Tax News & Views
Capitol Hill briefing.
July 1, 2025

In this issue:

Senate passes sweeping GOP reconciliation bill amid tight vote

Following a weekend of last-minute negotiations to address concerns raised by several Republicans, the Senate narrowly passed the GOP's sweeping reconciliation tax and spending package by a vote of 51 – 50. Three Republican senators – Thom Tillis of North Carolina, Rand Paul of Kentucky, and Susan Collins of Maine – joined all 47 Democrats in voting against the bill, which necessitated Vice President J.D. Vance to cast the tie-breaking vote. (This text is generally viewed as close to final but there were at least some changes, including the striking of the short title – see link.) The measure – originally dubbed the One Big Beautiful Bill Act (OBBBA) – had its title stricken by a last-minute point of order from Democratic Minority Leader Chuck Schumer of New York.
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250701_1suppA.pdf

The final vote came after a motion to proceed and yet another vote-a-rama – a rapid-fire series of open-ended amendment votes that stretched over 24 hours. Passage of the bill marked the culmination of a high stakes push to advance the sweeping reconciliation package out of the Senate, setting the stage for its return to the

House for consideration and potential final approval ahead of President Trump's self-imposed July 4 deadline for signing it into law.

Protecting a fragile majority

Congressional Republicans opted to move legislation under budget reconciliation protections, which allow for passage in the Senate by a simple majority vote rather than the three-fifths supermajority normally required to clear procedural hurdles in that chamber, making it a particularly useful tool for Republicans, who control only 53 Senate seats and who did not expect – and did not receive – any Democratic support.

But in the days following the release of the June 16 release of the Finance Committee proposal – which was that Chamber's response to a bill passed by the House in late May, it remained uncertain whether Republican leaders could secure the bare minimum of 50 votes from within their own conference to clinch a victory on the Senate floor. A number of GOP lawmakers raised concerns about various aspects of the legislation, including its long-term impact on the federal deficit, proposed changes to safety net programs aimed at partially offsetting the cost of tax cuts, proposals to scale back various clean energy incentives, and a significant increase in the federal debt limit. These concerns triggered an intense round of negotiations, as party leaders worked to resolve one set of objections without igniting new ones elsewhere within the conference.

Those doubts came to a head as the Senate prepared to vote on a procedural motion on the bill. GOP leadership worked behind the scenes to secure support from several Republican senators for a motion to proceed with debate on the reconciliation package. After a long delay during which several hold-out senators negotiated with Senate leaders, the motion narrowly passed on Saturday evening by a 51- 49 vote – just one vote shy of requiring Vice President Vance to break a tie. Sens. Paul and Tillis joined all Democrats in opposition.

Senate Majority Leader John Thune (R-S.D.) acknowledged the difficulty in uniting the conference behind the bill.

"Fifty-three members will never agree on every detail of legislation, let's face it. But Republicans are united in our commitment to what we're doing in this bill," Thune said before the vote. "It's time to get this legislation across the finish line," *Politico* reported on June 29.

With the motion to proceed narrowly secured, the Senate entered formal consideration of the bill – with a full reading of the legislative text by Senate clerks at the insistence of Minority Leader Schumer, followed by up to 20 hours of debate and a vote-a-rama session, culminating in the bill's eventual passage.

Overview at a glance

The bill lies at the core of the GOP's economic agenda and includes provisions to extend key elements of the Tax Cuts and Jobs Act (TCJA, P.L. 115-97), introduces additional tax relief for individuals and businesses, and advances Republican priorities on energy production, border security, and federal spending reform – partially

offsetting its cost through the inclusion of revenue raising provisions such as repeal or limitations on various clean energy credits.
URL: https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm

This report offers a high-level overview of some of the more significant modifications in the revised Senate bill as compared to the version first introduced in the Senate on June 16. (For coverage of the original Senate Finance Committee proposal, see *Tax News & Views*, Vol. 26, No. 26, June 18, 2025; for coverage of the updated Senate-released text of June 27, see *Tax News & Views*, Vol. 26, No. 29, June 28, 2025.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250618_1.html
URL: https://dhub.deloitte.com/Newsletters/Tax/2025/TNV/250628_1.html

SALT deal holds steady

The cap on the State and Local Tax (SALT) deduction has long been a point of contention among Republican lawmakers in both the House and the Senate. After a deal was struck in the House with members of the SALT caucus, it was clear that the Senate's version of the provision had to remain acceptable to those same members to get a bill across the finish line. As a result of negotiation with GOP senators who are generally less interested in addressing this issue than House Republicans from high-tax states like New York, New Jersey, and California, the Senate bill, like the House bill, would raise the current $10,000 cap on the SALT deduction to $40,000 starting in 2025, with a phaseout beginning for those with incomes above $500,000. But unlike the House bill, which made these parameters permanent, the Senate bill would keep them for only five years, after which the cap would revert back to $10,000.

