

The One, Big, Beautiful Bill Act – Summary and Analysis of the Tax Title

BROWNSTEIN CLIENT ALERT, JULY 8, 2025

On July 3, the House adopted the Senate substitute to H.R. 1, the One, Big, Beautiful Bill Act (OBBA) by a vote of 218-214. The bill was signed into law on July 4, 2025 and is now Public Law 119-21.

KEY TAKEAWAYS

- **Business Deductions:** Makes permanent the Tax Cuts and Jobs Act (TCJA) expiring business provisions—namely, the section 199A passthrough deduction, bonus depreciation, R&D expensing and the broader section 163(j) interest limitation.
- **International Tax:** Permanently increases the Base Erosion Minimum Tax, reduces the global intangible low-taxed income (GILTI) deduction, expands the foreign-derived intangible income (FDII) deduction, and makes permanent the extension of the look-thru rule for controlled foreign corporations.
- **Clean Energy:** Substantially cuts back the Inflation Reduction Act energy tax credits, including termination of the electric vehicle credits, limiting the hydrogen production credit, extending the clean fuel production credit and establishing new restrictions on foreign entities of concern.
- **Child Tax Credit:** Enhances the employer-provided child care credit, adoption tax credit, child and dependent credit and the dependent care assistance program.
- **Education:** Modifies the excise tax on colleges and universities, restores the TCJA exclusion from gross income for forgiven student loans, and expands qualified higher education expenses.
- **Healthcare:** Extends the paid family and medical leave employer tax credit, requires verification of applicant eligibility to receive the premium tax credit, enhances treatment of the Bronze and Catastrophic plans for use with health savings accounts, and allows high-deductible health plans to provide telehealth and other remote care without a deductible. Finally, limits Medicare coverage and premium tax credit eligibility to foreign persons who are “lawfully present” in the United States.

TIMELINE

- **May 9** | House Ways and Means Committee releases 28-page draft text of Title XI focused on extensions to TCJA individual, revisions to energy credits adopted by the Inflation Reduction Act, and international provisions.
- **May 12** | Ways and Means Committee releases the 398-page Amendment in the Nature of a Substitute (AINS), substantially expanding the tax package.
- **May 13–May 14** | Ways and Means Committee marks up and favorably reports the AINS by a 26-19 vote, transmitting Title XI to the House Budget Committee.

- **May 16** | House Budget Committee marks up, but fails to favorably report, the 11-title budget reconciliation package (H.R. 1, “The One, Big, Beautiful Bill Act”) by a 16-21 vote, due to opposition from hardline conservatives on the committee.
- **May 18** | House Budget Committee reconvenes and favorably reports H.R. 1 by a 17-16 vote, with the conservatives voting “Present.”
- **May 21** | After making primarily technical and conforming changes to the Budget Committee print, the House Rules Committee meets to consider the rule governing debate of H.R. 1 and amendments made in order by the committee; the Manager’s Amendment, making final changes to the reconciliation package, is unveiled at 9:00 p.m., and the rule is favorably reported at 11:00 p.m. by an 8-4 vote.
- **May 22** | House debates H.R. 1 and adopts the bill by a 215-214-1 vote.
- **June 16** | Senate Finance Committee releases 549-page reconciliation text, making several changes to the tax title of H.R. 1.
- **June 27** | Senate Budget Committee releases the full Senate substitute to H.R. 1, including the Senate Finance Committee title.
- **July 1** | The Senate adopts a perfecting amendment by Senate Majority Leader John Thune (R-SD) making final changes to the text released on June 27 and adopted the Senate substitute to H.R. 1, returning the bill, as amended, back to the House.
- **July 2** | The House Rules Committee met to consider the Senate substitute to H.R. 1 and reported the rule by a vote of 7-6.
- **July 3** | House debates the Senate substitute to H.R.1 and adopts the bill as amended by a vote of 218-214.
- **July 4** | President Trump signs the OBBBA into law, making it Public Law 119-21.

H.R. 1 TAX TITLE OVERVIEW

The Tax Title to H.R. 1 is outlined below followed by a detailed summary of each provision. Links to materials from the Senate Finance Committee, House Rules Committee, House Ways and Means Committee, Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) are included in Appendix A.

Subtitle A – Tax

- [Chapter 1](#) – Providing Permanent Tax Relief for Middle-Class Families and Workers
[TCJA individual provisions, Section 199A, ABLE Accounts]
- [Chapter 2](#) – Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief
[no tax on tips and overtime, auto loan deductibility]
- [Chapter 3](#) – Establishing Certainty and Competitiveness for American Job Creators
 - [Subchapter A](#) – Permanent U.S. Business Tax Reforms and Boosting Domestic Investment
[TCJA business provisions]
 - [Subchapter B](#) – Permanent America-First International Tax Reforms
[international tax provisions]
- [Chapter 4](#) – Investing in American Families, Communities, and Small Businesses
 - [Subchapter A](#) – Permanent Investments in Families and Children
[tax credits for children and families]
 - [Subchapter B](#) - Permanent Investments in Students and Reforms to Tax-Exempt Institutions

- [higher education, educational tax incentives]
 - [Subchapter C](#) – Permanent Investments in Community Development
[housing, charitable contributions]
 - [Subchapter D](#) – Permanent Investments in Small Business and Rural America
[miscellaneous business provisions]
- [Chapter 5](#) – Ending Green New Deal Spending, Promoting America-First Energy and Other Reforms
 - [Subchapter A](#) – Termination of Green New Deal Subsidies
[energy credits]
 - [Subchapter B](#) – Enhancement of America-First Energy Policy
[energy credits]
- [Chapter 6](#) – Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms
 - [Subchapter A](#) – Enhancing Deduction Guardrails and Other Reforms
[state and local taxes, business, and partnership employee tax provisions]
 - [Subchapter B](#) – Enhancing Tax Credit Guardrails and Other IRS Reforms

[Subtitle B](#) – Health Care

- [Chapter 1](#) – Medicaid
[health care provisions]
- [Chapter 2](#) – Medicare
[health care provisions]
- [Chapter 3](#) – Health Tax
 - [Subchapter A](#) – Improving Eligibility Criteria
[restriction on health care credits eligibility by residency status]
 - [Subchapter B](#) – Preventing Waste, Fraud, and Abuse
[administration of the Affordable Care Act]

[Subtitle C](#) – Increase in Debt Limit

[Subtitle D](#) – Unemployment

Summary of H.R. 1 –the One Big Beautiful Bill Act

Note: The revenue estimates for the bill below are based on the July 1 JCT revenue estimate ([JCX-34-25](#)), reflected in blue.

Subtitle A – Tax

CHAPTER 1 – PROVIDING PERMANENT TAX RELIEF FOR MIDDLE-CLASS FAMILIES AND WORKERS

Senate Section 70101. Extension and Enhancement of Reduced Rates.

- Makes permanent the current income tax rates, which were enacted by the TCJA but scheduled to sunset after 2025.
- Provides a one-time additional inflation adjustment to the 10% and 12% income tax brackets for 2026.
- Revenue estimate: \$73.4 billion revenue loss.

Senate Section 70102. Extension and Enhancement of Increased Standard Deduction.

- Makes permanent the current standard deduction, which was expanded by the TCJA but scheduled to sunset after 2025, and beginning in 2026 increases the indexing for inflation by changing the base year from 2017 to 2016.
- Increases the standard deduction to \$15,750 for single filers, \$23,625 for heads of household and \$31,500 for married individuals filing jointly for taxable years beginning after 2024.
- Effective for taxable years beginning after Dec. 31, 2025, except for the temporary increase in the standard deduction.
- Revenue estimate: \$204.9 billion revenue loss.

Senate Section 70103. Termination of Deduction for Personal Exemptions Other Than Temporary Senior Deduction.

- Effectively terminates the deduction for personal exemptions by permanently reducing the personal exemption to \$0.
- Adds a temporary deduction of \$6,000, effective for taxable years 2025 through 2028, for each qualified senior citizen, defined as a taxpayer who has attained age 65, or the taxpayer's spouse who has attained such age in the case of a joint return.
- Phases out the deduction for taxpayers with modified adjusted gross income exceeding \$75,000 (\$150,000 joint).
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$92.7 billion revenue loss.

Senate Section 70104. Extension and Enhancement of Increased Child Tax Credit.

- Makes permanent the increased child tax credit and increases the amount of the nonrefundable child tax credit to \$2,200 per child beginning in 2025, indexed for inflation.
- Makes permanent the \$1,400 maximum amount of the additional child tax credit per qualifying child (\$1,700 in 2025) and indexes it to inflation.
- Makes permanent the income phaseout threshold of \$400,000 for taxpayers filing jointly and \$200,000 for all other taxpayers, as well as the \$500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child.
- Makes permanent the requirement that the child's Social Security number (SSN) must be reported and requires a work-eligible SSN of the taxpayer and, for joint filers, the SSN of at least one spouse.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$124 billion revenue loss.

Senate Section 70105. Extension and Enhancement of Deduction for Qualified Business Income.

- Makes the current-law 20% deduction for qualified business income permanent.
- Expands the deduction limit phase-in range by increasing the \$50,000 (non-joint returns) and \$100,000 (joint returns) amounts to \$75,000 and \$150,000, respectively.
- Introduces a new, inflation-adjusted, minimum deduction of \$400 for taxpayers who have at least \$1,000 of qualified business income from one or more active trades or businesses in which the taxpayer materially participates.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6 billion revenue loss.

Senate Section 70106. Extension and Enhancement of Increased Estate and Gift Tax Exemption Amounts.

- Permanently increases the unified estate and gift tax exemption to \$15 million, and correspondingly increases the generation-skipping transfer tax exemption to the same level, with each amount indexed for inflation after 2026.
- Effective for estates of decedents dying and gifts made after Dec. 31, 2025.
- Revenue estimate: \$10.4 billion revenue loss.

Senate Section 70107. Extension of Increased Alternative Minimum Tax Exemption Amounts and Modification of Phaseout Thresholds.

- Makes permanent the increased alternative minimum tax (AMT) exemption amount by resetting the AMT exemption phaseout thresholds to the 2018 levels of \$500,000 (\$1 million for joint filers), indexed for inflation after 2025.
- Accelerates the phaseout rate by reducing the exemption amount by 50% (instead of 25% under current law) of the amount by which a taxpayer's alternative minimum taxable income exceeds the threshold.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$12.2 billion revenue gain.

