycheck to paycheck. I urge my colleagues in the House to pass this important bill and send it to the President’s desk to be signed into law,” said Cruz.
URL: https://www.cruz.senate.gov/newsroom/press-releases/sen-cruzs-no-tax-on-tips-legislation-passes-senate

While a related provision is in the bill approved the House on Thursday, the outlook for the Senate’s stand-alone measure there is far murkier, particularly in light of the constitutional requirement that all revenue measures originate in the House of Representatives.

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IRS nominee Billy Long testifies before Senate Finance Committee

Former-Rep. Billy Long (R-Mo.) endured a sometimes-contentious May 20 nomination hearing to become the next IRS commissioner, with Senate Finance Committee Republicans rallying behind him to lead the agency, and Democrats questioning his ties to certain tax credit programs.

Finance Committee Chairman Mike Crapo (R-Idaho), a supporter of Long’s nomination, expressed his backing in his opening remarks at the hearing.
URL: https://www.finance.senate.gov/ranking-members-news/crapo-statement-at-irs-commissioner-nomination-hearing_2025

“American taxpayers want a change agent at the helm of the IRS,” said Crapo. “Congressman Billy Long fits this description and is well-suited to lead the IRS at this moment in time.”

Democrats, including Ranking Member Ron Wyden (D-Ore.), questioned Long’s past financial ties to firms involved in various tax credit programs, raising concerns about what they considered to be a potential conflict. Long defended his actions, insisting he would uphold the agency’s integrity.

The hearing unfolded amid ongoing leadership changes at the IRS, highlighting the broader organizational challenges Long would enter. The last Senate-confirmed commissioner, Danny Werfel, resigned just before Trump’s inauguration and was followed by a series of short-term acting leaders. Doug O’Donnell, a longtime IRS official, briefly served in an acting capacity before stepping down, followed by Melanie Krause, the agency’s former chief operating officer, who also resigned after a short tenure. She was succeeded by IRS agent Gary Shapley but he was dismissed after only a few days. Since then, the role has been filled temporarily by Treasury Deputy Secretary Michael Faulkender.

Range of issues emerge during Long's confirmation hearing

Throughout the hearing, several issues emerged, including the regulations process, Direct File, and questions about the nominee's connections to certain tax credit programs.

Regulations process: Long, who served for 12 years in the House, used his opening statement to position himself as a bridge between Congress and the IRS at a time when major tax legislation is beginning to move through Capitol Hill. He argued that his recent experience as a lawmaker would help the agency interpret and implement new tax laws more efficiently, avoiding the kind of prolonged regulatory delays that often follow major legislative overhauls.

"By being familiar with the workings of Congress, the IRS can stay engaged as these changes are made," Long said. "So, once they get over to the IRS, we will have a comprehensive understating of Congress's intent."

He also expressed support for continued oversight of tax regulations by the Office of Information and Regulatory Affairs (OIRA) – a division of the White House's Office of Management and Budget that gained expanded authority over tax rulemaking during Trump's first term.

Tax credit concerns: Sen. Wyden questioned Long about his involvement with certain tax credits, which Wyden said the IRS does not recognize. Long said he had referred friends to accountants to check eligibility but did not confirm whether he believed the credits were valid, stating, "I can't answer yes or no because I do not know." He added that the IRS had accepted the credits in the past. Long said he would look into the issue further.

Democratic Committee Members also asked Long about his role in the Employee Retention Credit (ERC) program. Long said he only provided referrals for ERC claims, but did not give tax advice himself.

Crapo asked if Long had seen any red flags when making referrals, and Long said he had not.

IRS Direct File's dark future?: Republicans encouraged Long to scrap the IRS's program to let certain taxpayers file their tax returns directly to the agency at no cost, called Direct File. They've criticized it since its inception as a pilot program as outside the agency's purview since Congress didn't authorize the program, but it operated last year and this year, with support from Democrats and former President Joe Biden.

Long said reviewing it would be among his first orders of business.

"I want to get to the bottom of it and see what is best for the hardworking employee partners that I will have at the IRS, if I'm confirmed, and the taxpayers," Long said.

Secretary Bessent said before this tax filing season that he'd assess the program after filing season concludes. (For prior coverage, see *Tax News & Views*, Vol 26, No. 2, Jan. 17, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250117_2.html

Customer service, information technology and operations: Most Republican questions centered on complaints about customer service, outdated IT and inefficient operations – all of which are longstanding gripes about the IRS. Long, who said he planned to make improvements across the board, indicated that the agency could benefit from private-sector experience.

"I think the IRS needs to run more like a business," he said.

Next steps: Chairman Crapo has said he would schedule a vote on Long's nomination at a later date. If confirmed, Long would serve as IRS commissioner through November 12, 2027, completing the remainder of the five-year term originally designated for Daniel Werfel, who stepped down earlier this year.

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