Lower remittance transfer tax, section 899 removed, and more

The revised bill that was passed by the Senate on July 1 would amend some provisions in the House-approved legislation, introducing changes that could benefit some taxpayers while potentially disadvantaging others.

- The Senate-passed bill would lower the remittance transfer tax to 1 percent. (The Finance Committee proposal called for a 3.5 percent tax, which itself was lower than the House-passed level), however, unlike the House bill, there is no mechanism for US citizens who send money abroad to recoup these amounts.
- The Senate-passed bill removed section 899 which was intended to give the President authority to counter what some have characterized as "unfair foreign taxes." Its removal aligns with the Treasury Department's agreement with G7 countries, under which the OECD's Pillar Two global minimum tax rules would not be applied to US companies. (The Finance Committee proposal had introduced a revised version of section 899, modifying the House bill provision by delaying its effective date and lowering the cap on potential tax increases for covered companies and individuals.)
    - The Canadian Department of Finance issued a response to the removal of section 899 and later announced its decision to rescind the digital services tax, as outlined in a separate statement, tied to an anticipated trade arrangement with the United States.
      URL: https://www.canada.ca/en/department-finance/news/2025/06/g7-statement-on-global-minimum-taxes.html

URL: https://www.canada.ca/en/department-finance/news/2025/06/canada-rescinds-digital-services-tax-to-advance-broader-trade-negotiations-with-the-united-states.html

- The Senate-passed bill would modify previously released changes to the clean energy incentives enacted in the Inflation Reduction Act (IRA, P.L. 117-169), in some cases expanding and in others narrowing their availability. Notably, it would remove a new excise tax on certain wind and solar projects that was added in the draft text released on Friday night, June 27; it would also accelerate the termination of the new, previously owned, and qualified commercial clean vehicle credits, ending them for vehicles acquired after September 30, 2025.
  URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf
- The Senate-passed bill follows the contours of the version introduced on June 27 by removing some generally taxpayer friendly changes to the Base Erosion Anti-Abuse Tax (BEAT) but also substantially trimming the extent to which the rate of tax on BEAT would rise next year.
- The Senate-passed bill deleted a provision in prior Senate versions related to the taxation of third party litigation financing.
- The Senate-passed bill also diverges from the House bill in its treatment of key business provisions: it would permanently extend 100 percent bonus depreciation, the immediate deduction for domestic research and experimental expenses, and a more generous calculation of the amount of net business interest expense that can be deducted – whereas the House bill extended these provisions only temporarily, through 2029.

Floor amendments

The vote-a-rama launched after the chamber exhausted debate time on a reconciliation bill, but not immediately. In a break from past precedent, the Senate delayed the start of the grueling process from the wee hours of Monday morning until 9:00 a.m. that morning. During the extended vote-a-rama session, which lasted more than 24 hours, the Senate considered a series of amendments, most of which were defeated along party lines.

The first set of votes challenged Republicans' use of a "current policy" baseline to score the reconciliation bill – effectively excluding trillions in costs associated with making expiring pieces of TCJA permanent from the official estimate. The challenge was defeated in a 53 – 47 party-line vote, allowing the GOP's scoring approach to stand. Budget Committee Chairman Lindsey Graham (R-S.C.) asserted that, according to the Senate parliamentarian, it is the Budget Committee's prerogative to determine which baseline to use.

Many hours later, most Democrats joined Republicans in voting down an amendment offered by Sen. Collins by a vote of 22-78, which proposed increasing the top income tax rate to 39.6 percent – but applying only to individuals earning more than $25 million annually and joint filers earning more than $50 million annually – as an offset to double a $25 billion fund intended to bolster healthcare access in underserved rural communities. Although Democrats have long advocated for ensuring the wealthy pay their "fair share" in taxes, Finance Committee Ranking Member Ron Wyden (D-Ore.) dismissed the amendment, arguing that it would do little to offset the broader healthcare cuts in the bill. He added that it would make far more sense to avoid making deep cuts to Medicaid in the first place.

Notably, even amendments that were never formally introduced carried significance. One such proposal, backed by Republican Sens. Joni Ernst and Chuck Grassley of Iowa and Lisa Murkowski of Alaska, aimed to preserve tax credits for wind and solar energy projects. Although it was not brought to a vote during the day's lengthy vote-a-rama, the ongoing debate over repealing or scaling back clean energy incentives remains a point of contention within the broader legislative effort. As part of the final negotiations, though, the proposed excise tax on certain wind and solar projects – previously discussed in an earlier part of this story – was ultimately dropped.