Senate Section 70108. Extension and Modification of Limitation on Deduction for Qualified Residence Interest.

- Permanently extends the \$750,000 (\$375,000 for married individuals filing separately) limitation on acquisition indebtedness and the exclusion of interest on home-equity indebtedness and includes certain mortgage insurance premiums as qualified residence interest.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.8 billion revenue loss.

Senate Section 70109. Extension and Modification of Limitation on Casualty Loss Deduction.

- Makes permanent the limitation on personal casualty losses, which limits losses attributable to presidential and state declared disasters, to the sum of the individual's personal casualty gains plus the amount by which the aggregate net disaster-related losses exceed 10% of the individual taxpayer's adjusted gross income. All other personal casualty losses are deductible only to the extent that the losses do not exceed the individual's personal casualty gains.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$754 million revenue loss

Senate Section 70110. Termination of Miscellaneous Itemized Deductions Other Than Educator Expenses.

- Makes permanent the temporary repeal of miscellaneous itemized deductions enacted by the TCJA, disallowing deductions such as investment expenses, legal fees and unreimbursed employee business expenses, which prior to TCJA were deductible to the extent they exceeded 2% of a taxpayer's adjusted gross income.
- Creates an exception for educator expenses.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$200 million revenue loss.

Senate Section 70111. Limitation on Tax Benefit of Itemized Deductions.

- Makes permanent the repeal of overall limitations on itemized deductions—the so-called “Pease limitation”—for taxable years after Dec. 31, 2025, which, prior to TCJA, generally limited the deduction to 80% of the amount of the taxpayer's itemized deductions otherwise allowable for that year.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$34.4 billion revenue gain.

Senate Section 70112. Extension and Modification of Qualified Transportation Fringe Benefits.

- Permanently removes the bicycle benefit from Code Sections 132(f) and 274(l), terminating the exclusion from gross income that was allowed prior to the TCJA for certain bicycle commuting expenses.
- Alters the inflation adjustment for the exclusion limits on the remaining qualified transportation fringe benefits (i.e., commuter van transportation, transit passes, and qualified parking), effectively increasing the inflation adjustment with respect to qualified transportation fringes for taxable years beginning after 2025.
- Revenue estimate: \$2.1 billion revenue loss.

Senate Section 70113. Extension and Modification of Limitation on Deduction and Exclusion for Moving Expenses.

- Makes permanent the repeal of the deduction for moving expenses, except in the case of a member of the Armed Forces (or their spouse or child) and members of the intelligence community.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$852 million revenue loss.

Senate Section 70114. Extension and Modification of Limitation on Wagering Losses.

- Makes permanent the rule that losses from wagering transactions by professional gamblers includes any deduction otherwise allowable under Chapter 1 of the Code incurred on any wagering transaction.
- Limits the deduction of wagering losses for professional and non-professional gamblers by allowing only 90% of wagering transactions to be claimed but still limited to wagering gains.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.1 billion revenue gain.

Senate Section 70115. Extension and Enhancement of Increased Limitation on Contributions to ABLE Accounts.

- Makes permanent and enhances changes made to ABLE account contribution limits by the TCJA.
- Links the annual contribution limit to the estate and gift tax exclusion amount and effectively increases the limit for ABLE account contributions by shifting the inflation adjustment base year from 1996 to 1997.
- Makes the additional contribution allowance for working beneficiaries (up to poverty line) permanent beyond 2025. To qualify, neither the working beneficiary nor their employer may contribute to a defined contribution plan (e.g., a 401(k) plan). The additional contribution amount is equal to the lesser of the beneficiary's compensation included in gross income or an amount equal to the poverty line for a one-person household for the preceding calendar year.
- Effective for contributions made after Dec. 31, 2025.
- Revenue estimate: Less than \$500,000 revenue loss (includes the score for Sec. 70117).

Senate Section 70116. Extension of Savers Credit Allowed for ABLE Contributions.

- Makes permanent the current Saver's Credit allowed for ABLE account contributions made by the account beneficiary.
- Repeals the Saver's Match program enacted by the SECURE 2.0 Act of 2022 that was set to replace the current Saver's Credit starting in 2027.
- Starting on Jan. 1, 2027, limits eligible contributions for purposes of the Saver's Credit to ABLE account contributions made by the beneficiary during the taxable year.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: Less than \$500,000 revenue loss.

Senate Section 70117. Extension of Rollovers from Qualified Tuition Programs to ABLE Accounts Permitted.

- Makes permanent nontaxable rollovers from qualified tuition programs—“529 accounts”—to ABLE accounts, if (1) the rollover is completed within 60 days; (2) the ABLE account beneficiary is either the 529 account beneficiary or a member of the 529 account beneficiary’s family; and (3) the rollover amount does not, when added to all other contributions to the ABLE account in the taxable year, exceed the annual gift tax exclusion.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: Less than \$500,000 revenue loss.

Senate Section 70118. Extension of Treatment of Certain Individuals Performing Services in the Sinai Peninsula and Enhancement to Include Additional Areas.

- Permanently treats a qualified hazardous duty area in the same manner as a combat zone for purposes of determining eligibility for the certain tax benefits available to members of the Armed Forces.
- Modifies the definition of qualified hazardous duty area to include: (1) the Sinai Peninsula of Egypt if as of Dec. 22, 2017, any member of the Armed Forces of the United States is entitled to special pay under 37 U.S.C. Section 310 for duty subject to hostile fire or imminent danger for services performed in such location, and (2) Kenya, Mali, Burkina Faso and Chad if as of date of enactment, any member of the Armed Forces of the United States is entitled to special pay under 37 U.S.C. Section 310 for duty subject to hostile fire or imminent danger for services performed in such location.
- Effective for services performed on or after Dec. 31, 2025.
- Revenue estimate: \$4 million revenue loss.

Senate Section 70119. Extension and Modification of Exclusion from Gross Income of Student Loans Discharged on Account of Death or Disability.

- Restores the TCJA’s exclusion from gross income for forgiven student loans on account of the student’s death or permanent disability and requires the taxpayer to provide a Social Security number on the tax return in order to qualify.
- For discharges after Dec. 31, 2017, and before Jan. 1, 2026, the American Rescue Plan Act (ARPA) provided a temporary exclusion from gross income for amounts from the discharge of student loan or private education loan indebtedness. The ARPA provision was effective through the end of 2025. The ARPA provision applied to all forgiven student loan debt, not just on account of death or disability.
- Effective for discharges after Dec. 31, 2015.
- Revenue estimate: \$1 million revenue gain.

Senate Section 70120. Limitation on Individual Deductions for Certain State and Local Taxes, Etc. (SALT) and Addressing SALT Workarounds.

- Increases the cap on the SALT deduction to \$40,000 beginning in 2025 for taxpayers earning under \$500,000; \$40,400 for 2026 for taxpayers earning under \$505,000; and beginning after calendar year 2026 and before 2030, 101% of the cap for the previous year for taxpayers earning 101% of the threshold for the previous year.

- Phases down the cap for taxpayers over the threshold for taxable years 2025 through 2029 to a floor of \$10,000. For 2030 and years thereafter, the cap on SALT deductions reverts to \$10,000.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$142.4 billion revenue loss.

CHAPTER 2 – DELIVERING ON PRESIDENTIAL PRIORITIES TO PROVIDE NEW MIDDLE-CLASS TAX RELIEF

Senate Section 70201. No Tax on Tips.

- For tax years 2025 through 2028, creates an above-the-line “tip deduction” for “qualified tips” that an individual receives and are included on Form W-2s, 1099-Ks, or 1099-NECs (or reported by the taxpayer on Form 4137) and caps the tip deduction at \$25,000.
- Defines “qualified tips” as cash tips received in an occupation where tips are traditional and customary (as defined by the Treasury Department within 90 days of enactment) (“the occupation test”). Qualified tips must also meet several other requirements:
 - tips must be paid voluntarily, without any consequence in the event of nonpayment, not subject to negotiation, and determined by the payor;
 - the tip recipient cannot be in a specified trade or business (as defined in Sec. 199A(d)(2)); and
 - any other requirements established by the Treasury Secretary.
- Phases out the deduction for taxpayers with modified adjusted gross income exceeding \$150,000 (\$300,000 joint).
- Limits the ability of independent contractors and sole proprietors to claim the tip deduction to situations in which they received the payment: (1) in the course of a trade or business, (2) for services and direct sales, or (3) related to third-party settlement organizations. If the payment received falls into one of the above categories, it must also meet the following requirements:
 - the payment must be subject to the third-party reporting requirements (the threshold for which the bill also increases from \$600 to \$2,000);
 - there must be a separate accounting of the tip portion of the payment properly designated as a tip; and
 - the payee must meet the occupation test.
- Prevents a taxpayer receiving tips in the course of his or her own trade or business from claiming the tip deduction to generate losses by limiting the deduction to the amount that exceeds the sum of other deductions allocable to the trade or business.
- Requires the tip recipients to include their Social Security number on their tax return, as well as their spouse’s Social Security number, as applicable.
- Prohibits the amount of any tip deduction from being considered qualified business income.
- Adds “beauty services” to the list of businesses eligible for the FICA business tip credit, which allows businesses to deduct FICA taxes paid on tips exceeding the federal minimum wage, and defines beauty services to include barbering and hair care, nail care, esthetics and body and spa treatments.
- Effective for taxable years beginning after Dec. 31, 2024, through 2028.
- Revenue estimate: \$31.7 billion revenue loss.

Senate Section 70202. No Tax on Overtime.

- Creates an above-the-line deduction for overtime premium pay during taxable years 2025 through 2028.
- Defines qualified overtime compensation as overtime compensation paid to an individual that is required under law and is in excess of the regular rate at which the individual is employed.
- Limits the deduction to \$12,500 (\$25,000 for joint filers) for any taxable year.
- Phases out the deduction for those making more than \$150,000 (\$300,000 for joint filers) in modified adjusted gross income.
- Requires the individual to include a work-eligible Social Security number on his or her return to claim the deduction.
- Effective for taxable years beginning after Dec. 31, 2024, through 2028.
- Revenue estimate: \$89.6 billion revenue loss.

Senate Section 70203. No Tax on Car Loan Interest.

- Creates an above-the-line deduction of up to \$10,000 for qualified passenger vehicle loan interest during taxable years 2025 through 2028.
- Phases out the deduction when the taxpayer's modified adjusted gross income exceeds \$100,000.
- Requires the final assembly of a qualified passenger vehicle, among other requirements, to occur in the United States.
- Effective for indebtedness incurred after Dec. 31, 2024.
- Revenue estimate: \$30.6 billion revenue loss.

Senate Section 70204. Trump Accounts and Contribution Pilot Program.

- Establishes "Trump Accounts" to provide tax-advantaged savings accounts to children who are U.S. citizens under the age of 8 at the time the account is established.
- Allows contributions of up to \$5,000 per account per year, up to age 18, with the \$5,000 limit indexed for inflation.
- Prohibits distributions prior to age 18 without penalties. Beginning at age 18, account holders can access up to 50% of the balance for higher education, training, small business loans and first-time home purchases.
- Allows account holders at age 25 to withdraw the full balance for the above purposes.
- Requires the account to be terminated and deemed distributed when the account holder reaches age 31.
- Treats distributions for qualified purposes as long-term capital gains rather than as ordinary income.
- Permits contributions from tax-exempt entities such as private foundations in excess of the \$5,000 limit per year to beneficiaries up to age 18; must be provided to all beneficiaries within a qualified group (such as a state, specific school district or educational institution); and all beneficiaries must receive an equal portion of the contribution.
- Directs the federal government to make a one-time \$1,000 contribution per child to a Trump account for U.S. citizens born in 2025 through 2028.
- Allows the Treasury Department to establish the account for the child; but allows parents to opt out.

- Requires the child to be a U.S. citizen and both parents must provide work-eligible Social Security numbers.
- Subjects Trump accounts to the rules applicable to Individual Retirement Accounts.
- Requires Trump accounts to be invested in mutual funds or exchange traded funds that track a stock market index, such as the S&P 500 index, or any other index comprised of equity investments in U.S. companies.
- Precludes investments from using leverage and annual fees and expenses of more than 0.1%.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$15.2 billion revenue loss.

CHAPTER 3 – ESTABLISHING CERTAINTY AND COMPETITIVENESS FOR AMERICAN JOB CREATORS

Subchapter A – Permanent U.S. Business Tax Reforms and Boosting Domestic Investment

Senate Section 70301. Full Expensing for Certain Business Property.

- Makes permanent bonus depreciation allowing taxpayers to expense 100% of qualified property placed in service on or after Jan. 20, 2025, and to specified plants planted or grafted after such date.
- Revenue estimate: \$219.5 billion revenue loss.

Senate Section 70302. Full Expensing of Domestic Research and Experimental Expenditures.

- Permanently restores immediate deductibility of domestic research or experimental expenditures.
- Alternatively allows taxpayers to capitalize and recover research or experimental expenditures ratably over the useful life of the research (up to 60 months) or over 10 years beginning with the taxable year of the expenditure.
- Requires foreign research or experimental expenditures to continue to be amortized over 15 years.
- Permits taxpayers to recover domestic capitalized research or experimental expenditures upon disposition, retirement or abandonment; foreign capitalized research or experimental expenditures may only be recovered over the 15-year period when the property is disposed, retired or abandoned after the date of introduction (May 12, 2025).
- Requires taxpayers to reduce domestic research or experimental expenditures by the amount of any research credit under section 41; alternatively, the taxpayer may elect to claim a reduced research credit.
- Allows small businesses (e.g., businesses with gross receipts of less than \$31 million) to treat R&E expenditures as immediately deductible in taxable years beginning after Dec. 31, 2021.
- Permits businesses with remaining amortization deductions from R&E expenditures between 2022 and 2024 to elect to accelerate the deduction for such amounts over a one- or two-year period.
- Effective for amounts paid or incurred in taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$141.5 billion revenue loss.

Senate Section 70303. Modification of Limitation on Business Interest.

- Permanently reinstates the earnings before interest, taxes, depreciation and amortization (EBITDA) basis for determining the deductibility of business interest under section 163(j).
- Modifies the definition of “motor vehicle” for purposes of the special floor plan financing interest rules to include certain trailers and campers towed by, or affixed to, a motor vehicle.
- Adds ordering rules and other special rules for the treatment of capitalized interest.
- Excludes subpart F and global intangible low-taxed income (GILTI) (and associated gross-up amounts under section 78) from adjusted taxable income for purposes of determining the section 163(j) interest limitation.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$60.5 billion revenue loss.

Senate Section 70304. Extension and Enhancement of Paid Family and Medical Leave Credit.

- Permanently extends the credit for paid family and medical leave under Section 45S.
- Modifies the credit so that it can be claimed based on wages paid or based on premiums paid.
- Includes an aggregation rule for employers within the same controlled group treating them as a single employer, but allows eligible employers to receive the Section 45S credit even if another member of the controlled group pays paid leave under a state or locally mandated policy. Compensation is determined on an annualized basis but is calculated on a pro-rata basis for part-time employees.
- Removes the provisions for education outreach to the SBA Women’s Business Centers, Service Corps of Retired Executives and Veteran Business Outreach Centers, as well as targeted outreach to employers by the Treasury Department as part of regular IRS communications about Section 45S.
- Makes the credit available in all states and lowers the minimum employee work requirement from one year to six months.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$5.4 billion revenue loss.

Senate Section 70305. Exceptions from Limitation on Deduction for Business Meals.

- Amends the limitation on the deductibility of meals provided at convenience of an employer under Code section 274(o) to exclude expenses for goods or services (including the use of facilities) that are sold by the taxpayer in a *bona fide* transaction for full and adequate consideration.
- Expands the exception for food and beverages provided to crew members of a commercial vessel to include certain fishing facilities and fish processing facilities in Alaska.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- Revenue estimate: \$32.5 billion revenue gain.

Senate Section 70306. Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets.

- Increases the maximum amount a taxpayer may expense under Code section 179 to \$2.5 million and increases the phaseout threshold amount to \$4 million, each amount indexed for inflation after 2025.
- Effective for property placed in service in taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$24.8 billion revenue loss.

Senate Section 70307. Special Depreciation Allowance for Qualified Production Property.

- Allows taxpayers to elect to expense 100% of the cost of qualified production property.
- Requires qualifying property to be nonresidential real property used as an integral part of the manufacturing, production or refining of tangible personal property, and placed in service in the United States or a U.S. territory. Original use of the property must begin with the taxpayer.
- Requires construction of the property to begin after Jan. 19, 2025, and before Jan. 1, 2029, and the property must be placed in service after the date of enactment and before Jan. 1, 2031.
- Excludes facilities preparing food and beverages sold at retail.
- Treats existing property acquired after Jan. 19, 2025, and before Jan. 1, 2029, as satisfying the construction and original use requirements if the acquired property was not used in a qualified production activity by any person at any time between Jan. 1, 2021, and May 12, 2025.
- Excludes from expensing any portion of the property used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities or other functions unrelated to manufacturing, production or refining of tangible personal property.
- Applies recapture rules if the use of the property changes within 10 years after being placed in service.
- Effective for property placed in service after the date of enactment.
- Revenue estimate: \$141.4 billion revenue loss.

Senate Section 70308. Enhancement of Advanced Manufacturing Investment Credit.

- Increases the credit from 25% to 35% for qualified investments in new buildings, facilities and other depreciable tangible property integral to the operation of a facility to manufacture semiconductors or semiconductor manufacturing equipment by an eligible taxpayer.
- Applies to eligible qualified property placed in service after Dec. 31, 2025.
- Revenue estimate: \$14.9 billion revenue loss.

Senate Section 70309. Spaceports are treated like airports under exempt facility bond rules.

- Treats spaceports like airports for purposes of tax-exempt bond financing rules.
- Defines spaceports to include related facilities located at or in close proximity to a launch site or reentry site.
- Allows manufacturing facilities and industrial parks to be treated as part of a spaceport.
- Provides that a qualified facility is not required to be available for public use.
- Allows spaceport to be located on land leased by a governmental unit from the United States.
- Allows payment of rent, user fees or other charges by the United States (or agency or instrumentality thereof) in exchange for use of the spaceport.

- Revenue estimate: \$1 billion revenue loss.

Subchapter B – Permanent America-First International Tax Reforms

Part I – Foreign Tax Credit

Senate Section 70311. Rules for Allocation of Certain Deductions to Foreign Source “Net CFC Tested Income” (formerly known as Global Intangible Low-Taxed Income) for Purposes of Foreign Tax Credit Limitation.

- Limits the deduction of a U.S. shareholder for purposes of determining the foreign tax credit limitation applicable to Net CFC Tested income (formerly the global intangible low-taxed income (GILTI) category) to any deduction allowed under Code section 250(a)(1)(B). This includes taxes allowed with respect to such amounts and any deduction directly allocable to Net CFC Tested Income while excluding interest expense and research and experimental expenses attributable to such income.
- Requires any amount or deduction apportioned to such income to be allocated or apportioned only to income from sources within the United States.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$29.7 billion revenue loss.

Senate Section 70312. Modifications to Determination of Deemed Paid Credit for Taxes Properly Attributable to Tested Income.

- Increases the deemed paid credit for Net CFC Tested Income to 90% (currently 80%) of the corporation’s foreign taxes paid or accrued on the tested income. With respect to distributions of previously taxed Net CFC Tested Income made after June 28, 2025, no foreign tax credit is allowed for 10% of the foreign tax paid, accrued or deemed paid with respect to such income.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$24.7 billion revenue loss.

Senate Section 70313. Sourcing Certain Income from the Sale of Inventory Produced in the United States.

- Amends Code section 904(b) to limit the amount of foreign-source taxable income from the sale or exchange of inventory produced in the United States for use outside the United States to 50% of the total taxable income from the sale or exchange of such inventory.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.4 billion revenue loss.

Part II – Foreign-Derived Deduction Eligible Income (formerly known as Foreign-Derived Intangible Income) and Net CFC Tested Income (formerly known as Global Intangible Low-Taxed Income)

Senate Section 70321. Modification of Deduction for Foreign-Derived Deduction Eligible Income and Net CFC Tested Income.

- Reduces the global intangible low-taxed income (GILTI) deduction from 50% to 40%, and makes the provision permanent, resulting in a 14% effective tax rate when coupled with the change in the deemed paid tax credit.
- Reduces the Foreign-Derived Intangible Income (FDII) deduction from 37.5% to 33.34% for exports of domestically produced goods.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$55 billion revenue gain.

Senate Section 70322. Determination of Deduction Eligible Income.

- Modifies the definition of deduction eligible income (DEI) for purposes of determining a corporation's DEI as follows:
 - DEI does not include any gain from the sale or disposition of intangible property enumerated in Code section 367(d)(4) and any other property of a type subject to depreciation, amortization or depletion from sales or distributions occurring after June 16, 2025.
 - For taxable years beginning after Dec. 31, 2025, DEI is reduced by expenses and deductions (other than interest and research and experimental expenditures) directly related to such income.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$7.6 billion revenue loss.

Senate Section 70323. Rules Related to Deemed Intangible Income.

- Eliminates the deemed tax income return deduction (DTIR) under the foreign-derived intangible income (FDII) rules and the net deemed tangible income return deduction (NDTIR) under the global intangible low-taxed income (GILTI) rules.
- Renames FDII as foreign-derived deduction eligible income (FDDEI) as a result of the elimination of DTIR and NDTIR, and renames GILTI as net CFC tested income.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.6 billion revenue loss.

Part III – Base Erosion Minimum Tax

Senate Section 70331. Modifications to Base Erosion Minimum Tax.

- Permanently increases the Base Erosion Minimum Tax (BEAT) tax rate to 10.5%.
- Makes permanent the treatment of certain tax credits under the BEAT rules.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2 billion revenue gain.

Part IV – Business Interest Limitation

Senate Section 70341. Coordination of Business Interest Limitation with Interest Capitalization Provisions.

- Requires the business-interest limitation under Code section 163(j) to be calculated prior to the application of any interest capitalization provision.
- Excludes interest that is capitalized under Code sections 263(g) or 263A(f) from the definition of business interest for purposes of the business-interest limitation.

- Applies business-interest deductions allowed first to amounts that would be capitalized and the remainder, if any, to amounts that would be deducted.
- Excludes application of interest-capitalization provisions to any business interest carried forward.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$11.6 billion revenue gain.

Senate Section 70342. Definition of Adjusted Taxable Income for Business Interest Limitation.

- Excludes subpart F and global intangible low-taxed income (GILTI) inclusions and the associated Section 78 gross-up amounts, as well as amounts determined under Code sections 956 and 245(a), from Applicable Taxable Income for purposes of determining the business-interest limitation.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$10.2 billion revenue gain.

Part V – Other International Tax Reforms

Senate Section 70351. Permanent Extension of Look-Thru Rule for Controlled Foreign Corporations.

- Excludes subpart F and global intangible low-taxed income (GILTI) inclusions and the associated Section 78 gross-up amounts, as well as amounts determined under Code sections 956 and 245(a), from Applicable Taxable Income for purposes of determining the business-interest limitation.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$9.7 billion revenue loss.

Senate Section 70352. Repeal of Election for One-Month Deferral in Determination of Taxable Year of Specified Foreign Corporations.

- Repeals the election for a one-month deferral year for specified foreign corporation requiring such corporation to use the taxable year of its majority U.S. shareholder as its taxable year.
- Effective for taxable years beginning after Nov. 30, 2025.
- Revenue estimate: \$785 million revenue gain

Senate Section 70353. Restoration of Limitation on Downward Attribution of Stock Ownership in Applying Constructive Ownership Rules.

- Restores the limitation on downward attribution of stock ownership of former Code section 958(b)(4) when applying the constructive ownership rules.
- Adds new Code section 951B to allow downward attribution from a foreign person in cases where a U.S. shareholder owns more than 50% of the stock of the foreign corporation and downward attribution would apply absent the provision of Code section 958(b)(4).
- Provides limited regulatory authority to the Treasury Secretary for guidance that treats a foreign-controlled U.S. shareholder or a foreign-controlled foreign corporation as a U.S. shareholder or as a controlled foreign corporation, as well as to provide guidance with respect to the treatment of passive foreign investment companies.

- Effective for taxable years of foreign corporations beginning after Dec. 31, 2025, and to taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end.
- Revenue estimate: \$3.4 billion revenue loss.

Senate Section 70354. Modifications to Pro Rata Share Rules.

- Provides that if a foreign corporation is a CFC at any time during the year, each U.S. shareholder must include its pro-rata share of the corporation's Subpart F income and each U.S. shareholder that owns stock in the CFC on the last day of the year must include its pro-rata share of the amount computed under Code section 956 relating to investment in earnings of U.S. property.
- Includes a transition rule for dividends paid or deemed paid with respect to dividends paid on or before June 28, 2025, to the extent that the U.S. shareholder did not own such CFC during the taxable year on or before such date, or the dividend was paid or deemed paid after June 28, 2025, and before the CFC's first taxable year beginning after Dec. 31, 2025.
- Effective for taxable years of foreign corporations beginning after Dec. 31, 2025, and to taxable years of U.S. shareholders in which or with which such taxable years of foreign corporations end.
- Revenue estimate: \$16.3 billion revenue gain.

CHAPTER 4 – INVESTING IN AMERICAN FAMILIES, COMMUNITIES, AND SMALL BUSINESSES

Subchapter A – Permanent Investments in Families and Children

Senate Section 70401. Enhancement of Employer-Provided Child Care Credit.

- Increases the employer-provided child care credit to 40% of qualified child care expenditures (50% for eligible small businesses) in addition to maintaining the 10% credit for qualified referral expenses.
- Increases the total credit limit to \$500,000 (\$600,000 for small businesses), adjusted for inflation after 2026.
- Defines small business as those with gross receipts not exceeding \$31 million (adjusted for inflation after 2025) based on the five-year period preceding the taxable year.
- Expands the definition of qualified child care expenditures to include amounts paid or incurred under a contract with a third-party that contracts with one or more qualified child care facilities to provide child care services. In addition, the definition of qualified child care facilities is expanded to allow for qualified child care facilities that are jointly owned or operated by the taxpayer and other entities or persons.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- Revenue estimate: \$731 million revenue loss.

Senate Section 70402. Enhancement of Adoption Credit.

- Treats up to \$5,000 of the adoption tax credit (\$17,280 for 2025) as refundable, with the refundable amount indexed for inflation starting in 2026.

- Caps the five-year carryforward of unused adoption credits at the nonrefundable portion (e.g., \$12,280 in 2025).
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2.3 billion revenue loss.

Senate Section 70403. Recognizing Indian Tribal Governments for Purposes of Determining Whether a Child Has Special Needs for Purposes of the Adoption Credit.

- Provides an Indian tribal government the same authority as a state for purposes of determining whether a child has “special needs” for purposes of the adoption tax credit.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$1 million revenue loss.

Senate Section 70404. Enhancement of the Dependent Care Assistance Program.

- Increases the maximum tax-free dependent care assistance contribution limits from \$2,500 for individuals (\$5,000 for married couples) to \$3,750 for individuals and \$7,500 for married couples.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6 billion revenue loss.

Senate Section 70405. Enhancement of Child and Dependent Care Tax Credit.

- Increases the top dependent care credit rate from 35% to 50%, while the base rate remains at 20%. The \$15,000 income phaseout threshold remains unchanged; for every \$2,000 in adjusted gross income (AGI) above this amount, the credit rate decreases by 1 percentage point.
- Applies the 35% credit rate to individuals with AGI between \$43,000 and \$75,000.
- Reduces the credit rate for individuals with AGI above \$75,000 from 35% to 20%, decreasing by 1 percentage point for each additional \$2,000 in AGI. The credit rate plateaus at 20% for individuals with AGI over \$105,000. Individuals with AGI over \$105,000 do not receive an increased credit rate.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$9.3 billion revenue loss.

Subchapter B – Permanent Investments in Students and Reforms to Tax-Exempt Institutions

Senate Section 70411. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations.

- Creates a new permanent 100% tax credit of up to \$1,700 for individual taxpayers who make qualified contributions to a scholarship granting organization (as defined in the statute).
- Does not impose a cap on the nationwide amount of credit dollars available.
- Delays implementation to taxable years beginning after 2027 to allow for program development.
- Revenue estimate: \$26 billion revenue loss.

Senate Section 70412. Exclusion for Employer Payments of Student Loans.

- Makes permanent the exclusion for employer payments of qualified education loans by repealing the requirement that a student loan payment must be made before Jan. 1, 2026, to qualify as educational assistance.
- Adjusts for inflation the \$5,250 maximum amount employers may exclude from an employee's wages annually for educational assistance provided by the employer to the employee in taxable years beginning after 2026.
- Effective for payments made after Dec. 31, 2025.
- Revenue estimate: \$11.2 billion revenue loss.

Senate Section 70413. Additional Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts.

- Expands qualified higher education expenses to include curriculum and curricular materials, books or other instructional materials, online educational materials, tuition for certain tutoring or educational classes outside of the home, fees for certain tests, fees for dual enrollment in an institution of higher education, and certain educational therapies for students with disabilities incurred while enrolled in an elementary or secondary public school or in a private or religious school.
- Increases the limitation on expenditures for elementary or secondary public, private or religious schools from \$10,000 to \$20,000 for taxable years beginning after Dec. 31, 2025.
- Effective for distributions made after the date of enactment.
- Revenue estimate: \$997 million revenue loss.

Senate Section 70414. Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts.

- Expands qualified higher education expenses to include expenses incurred in attending a postsecondary credential program that awards postsecondary employment credentials, including a postsecondary employment credential that is industry recognized, an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act, any occupational or professional license issued or recognized by a state or the federal government, and any recognized postsecondary credential as defined under section 3 of the Workforce Innovation and Opportunity Act.
- Effective for distributions made after the date of enactment.
- Revenue estimate: \$997 million revenue loss.

Senate Section 70415. Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities.

- Revises the excise tax on applicable educational institutions with a new rate structure under which the amount of tax imposed is equal to:
 - 1.4% of net investment income if the student-adjusted endowment is over \$500,000 and not in excess of \$750,000;
 - 4% of net investment income if the student-adjusted endowment is over \$750,000 and not in excess of \$2 million; and

- 8% of net investment income if the student-adjusted endowment is over \$2 million.
- Creates an exemption for colleges that have less than 3,000 tuition-paying students.
- Amends the definition of student-adjusted endowment to the aggregate fair market value of the assets of such institution (determined as of the end of the preceding taxable year), other than those assets that are used directly in carrying out the institution's exempt purpose, divided by the number of students enrolled in the institution.
- Amends the definition of net investment income, overriding certain regulatory exceptions under current law. Specifically:
 - Net investment income now includes any interest income from a student loan made by the applicable educational institution or related organization as gross investment income.
 - Net investment income includes any federally subsidized royalty income (FSRI) as gross investment income. FSRI is defined as any otherwise-regulatory-exempt royalty income if any federal funds were used in the research, development or creation of the patent, copyright or other intellectual or intangible property from which such royalty income is derived.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$761 million revenue gain.

Senate Section 70416. Expanding Application of Tax on Excess Compensation Within Tax-Exempt Organizations.

- Expands the definition of "covered employee" to any employee (including any former employee) of an applicable tax-exempt organization, eliminating the current limitation of the excise tax to (1) the five highest compensated employees in the taxable year and (2) covered employees in any other taxable year after 2016.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.8 billion revenue gain.

Subchapter C – Permanent Investments in Community Development

Senate Section 70421. Permanent Renewal and Enhancement of Opportunity Zones.

- Permanently extends Opportunity Zones by allowing for the designation of additional qualified Opportunity Zones.
- Provides for rolling five-year zone designations, rolling deferrals of gain invested from the date of investment and step-up in basis for investments held for five years.
- Requires additional qualified Opportunity Zone census tracts to have a poverty rate of at least 20% or median family income that does not exceed 70% of the greater of metropolitan area median family income or statewide median family income (for a nonmetropolitan census tract, the median family income does not exceed 70% of statewide median family income).
- Excludes higher-income contiguous census tracts from eligibility for designation.
- Provides investments in a rural qualified opportunity fund with a 30% step-up in basis when held at least five years, and the substantial improvement threshold of the existing structure is reduced to 50% in rural areas.
- Provides reporting requirements for Opportunity Zones.

- Effective for the designation of additional qualified Opportunity Zones for amounts invested after the date of enactment; information and data reporting requirements are effective for taxable years beginning after the date of enactment.
- Requires the first round of Opportunity Zones available under the permanent policy to begin on Jan. 1, 2027.
- Revenue estimate: \$32.2 billion revenue gain.

Senate Section 70422. Permanent Enhancement of Low-Income Housing Tax Credit.

- Increases and makes permanent the state housing credit ceiling by multiplying the dollar amount for that year by 1.125.
- Modifies the tax-exempt bond financing requirement to permit a building to receive a 4% credit without receiving a credit allocation if at least 25% (rather than 50%) of the aggregate basis of the building is financed with one or more qualified obligations. A qualified obligation is generally a tax-exempt bond issued after Dec. 31, 2025, before Jan. 1, 2030, and provides the financing for at least 5% of the aggregate basis of the building and the land on which the building is located.
- The increase in state housing ceiling amounts is effective for calendar years after 2025. The modification of the tax-exempt bond financing requirement and the temporary inclusion of Indian areas and rural areas as difficult development areas is effective for buildings placed in service in taxable years beginning after Dec. 31, 2025 (in the case of a building with respect to which any expenditures are treated as a separate new building under section 42(e), both the existing building and the separate new building are treated as having been placed in service on the date the expenditures are treated as placed in service under section 42(e)(4)).
- Effective for calendar years beginning after Dec. 31, 2025, and buildings placed in service in taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$15.7 billion revenue loss.

Senate Section 70423. Permanent Extension of the New Markets Tax Credit.

- Makes permanent the New Markets Tax Credit (\$5 billion per year), which would otherwise expire after Dec. 31, 2025.
- Unused allocations can only be carried up to 5 years after the year they were originally allocated.
- Effective for calendar years beginning after Dec. 31, 2025.
- Revenue estimate: \$5.2 billion revenue loss.

Senate Section 70424. Permanent Deduction for Charitable Contributions Made by Individuals Who Do Not Elect to Itemize.

- Creates a permanent above-the-line deduction for charitable contributions for taxpayers who claim the standard deduction.
- Limits the deduction to \$1,000 for single filers and \$2,000 for joint filers.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$73.7 billion revenue loss.

Senate Section 70425. 0.5% Floor on Deduction of Charitable Contributions Made by Individuals Who Elect to Itemize.

- Allows a charitable deduction for contributions made by individuals who elect to itemize only to the extent that aggregate contributions exceed 0.5% of the taxpayer's contribution base.
- Permits contributions disallowed under the 0.5% floor to be carried forward only from years in which the taxpayer exceeds the limit.
- Makes permanent the increased 60% contribution limit for cash gifts to certain qualified charitable organizations.
- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$64.9 billion revenue gain.

Senate Section 70426. 1% Floor on Deduction of Charitable Contributions Made by Corporations.

- Allows corporations to deduct charitable contributions only to the extent that aggregate contributions exceed 1% of taxable income and do not exceed 10% of the corporation's taxable income, with contributions in excess of the 10% limit carried forward for five years.
- Permits contributions disallowed under the 1% floor to be carried forward only from years in which the taxpayer's contributions exceed the 10% limit.
- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$16.6 billion revenue gain.

Senate Section 70427. Permanent Increase in Limitation on Cover Over of Tax on Distilled Spirits.

- Permanently extends the increased limit on cover over amounts paid to Puerto Rico or the U.S. Virgin Islands per proof gallon of spirits manufactured in those U.S. territories and sold in the United States from \$10.50 to \$13.25.
- Applies to all spirits manufactured in Puerto Rico or the U.S. Virgin Islands and imported into the United States after Dec. 31, 2025.
- Revenue estimate: \$2 billion revenue loss.

Senate Section 70428. Nonprofit Community Development Activities in Remote Native Villages.

- Allows the existing nonprofit corporations included in the Western Alaska Community Development Quota Program to exclude from tax any gain or income derived from a trade or business that is substantially related to participation or investment in fisheries, including harvesting, processing, transportation, sales and marketing of fish and fish products of the Bering Sea and Aleutian Islands statistical and reporting areas.
- Expands the exemption to the assets and income of any wholly owned subsidiary whose activities are substantially related to participation or investment in fisheries if the assets (including the liquidation of a subsidiary) are transferred not later than 18 months after the date of enactment.
- Effective as of the date of enactment and for so long as the Magnuson-Stevens Fishery Conservation and Management Act remains in effect.
- Revenue estimate: \$3 million revenue loss.

Senate Section 70429. Adjustment of Charitable Deduction for Certain Expenses Incurred in Support of Native Alaskan Subsistence Whaling.

- Increases the cap on deductions available to individuals recognized by the Alaska Eskimo Whaling Commission as a whaling captain who maintain and carry out sanctioned whaling activities from \$10,000 to \$50,000.
- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$5 million revenue loss.

Senate Section 70430. Exception to Percentage of Completion Method of Accounting for Certain Residential Construction Contracts.

- Modifies the percentage of completion method of accounting by creating an exception for “residential construction contracts” and extending the construction contract period from two years to three years.
- Effective for taxable years beginning after the date of enactment.
- Revenue estimate: \$2.1 billion revenue loss.

Subchapter D – Permanent Investments in Small Business and Rural America

Senate Section 70431. Expansion of Qualified Small Business Stock Gain Exclusion.

- Modifies the current exclusion of gain on qualified small business stock (QSBS) under Code section 1202 to be based on a tiered gain exclusion applicable to QSBS acquired after the date of enactment, allowing non-corporate taxpayers to exclude 50% of gain from income after holding the QSBS for three years, 75% after holding for four years and 100% after holding for five years.
- Increases the per-issuer dollar cap to \$15 million for shares acquired after the date of enactment, with the increased cap indexed for inflation starting in 2027.
- Increases the corporate-level aggregate-asset ceiling to \$75 million, which also is indexed for inflation starting in 2027.
- Effective for stock issued or acquired on, and taxable years beginning after, the date of enactment.
- Revenue estimate: \$17.2 billion revenue loss.

Senate Section 70432. Repeal of Revision to De Minimis Rules for Third-Party Network Transactions.

- Amends Code section 6050W to require a third-party settlement organization (e.g., PayPal, Venmo and credit card companies) to provide information returns (i.e., Form 1099-K) to participating payees when the amount of reportable payment transactions exceeds *both* \$20,000 and 200 aggregate transactions (previously \$600 and no transaction minimum).
- Amends Code section 3406 correspondingly to increase the backup withholding thresholds but provides an exception if there were reportable payments in settlement of third-party network transactions in the prior calendar year.
- Section 6050W modifications are effective as if included in the American Rescue Plan Act of 2021 (Pub. Law 117-2), and the Section 3406 modifications are effective for calendar years beginning after Dec. 31, 2024.
- Revenue estimate: \$8.9 billion revenue loss.

Senate Section 70433. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees.

- Amends Code sections 6041 and 6041A to increase the threshold for which certain information returns (e.g., Forms 1099-MISC and 1099-NEC) are required to be filed for payments to certain service providers (e.g., independent contractors), from an aggregate of \$600 to \$2,000 (indexed for inflation for calendar years after 2026).
- Amends Section 3406 to make a conforming increase to the backup withholding thresholds.
- Effective for payments made after Dec. 31, 2025.
- Revenue estimate: \$4.2 billion revenue loss.

Senate Section 70434. Treatment of Certain Qualified Sound Recording Productions.

- Allows qualified sound recording productions, including film, television and theatre productions to expense up to \$150,000 in costs per taxable year under Code section 181, and defines a “qualified sound recording production” as a sound recording produced in the United States.
- Allows qualified sound recording productions to be eligible for bonus depreciation.
- Effective for production commencing in taxable years beginning after the date of enactment.
- Revenue estimate: \$153 million revenue loss.

Senate Section 70435. Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property.

- Excludes from gross income 25% of interest income derived from qualified real-estate loans from banks insured under the Federal Deposit Insurance Act, domestic entities owned by a bank holding company, state or federally regulated insurance companies, domestic entities owned by a state law insurance holding company, and the Federal Agricultural Mortgage Corporation (Farmer Mac).
- Specifies that qualified real-estate loans are the following types of original loans made after the date of enactment to a person other than a specified foreign entity:
 - loans secured by domestic real property that is substantially used to produce agricultural products (e.g., farms and ranches) or a leasehold mortgage on such property;
 - loans secured by domestic real property that is substantially used in the trade or business of fishing or seafood processing or a leasehold mortgage on such property; and
 - loans secured by any domestic aquaculture facility or a leasehold mortgage on such facility.
- Treats 25% of qualified real-estate loans as tax-exempt obligations for purposes of disallowing interest deductions on indebtedness incurred by qualified lenders to purchase or carry such loans under Code section 265.
- Requires original debt to be incurred in taxable years ending after the date of enactment.
- Excludes refinancings of loans made on or before the date of enactment.
- Effective for taxable years beginning after the date of enactment.
- Revenue estimate: \$2 billion revenue loss.

Senate Section 70436. Elimination of Tax on Certain Devices Under the National Firearms Act.

- Reduces to \$0 the transfer tax on firearm silencers, short-barreled rifles and short-barreled shotguns (other than machine guns or destructive devices) under Code sections 5811 and 5821.

- Effective for calendar quarters beginning more than 90 days after the date of enactment.
Revenue estimate: \$1.7 billion revenue loss.

Senate Section 70437. Treatment of capital gains from the sale of certain farmland property.

- Allows a taxpayer to pay tax on any gain from the sale or exchange of qualified farmland to a qualified farmer in four equal annual installments.
- Requires acceleration of unpaid installments upon certain conditions: in the case of an individual, if the individual dies; in the case of a C corporation, trust or estate, if a liquidation, sale of substantially all of the assets or a cessation of business occurs.
- Provides that in the case of a partnership or S corporation, the election is made at the partner or shareholder level.
- Defines qualified farmer as any individual who is actively engaged in farming.
- Defines qualified farmland property as real property located in the United States, which:
 - Has been used by a taxpayer for farming purposes or leased to a qualified farmer for substantially all of the 10-year period prior to the sale or exchange for farming purposes, and
 - The use of which is restricted to farming purposes for 10 years after the date of sale.
- Effective for sales or exchanges in taxable years beginning after the date of enactment.
- Revenue estimate: \$7.3 billion revenue loss.

Senate Section 70438. Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses.

- Allows taxpayers to claim disaster-related personal casualty losses, without having to itemize, beyond the current expiration date of Feb. 10, 2025, through 30 days after date of enactment.
- Revenue estimate: \$58 million revenue loss.

Senate Section 70439. Restoration of Taxable REIT Subsidiary Asset Test.

- Increases the percentage of a real estate investment trust's total assets that may be held in a taxable Real Estate Investment Trust (REIT) subsidiary from 20% to 25%.
- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.2 billion revenue loss.

CHAPTER 5 – ENDING GREEN NEW DEAL SPENDING, PROMOTING AMERICA-FIRST ENERGY AND OTHER REFORMS

Subchapter A – Termination of Green New Deal Subsidies

Senate Section 70501. Termination of Previously Owned Clean Vehicle Credit.

- Terminates the credit under Code section 25E for previously owned vehicles acquired after Sept. 30, 2025, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$7.4 billion revenue gain.

Senate Section 70502. Termination of Clean Vehicle Credit.

- Terminates the clean vehicle credit under Code section 30D for any qualifying vehicle acquired after Sept. 30, 2025, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$77.8 billion revenue gain.

Senate Section 70503. Termination of Qualified Commercial Clean Vehicles Credit.

- Terminates the credit for qualified commercial clean vehicles under Code section 45W for any vehicle acquired after Sept. 30, 2025, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$104.5 billion revenue gain.

Senate Section 70504. Termination of Alternative Fuel Vehicle Refueling Property Credit.

- Terminates the credit for qualified alternative fuel vehicle refueling property under Code section 30C for property placed in service after June 30, 2026, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$2 billion revenue gain.

Senate Section 70505. Termination of Energy Efficient Home Improvement Credit.

- Terminates the credit for qualified energy efficiency improvements, residential energy property expenditures and the amount paid for home energy audits under Code section 25C for property placed in service after Dec. 31, 2025, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$21.2 billion revenue gain.

Senate Section 70506. Termination of Residential Clean Energy Credit.

- Terminates the residential clean energy credit under Code section 25D with respect to any expenditures made after Dec. 31, 2025, previously scheduled to expire after Dec. 31, 2034.
- Revenue estimate: \$77.4 billion revenue gain.

Senate Section 70507. Termination of Energy Efficient Commercial Buildings Deduction.

- Terminates the deduction for energy efficient commercial buildings under Code section 179D with respect to property, the construction of which begins after June 30, 2026.
- Revenue estimate: \$134 million revenue gain.

Senate Section 70508. Termination of New Energy Efficient Home Credit.

- Terminates the new energy efficient home credit under Code section 45L for qualifying homes sold after June 30, 2026, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$5.4 billion revenue gain.

Senate Section 70509. Termination of Cost Recovery for Energy Property.

- Terminates the five-year accelerated cost recovery under Code section 168 for energy property (described under Code section 48(a)(3)(A)), the construction of which begins after Dec. 31, 2024.
- Revenue estimate: \$324 million revenue gain.

Senate Section 70510. Modifications of Zero-Emission Nuclear Power Production Credit.

- Disallows the Code section 45U credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity (without regard to Code section 7701(a)(51)(D)(i)(II)).
- Revenue estimate: Negligible revenue effect.

Senate Section 70511. Termination of Clean Hydrogen Production Credit.

- Repeals the credit for a qualified clean hydrogen production facility for facilities that do not begin construction before Jan. 1, 2028, previously scheduled to expire after Dec. 31, 2032.
- Revenue estimate: \$5.9 billion revenue gain.

Senate Section 70512. Termination and Restrictions on Clean Electricity Production Credit.

- Terminates the clean electricity production credit under Code section 45Y for projects beginning construction after 2035, phasing the credit out after 2033.
- Terminates the credit for wind and solar facilities placed in service after Dec. 31, 2027, effective for facilities that begin construction more than 12 months after the date of enactment.
- Disallows the credit with respect to a small wind energy property or solar water heating property if the taxpayer rents or leases the property to a third party during the taxable year.
- For credits other than the clean electricity investment credit under Code section 48E, expands the definition of “energy community” to include advanced nuclear facilities placed in service in a metropolitan statistical area that has (or, at any time after Dec. 31, 2009, had) 0.17% or greater direct employment advancing nuclear power.
- Establishes new restrictions relating to prohibited foreign entities (PFE), which are broadly applicable to the energy credits, including Code section 45Y. PFEs include specified foreign entities (SFE) and foreign-influenced entities (FIE).
 - Whether a taxpayer is an SFE or a FIE is generally determined as of the last day of the applicable taxable year. However, for the first taxable year after the date of enactment, the determination is made as of the first day of such taxable year.
 - The term “specified foreign entity” generally refers to various types of foreign entities that are related to or controlled by foreign adversary nations (i.e., China, Russia, North Korea and Iran), as well as foreign-controlled entities.
 - The term “foreign-controlled entity” generally refers to certain foreign nations and governments and entities that are controlled by them.
 - The term “foreign-influenced entity” generally refers to an entity with respect to which one or more specified foreign entities have certain characteristics evidencing effective control, such as certain ownership percentages, rights to appoint board members or officers and certain contractual arrangements. The Treasury Secretary is directed to issue guidance, but until such time, the provision lists a variety of contractual rights that each constitute effective control.

- In determining whether a taxpayer is a FIE under the effective control rules, a taxpayer is not subject to effective control pursuant to a contractual provision provided that the agreement was entered into (or modified) before the date of enactment.
- Disallows the credit for any taxable year in which the taxpayer is treated as a PFE.
- Prohibits transferring credits under Code sections 45Q, 45U, 45X, 45Y, 45Z and 48E to SFEs.
- Establishes new restrictions on material assistance from PFEs, which are broadly applicable to the energy credits, including Code section 45Y.
- For purposes of determining whether material assistance is provided by a PFE, the taxpayer must determine a cost ratio based on applicable thresholds of costs attributed to a PFE. The percentage thresholds are set out in the new Code section 7701(a)(52) and generally increase through 2030 for the following types of energy facilities and property:
 - Qualified facilities (Code sections 45Y and 48E),
 - Energy storage technologies (Code section 48E),
 - Eligible Solar Components (Code section 45X(c)(3)(A)),
 - Eligible Wind Components (Code section 45X(c)(4)(A)),
 - Inverters (Code section 45X(c)(2)),
 - Battery Components (Code section 45X(c)(5)(A)), and
 - Critical Minerals (Code section 45X(c)(6)) – the Treasury Secretary is directed to issue new thresholds (that equal or exceed existing thresholds) by Dec. 31, 2027, taking into account domestic geographic availability, supply chain constraints, domestic processing capacity needs and national security concerns.
- Disallows the credit under Code section 45Y for any facility that begins construction after Dec. 31, 2025, if the construction includes any material assistance from a PFE.
- Includes penalty provisions for substantial misstatements on certifications provided after Dec. 31, 2025, by suppliers for manufactured products, eligible components, constituent elements, materials, or subcomponents of eligible components.
- Effective for taxable years beginning after the date of enactment, except as provided above.
- Revenue estimate: \$24.9 billion revenue gain.

Senate Section 70513. Termination and Restrictions on Clean Electricity Investment Credit.

- Terminates the clean electricity investment credit under Code section 48E for projects beginning construction after 2035, phasing the credit out after 2033.
- Terminates the credit for wind and solar facilities (but not energy storage technology at a wind or solar facility) placed in service after Dec. 31, 2027, effective for facilities that begin construction more than 12 months after the date of enactment.
- Disallows the credit with respect to small wind energy property or solar water heating property if the taxpayer rents or leases the property to a third party during the taxable year.
- Eliminates the credit for energy property under Code section 48(a)(2)(A)(ii) that begins construction on or after June 16, 2025.
- Coordinates the domestic content bonus credit threshold percentages between Code section 48E and 45Y effective on or after June 16, 2025.
- Provides that qualified fuel cell property can be a qualified facility without regard to whether the anticipated greenhouse gas emissions rate is not greater than zero (and eliminates the

recapture rule with respect to such property), and provides that the rate of the credit with respect to such property is 30% of the qualified investment (which rate may not be increased or otherwise adjusted). The fuel cell provision is effective for property that begins construction after Dec. 31, 2025.

- Disallows the credit for any taxable year in which the taxpayer is treated as either a specified foreign entity or a foreign-influenced entity.
- Disallows the credit for any qualified facility, qualified interconnection property or energy storage technology that begins construction after Dec. 31, 2025, if the construction includes any material assistance from a PFE.
- Modifies the credit recapture rules such that if a specified taxpayer (i.e., a taxpayer that has been allowed a Section 48E credit for any taxable year beginning more than two years after the date of enactment) makes an applicable payment to a PFE during the 10-year period following placement in service, 100% of the credit is recaptured, effectively extending the recapture period for property under Code section 48E with respect to which a payment to a PFE has been made.
- Effective for taxable years beginning after the date of enactment, except as described above.
- Revenue estimate: \$165.7 billion revenue gain.

Senate Section 70514. Phase-out and Restrictions on Advanced Manufacturing Production Credit.

- Terminates the advanced manufacturing production credit under Code section 45X as follows:
 - Wind components, no credit after Dec. 31, 2027,
 - Metallurgical coal, no credit after Dec. 31, 2029,
 - All other critical minerals, no credit after Dec. 31, 2033, phased out after 2030, and
 - All other eligible components, no credit after Dec. 31, 2032, phased out after 2029.
- Modifies the integrated components rule in Code section 45X(d)(4), such that if one component (primary component) is incorporated into another component (secondary component), and such secondary component is sold to an unrelated person, the primary component is also treated as sold to an unrelated person if (1) both components were produced in the same manufacturing facility, and (2) at least 65% of the total direct material costs to produce the secondary component are attributable to primary components produced in the United States. The modified integrated-component rule is effective for components sold in taxable years beginning after Dec. 31, 2026.
- Disallows the credit for components manufactured beginning in 2026 that are the subject of material assistance from a PFE.
- Disallows the credit for any taxable year after the date of enactment in which the taxpayer treated as either a specified foreign entity or a foreign-influenced entity (without regard to Code section 7701(a)(51)(D)(i)(II)).
- Modifies the definition of battery module under Code section 45X(c)(5)(B)(iii) to require (in addition to the existing requirements) that it be comprised of all other essential equipment needed for battery functionality (e.g., current collector assemblies and voltage sense harnesses).
- Expands the definition of applicable critical minerals under section 45X(c)(6) to include metallurgical coal suitable for use in the production of steel, regardless of whether such production occurs in the United States, subject to a 2.5% (rather than 10%) credit amount.

- Effective for taxable years beginning after the date of enactment, except as described above.
- Revenue estimate: \$50 billion revenue gain.

Senate Section 70515. Restriction on the Extension of Advanced Energy Project Credit Program.

- Modifies the certification requirements under the qualifying advanced energy project credit such that if the certification for any credit under Code section 48C is revoked (e.g., because a project was not timely placed in service), the credits allocated to such project may not be reallocated to other projects.
- Effective on the date of enactment.
- Revenue estimate: Negligible revenue effect.

Subchapter B – Enhancement of America-First Energy Policy

Senate Section 70521. Extension and Modification of Clean Fuel Production Credit.

- Extends the credit to fuel sold before Jan. 1, 2030, previously scheduled to expire after Dec. 31, 2027.
- Requires that the feedstock for transportation fuel produced after Dec. 31, 2025, be produced or grown in the United States, Mexico or Canada.
- Prohibits negative emissions rates for fuel produced after Dec. 31, 2025, except that the Treasury Department is required to provide distinct emissions rates for feedstock from animal manures, which may be less than zero.
- Adjusts the lifecycle GHG emissions requirements to exclude emissions attributed to indirect land use change, for fuel produced after Dec. 31, 2025,
- Disallows any credit permitted under Code section 6426(k) for any sustainable aviation fuel in a qualified mixture for which a credit under Code section 45Z is available, for fuel sold or used before, on or after the date of enactment.
- Terminates the Code section 6426(k) credit for sustainable aviation fuel sold or used after Sept. 30, 2025.
- Extends the small agri-biodiesel credit under Code section 40A(b)(4) to fuel sold before Jan. 1, 2027. For fuel sold after June 30, 2025, it increases the value of such credit from 10 cents to 20 cents per gallon, allows it to be claimed in addition to any credit under Code section 45Z, and also allows such credit to be transferable under Code section 6418.
- Eliminates the special rates applicable to sustainable aviation fuel produced after Dec. 31, 2025.
- Disallows the credit for any taxable year after the date of enactment in which the taxpayer is treated as a specified foreign entity. Disallows the credit for taxable years beginning more than two years after the date of enactment for foreign-influenced entities (without regard to section 7701(a)(51(D)(i)(II))).
- Provides authority for the Treasury Secretary to provide rules for related persons with respect to which the taxpayer has reason to believe will sell fuel to an unrelated person in a manner described in Code section 45Z(a)(4).
- Effective for taxable years beginning after the date of enactment, except as described above.
- Revenue estimate: \$25.7 billion revenue loss.

Senate Section 70522. Restrictions on Carbon Oxide Sequestration Credit.

- Conforms the credit amount for captured carbon oxide that is: (1) disposed of in secure geological storage, (2) utilized as a tertiary injectant in a qualified enhanced oil or natural gas recovery project and disposed of in secure geological storage, and (3) utilized (pursuant to Code section 45Q(f)(5)) for facilities and equipment placed in service after the date of enactment.
- The credit amount is indexed for inflation starting in 2027 (previously 2028).
- Disallows the credit for any taxable year after the date of enactment in which the taxpayer is treated as either a specified foreign entity or foreign-influenced entity (without regard to Code section 7701(a)(51)(D)(i)(II)).
- Revenue estimate: \$14.2 billion revenue loss.

Senate Section 70523. Intangible Drilling and Development Costs Taken Into Account for Purposes of Computing Adjusted Financial Statement Income.

- Amends the computation of adjusted financial statement income (AFSI) under the corporate alternative minimum tax to allow AFSI to be reduced by any deduction allowed for intangible drilling and development costs in oil and gas wells and geothermal wells under Code sections 263(c), 59(e) or 291(b)(2), and to disregard the depletion expense that is taken into account on the taxpayer's applicable financial statement with respect to the intangible drilling and development costs.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$427 million revenue loss.

Senate Section 70524. Income from Hydrogen Storage, Carbon Capture, Advanced Nuclear, Hydropower, and Geothermal Energy Added to Qualifying Income of Certain Publicly Traded Partnerships Treated as Corporations.

- Expands qualifying income for publicly traded partnerships to include income and gains from: (1) the production of electricity or thermal energy using geothermal or qualified hydropower production or (2) the operation of equipment (i) used to produce, distribute, or use energy derived from a geothermal deposit and (ii) which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure. Qualified facilities are determined without regard to the date that construction of the facility or equipment is otherwise required to begin. Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.2 billion revenue loss.

Senate Section 70525. Allow for Payments to Certain Individuals Who Dye Fuel.

- Establishes a new refund mechanism for federal fuel excise taxes under Code section 6435 paid on diesel or kerosene fuel that was indelibly dyed (and used in a non-taxable manner) pursuant to Code section 4082(a).
- Effective for eligible indelibly dyed diesel fuel or kerosene removed on or after the date that is 180 days after the date of enactment.
- Revenue estimate: \$6 million revenue loss.

Subchapter C – Other Reforms

Section 70531. Modifications to De Minimis Entry Privilege for Commercial Shipments.

- Repeals the *de minimis* privilege under Section 321 of the Tariff Act of 1930, which generally allows shipments bound for U.S. businesses and consumers valued under \$800 to enter the United States free of duties or taxes, and increases penalties for violators.
- Creates an additional penalty (\$5,000 for the first violation and \$10,000 for each subsequent violation), effective 30 days after the date of enactment.
- Repeals the commercial shipping exception, effective on July 1, 2027.
- Revenue estimate: Not estimated by JCT.

CHAPTER 6 – ENHANCING DEDUCTION AND INCOME TAX CREDIT GUARDRAILS, AND OTHER REFORMS

Senate Section 70601. Extension and Modification of Limitation on Excess Business Losses of Noncorporate Taxpayers.

- Makes permanent the limitation on excess business loss (EBL) of a taxpayer other than a corporation under section 461(l) for taxable years beginning after 2025.
- Modifies the inflation adjustment to index the limitation (\$250,000 for singles and \$500,000 for joint returns) after 2025.
- Revenue estimate: \$641 million revenue gain.

Senate Section 70602. Treatment of Payments from Partnerships to Partners for Property or Services.

- Clarifies that the rules under section 707(a), regarding the treatment of payments to partners for property or services, are self-executing and are not dependent on the issuance of Treasury Regulations.
- Effective to services performed, and property transferred, after the date of enactment.
- Revenue estimate: \$12.4 billion revenue gain.

Senate Section 70603. Excessive Employee Remuneration from Controlled Group Members and Allocation of Deduction.

- Applies aggregation rules to specified covered employees of controlled groups to prevent the use of related entities to structure around the \$1 million executive compensation deduction limitation under Code section 162(m). The limitation is based on the aggregate compensation received from all entities within the controlled group, with any resulting deduction limitation allocated proportionally among the controlled group members that pay compensation to the relevant employees.
- Defines “controlled group” to refer to groups treated as a single employer for certain benefit purposes.
- Defines “specified covered employee” to refer to: (i) the principal executive officer (PEO) or principal financial officer (PFO) of a publicly traded corporation; (ii) the three highest (aside from the PEO or PFO) compensated employees of a publicly traded corporation; (iii) any employee of the publicly traded corporation who was covered by (i) or (ii) for any taxable year beginning

after Dec. 31, 2016; and (iv) for tax years beginning after Dec. 31, 2026, any employee of a member of the aggregated group (other than the persons listed in (i) or (ii)) who would be among the five highest compensated employees of the aggregated controlled group.

- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$15.7 billion revenue gain.

Senate Section 70604. Excise Tax on Certain Remittance Transfers.

- Imposes a 1% excise tax on remittance transfers to be paid by the sender, with remittance transfer providers to collect excise taxes, and remit such tax quarterly to the Treasury Secretary.
- Limits the excise tax to cash or similar transactions such as cash, money order, cashier's check or similar physical instruments.
- Imposes secondary liability on remittance transfer providers for any tax that is not paid at the time of the transfer.
- Creates an exception for remittance transfers that are sent by verified U.S. citizens or U.S. nationals.
- Creates a refundable tax credit for any excise taxes required to be paid by taxpayers with valid Social Security numbers.
- Creates an exception for remittance transfers sent from accounts subject to the Bank Secrecy Act or are funded with a debit card or a credit card issued in the United States.
- Effective for transfers made after Dec. 31, 2025; the tax credit available to senders that are U.S. citizens is effective for taxable years after Dec. 31, 2025.
- Revenue estimate: \$10 billion revenue gain.

Senate Section 70605. Enforcement Provisions with Respect to COVID-Related Employee Retention Credits.

- Defines an employee retentions tax credit ("ERTC") promoter as any person who provides aid, assistance or advice related to an affidavit, refund, claim or other document concerning an ERTC, if:
 - The person meets the materiality standard—meaning more than 20% of their gross receipts in a year come from ERTC-related services and the person charges fees based on the size of the refund or credit; or
 - The person meets the gross receipts test—meaning more than 50% of their revenue comes from ERTC-related services, or those services account for over 20% of the person's revenue and exceed \$500,000 (certified PEOs are excluded).
- Requires ERTC promoters to meet due diligence requirements regarding a taxpayer's eligibility for or amount of the ERTC, with a \$1,000 assessable penalty for each failure to comply.
- Establishes a "knows or has reason to know" threshold for failure to meet due diligence standards with respect to aiding and abetting penalties on understatements of tax liability after the date of enactment.
- Prohibits the IRS from issuing any additional unpaid claims under Code section 3134 unless a claim for a credit or refund was filed on or before Jan. 31, 2024.
- Extends the ERTC statute of limitations to six years after the latest of the original return filing date, the deemed filing date under current law or the date the ERTC claim is submitted.
- Effective after the date of enactment.
- Revenue estimate: \$1.6 billion revenue gain.

Senate Section 70606. Social Security Number Requirement for American Opportunity and Lifetime Learning Credits.

- Requires a student claiming the American Opportunity Tax Credit or Lifetime Learning Credit (or a taxpayer filing on behalf of the student) to have a Social Security number in order to qualify for the credit.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$639 million revenue gain.

Senate Section 70607. Task Force on the Termination of Direct File.

- Creates a task force on “enhancing and establishing” public-private partnerships that are focused on providing free tax filing.
- Requires a report to Congress on the cost of enhancing and establishing public-private partnerships to provide free tax filing and to replace IRS Direct File.
- Revenue estimate: No revenue effect.

Subtitle B – Health Care

CHAPTER 1 – MEDICAID

The health care provisions are covered by BHFS’s Health team in [Key Differences in Provisions Between Draft Senate and House-Passed Reconciliation Bill](#).

CHAPTER 2 – MEDICARE

Senate Section 71201. Limiting Medicare Coverage of Certain Individuals.

- Limits Medicare benefit coverage to U.S. citizens, aliens who are lawfully admitted for permanent residency, aliens who have been granted status of Cuban and Haitian entrants as defined in section 501(e) of the Refugee Education Assistance Act of 1980, and individuals who lawfully reside in the United States in accordance with a Compact of Free Association.
- Requires the Social Security commissioner to identify those ineligible for Medicare benefits not later than one year after the date of enactment, with the notice of ineligibility required to be given and benefits terminated as of 18 months after the date of enactment.
- Effective 18 months after date of enactment.
- Revenue estimate: Estimate to be provided by the Congressional Budget Office.

CHAPTER 3 – HEALTH TAX

Subchapter A – Improving Eligibility Criteria

Senate Section 71301. Permitting Premium Tax Credits Only for Certain Individuals.

- Modifies the “lawfully present” standard to limit ACA premium tax credit to those who are “eligible aliens”—aliens who are lawfully admitted for permanent residency, aliens who have been granted status of Cuban and Haitian entrants as defined in section 501(e) of the Refugee Education Assistance Act of 1980 and individuals who lawfully reside in the United States in accordance with a Compact of Free Association.

- Effective for taxable years beginning after Dec. 31, 2026, and to subsection (c) “Conforming Amendments” for plan years beginning on or after Jan. 1, 2027.
- Revenue estimate: \$74.5 billion revenue gain.

Senate Section 71302. Disallowing Premium Tax Credit During Periods of Medicaid Ineligibility Due to Alien Status.

- Eliminates the exception that allows lawfully present aliens who report income below 100% of the federal poverty level and are in their five-year Medicaid waiting period because of their immigration status to receive premium tax credits.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$49.7 billion revenue gain.

Subchapter B – Preventing Waste, Fraud, and Abuse

*The JCT has estimated a \$41.3 billion revenue loss because of interactions of health policies in Subtitle B, Chapter 3, Subchapters A and B.

Senate Section 71303. Requiring Verification of Eligibility for the Premium Tax Credit.

- Requires the Exchange to verify an applicant’s eligibility annually to enroll in a health plan and to receive advance payment before enrolling any individual.
- Prohibits passive reenrollment.
- Requires applicable enrollment information to be provided or verified by the applicant, including income, any immigration status, any health coverage status or eligibility for coverage, place of residence, family size and any information that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, determines is necessary to verify eligibility.
- The Exchange must comply with 45 C.F.R. section 155.305(f)(4) requirements published in the *Federal Register* on June 25, 2025.
- Allows verification waivers for special enrollment periods due to change in family size.
- Permits the Exchange to use any data available to it and any reliable third-party sources in collecting information for verification.
- Effective for taxable years beginning after Dec. 31, 2027.
- Revenue estimate: \$41.3 billion revenue gain.

Senate Section 71304. Disallowing Premium Tax Credit in Case of Certain Coverage Enrolled in During Special Enrollment Period.

- Prohibits premium assistance tax credits or advance payment of premium assistance tax credits for special enrollment periods tied to household incomes as a percentage of the poverty line.
- Restricts the receipt of premium assistance credits (and advance payments) to individuals who enroll in health coverage (through an exchange) to those who do so based on qualifying events or change in circumstances.
- Effective for plan years beginning after Dec. 31, 2025.
- Revenue estimate: \$40.8 billion revenue gain.

Senate Section 71305. Eliminating Limitation on Recapture of Advance Payment of Premium Tax Credit.

- Removes the caps on the amount of excess advance premium tax credit payments that the IRS can recoup from a taxpayer when, at the end of a year, the amount of advance payments the taxpayer received ultimately exceeded the amount of premium tax credits to which the taxpayer was entitled.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$19.5 billion revenue gain.

Senate Section 71306. Permanent Extension of Safe Harbor for Absence of Deductible for Telehealth Services.

- Permanently allows high-deductible health plans to provide telehealth and other remote care services without requiring members to meet a deductible first.
- Effective for plan years beginning after Dec. 31, 2024.
- Revenue estimate: \$4.3 billion revenue loss.

Senate Section 71307. Allowance of Bronze and Catastrophic Plans in Connection with Health Savings Accounts.

- Treats any Bronze or Catastrophic plan offered in the individual market on an Exchange as a high-deductible health plan (HDHP).
- Effective for months beginning after Dec. 31, 2025.
- Revenue estimate: \$3.5 billion revenue loss.

Senate Section 71308. Treatment of Direct Primary Care Service Arrangements.

- Provides that enrollment in a direct primary care service arrangement is not considered “other” health coverage under a health plan that precludes the enrolled individual from contributing to an HSA.
- Limits such direct primary care service arrangements to those consisting solely of primary care services provided by primary care practitioners, not including procedures that require the use of general anesthesia, prescription drugs other than vaccines, and laboratory services not typically administered in an ambulatory primary care setting.
- Requires that aggregate fees for all direct primary care service arrangements may not exceed \$150 per month for an individual, or twice that amount for more than one individual, adjusted annually for inflation.
- Effective for months beginning after Dec. 31, 2025.
- Revenue estimate: \$2.8 billion revenue loss.

Subtitle C – Increase in Debt Limit

Senate Section 72001. Modification of Limitation on the Public Debt.

- Increases the statutory debt limit by \$5 trillion.
- Revenue estimate: Estimate to be provided by the Congressional Budget Office.

Subtitle D – Unemployment

Senate Section 73001. Ending Unemployment Payments to Jobless Millionaires.

- Disallows the use of federal funds to provide unemployment compensation benefits to an individual whose annual wages are equal to or exceed \$1 million.
- Creates self-certification and verification process to verify compliance with the rule and requires state agencies to recover overpayments that exist by reason of violating the rule.
- Revenue estimate: Estimate to be provided by the Congressional Budget Office.

APPENDIX A

LEGISLATIVE TEXT AND REVENUE ESTIMATES

Below are links to materials from the Senate Finance Committee, House Rules Committee, House Ways and Means Committee, Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) relating to OBBBA.

- Senate Substitute to H.R. 1
 - [Final Bill Text](#)
 - [JCT Revenue Estimate](#) (JCX-34-25, July 1, 2025)
- Title VII – Senate Finance Committee
 - [Text](#)
 - [Finance Committee Section-by-Section Summary](#)
 - [JCT Revenue Estimate](#) (JCX-29-25, June 21, 2025)
- House One Big, Beautiful Bill Act (H.R. 1)
 - [Final Bill Text](#)
 - [House Report 119-106, Book 2, Part 2 – One Big Beautiful Bill Act](#)
 - AINS Text – begins on p. 1309 (p. 9 in linked PDF)
 - Explanation of the Bill – begins on p. 1456 (p. 156 in linked PDF)
 - [Rules Committee Print 119-3](#)
 - [Manager’s Amendment](#)
 - [CBO Table of Estimated Budgetary Effects](#) (June 4, 2025)
 - [JCT Revenue Estimate](#) (JCX-26-25R, June 2, 2025)
 - [JCT Macroeconomic Analysis](#) (JCX-25-25, May 22, 2025)
 - [JCT Distributional Analysis](#) (JCX-24-25, May 19, 2025)
- Title XI – Ways and Means Committee (Amendment in the Nature of a Substitute)
 - [Text](#)
 - [Ways and Means Section-by-Section Summary](#)
 - [JCT Description](#) (JCX-21-25, May 12, 2025)
 - [JCT Revenue Estimate](#) (JCX-22-25R, May 13, 2025)
 - [JCT Distributional Analysis](#) (JCX-23-25, May 13, 2025)
- Title XI – Ways and Means Committee (Chairman’s Mark)
 - [Text](#)
 - [JCT Description](#) (JCX-18-25, May 9, 2025)
 - [JCT Revenue Estimate \(JCX-19-25, May 10, 2025\)](#)
 - [JCT Distributional Analysis](#) (JCX-20-25, May 10, 2025)

THIS DOCUMENT IS INTENDED TO PROVIDE YOU WITH GENERAL INFORMATION REGARDING THE 2025 TAX BILL. THE CONTENTS OF THIS DOCUMENT ARE NOT INTENDED TO PROVIDE SPECIFIC LEGAL ADVICE. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS DOCUMENT OR IF YOU NEED LEGAL ADVICE AS TO AN ISSUE, PLEASE CONTACT THE ATTORNEYS LISTED OR YOUR REGULAR BROWNSTEIN HYATT FARBER SCHRECK, LLP ATTORNEY. THIS COMMUNICATION MAY BE CONSIDERED ADVERTISING IN SOME JURISDICTIONS.