

# Capitol Hill Weekly

**Washington National Tax  
Federal Legislative & Regulatory Services**

May 19, 2025



***This update reflects facts as of Monday morning, May 19, 2025. The situation is fluid and may change.***

The House Way and Means Committee approved the tax title to budget reconciliation legislation – the “One Big Beautiful Bill” – last week and transmitted it to the Budget Committee for inclusion in a reconciliation bill. In general, the Ways and Means legislation extended the individual and business tax cut provisions of the Tax Cuts and Jobs Act with some enhancements. It also added tax benefits proposed by the President, as well as revenue-raising provisions, such phase-outs to Inflation Reduction Act energy credits. KPMG released its [analysis](#) of these changes last week.

The next step in the budget reconciliation process is for the House Budget Committee to assemble the bill from the reports from Ways and Means and other House Committees before House floor consideration. In that, Republicans initially failed last week in the first attempt to advance the legislation through the Budget Committee before several conservative members dropped their blockade and allowed the Committee narrowly to approve it late Sunday night.

The principal issues slowing House passage have not changed, namely, spending cuts to low-income programs, repeal of IRA energy credits, and the limit on the state and local tax deduction. Revenue and deficit concerns at the center of these issues, and negotiations are complicated by the narrow 220-213 Republican House majority. Negotiations will now move to the House Rules Committee, which next must act before a floor vote. Whether the House will be ready to vote on a bill before the Memorial Day recess beginning on Friday remains in question.

The Energy and Commerce Committee met its \$880 billion spending-cut target with changes to Medicaid. Those changes, however, are largely delayed until 2029. House deficit hawks were already dissatisfied with the size of the cuts and the resulting approximately \$2.8 trillion net increase in the deficit after the tax changes. They have now raised the additional concern that the delayed spending cuts might never be realized. Those concerns have also been exacerbated by indications of opposition to the spending cuts among Senate Republicans.

The phase-out of some Inflation Reduction Act credits also delays the full repeal of those credits sought by House conservatives, raising similar concerns. Consideration of advancing those phase-outs could also factor in negotiations.

Negotiations therefore are likely to continue over advancing the cuts and IRS credit repeal and further reducing deficits. Those negotiations have been slowed as the Congressional Budget Office prepares new deficit estimates for alternatives under discussion.

At the same time, negotiations continue with a group of House Republicans dissatisfied with the increased \$30,000 limit on the SALT deduction provided in the Ways and Means report, seeking a much higher limit. Their position could be improved by changes made to the Medicaid and IRA credit phase-downs under negotiation, which could provide additional deficit reduction.

Any adjustments to these elements of reconciliation can be made in the Rules Committee before the House votes.

The spending and IRA credit changes being sought by House conservatives, however, are not without opposition. House Republican moderates have already indicated concern about the extent of existing proposals for changes to Medicaid. They have also indicated concern about spending reductions to the Supplemental Nutrition Assistance Program made by the Agriculture Committee. Concerns have also been expressed about the phase-down, repeal, and foreign content restrictions imposed on the IRA credits, as energy projects and energy costs in Republican-represented districts are affected.

Negotiations must be completed soon, if the House is to vote on a bill as planned before the Memorial Day recess. Otherwise, House action will be delayed into June. The Senate already appears to have differences with the House proposals, and it will also be proceeding under a different set of budget instructions and accounting guidelines, according to the governing joint budget resolution. So, a House delay will complicate the plan for final a passage of budget reconciliation legislation by Independence Day.

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