"I don't think they're going to let us" offer the amendment, Ernst told reporters Tuesday. "There's a lot of stuff that went on overnight that kind of waylaid our plans."

Behind the scenes, negotiations stretched late into the evening Monday and into Tuesday morning as GOP leadership worked to secure the votes needed to pass the bill. The Senate parliamentarian continued to play a pivotal role, issuing key rulings on spending provisions that shaped the contours of the debate. The fluid and strategic nature of these deliberations underscored the challenges of reaching consensus – factors that may have influenced how members ultimately voted on the broader package.

What are the costs now?

On the budget scorekeeping front, the nonpartisan scorekeepers – the Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO) – each released separate estimates over the weekend regarding the net deficit impact of the Senate Republicans' text released on June 27. However, since then, the text has undergone changes – some resulting from Byrd Rule compliance and others from negotiated agreements and amendments.

On June 28, the JCT estimated that, relative to the "current law" baseline – which has traditionally been used to assess proposed legislation – the Republican Senate plan includes a net of about $4.45 trillion of tax cuts over the next decade (JCX- 31-25). This is about $650 billion more than the $3.8 trillion current law assessment for the House-passed package (JCX-22-25R) last month.
URL: https://www.jct.gov/publications/2025/jcx-31-25/
URL: https://www.jct.gov/publications/2025/jcx-22-25r/

On the same day, the JCT released another analysis of the same tax language, this time using a "current policy" baseline favored by Senate Republicans. This baseline assumes that all TCJA-related provisions set to expire at the end of this year would be extended indefinitely, without accounting for the costs of those extensions. (JCX-30-25) The cost for the remaining items in the Senate's tax package was estimated to be $692 billion, on net, over the next 10 years – up from the initial June 16 proposal that would reduce revenues by $442 billion (JCX-29-25) over that same period. (The JCT released its latest distributional analyses of Title VII – the Finance Committee's portion of the Senate bill – in two different formats; one measured relative to "current policy" (JCX-32-25), and the other relative to "current law" (JCX-33-25).)
URL: https://www.jct.gov/publications/2025/jcx-30-25/
URL: https://www.jct.gov/publications/2025/jcx-29-25/
URL: https://www.jct.gov/publications/2025/jcx-32-25/

URL: https://www.jct.gov/publications/2025/jcx-33-25/

Over the weekend, the CBO projected that the revised Senate bill would reduce budget deficits by, on net, approximately $508 billion over a ten-year period, using a "current policy" baseline. However, the CBO also estimated that the bill would increase the deficit by, on net, $3.25 trillion over the 2025 – 2034 period – on a "current law" baseline with the larger figure reflecting a more traditional budget scoring method, which accounts for the full cost of extending tax and spending provisions and highlighting the long-term fiscal impact of the legislation. Republicans, particularly in the White House, take exceptions to those estimates and have produced some of their own project passage of the legislation will lead to substantially faster economic growth and therefore an overall reduction in the debt.
URL: https://www.cbo.gov/topics/budget/reconciliation

The evolution of the bill in the Senate presents substantial challenges to House Speaker Mike Johnson (R-La.) who is now tasked with getting the Senate bill through a narrowly divided House. There, House conservatives were promised $2 trillion in spending cuts to offset $4.5 trillion in tax cuts (with a dollar-for-dollar trigger if not met), something the modified bill fails to achieve. He also has members who want a lighter touch on Medicaid as well as some members who want to be more aggressive in pairing back the clean energy incentives of the IRA and others who would like to take a more limited approach to those very same tax incentives.

July 4 is a few days away

With the Senate having passed the reconciliation bill, the legislation now returns to the House of Representatives for final approval before it can be sent to the White House for President Trump's signature – an action he had initially set a July 4 deadline to achieve. However, with the holiday just days away, the president told reporters on the South Lawn, "I'd love to do July 4th, but I think it's very hard to do July 4th," adding that the goal is "somewhere around there."

Meanwhile, at the time of publication, the House Rules Committee is meeting to prepare the bill for floor consideration, with the full House expected to return on Wednesday morning in hopes that the necessary affirmative votes will be present. To meet a July 4 deadline, the House must pass the bill without any amendments; otherwise, it would need to return to the Senate for another series of votes. Given the narrow margin for passage, substantial behind-the-scenes arm-twisting is expected as House leadership works to secure the necessary votes.

— Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP