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Washington Weekly: One Big Beautiful Bill Update

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House Republicans made progress in their efforts to advance President Trump's priorities on tax and spending. House Republicans hope to pass the reconciliation bill next week before they break for Memorial Day, but they still face hurdles as moderate Republicans look for more relief in areas like the SALT deduction cap and some conservative Republicans criticize the bill for not having enough spending cuts. John Nolan and the Governmental Affairs US team take a look at this and much more in the latest Washington Weekly report.

House Republicans made progress this week in advancing aspects of their reconciliation package through certain committees. Most notably, the Ways and Means Committee approved all of the tax provisions, while the Energy and Commerce Committee approved controversial Medicaid cuts as a means of paying for some of the tax cuts. The next step is to package all of the tax and spending provisions into one large bill. House Republicans hope to pass that bill next week before they break for Memorial Day. However, they still face hurdles as Republicans from high tax states like New York and New Jersey look for more relief from the SALT deduction cap and some conservative Republicans criticize the bill for not having enough spending cuts. Specific provisions remain in flux as House Republicans try to build sufficient support for the package.

A summary of the tax portion of the bill can be found [here](#). Below are some of the key tax provisions:

- **Individual Rates:** Permanent extension of current individual tax rates, including the 37% top ordinary income tax rate. There is an additional year (effective after December 31, 2025) of inflation adjustment for income bracket thresholds for rates below the top 37% rate.
- **Standard Deduction:** Permanent extension of inflation-adjusted increased standard deductions.

- **SALT Deduction Cap:** Increase to \$30K with income limitations.
- **Child Tax Credit:** Permanent extension of the increased \$2,000 child tax credit, with a temporary increase to \$2,500 from Dec. 31, 2024, to Dec. 31, 2028.
- **Small Business Deduction:** Permanent extension and increase (from the current 20% deduction to 23%).
- **Estate Tax and Gift Tax Exemption:** Permanent extension and increase, with an increase in unified estate and gift tax exemption to an inflation-adjusted \$15 million effective after Dec. 31, 2025.
- **Bonus Depreciation:** Property acquired and placed in service after Jan. 19, 2025, and before Jan. 1, 2030, would be entitled to full 100% bonus depreciation.
- **Research and Development:** Reinstatement of immediate expensing for domestic R&D expenditures.
- **Opportunity Zones:** A new round of Opportunity Zones to spur investment in undercapitalized communities with tax incentives.
- **Section 179 Expensing:** Increase in the maximum amount a taxpayer may expense under Section 179 to \$2.5M. Increase of the phaseout threshold amount to \$4 million.
- **Green Energy:** The bill phases out or cancels green energy tax credits from the Inflation Reduction Act (IRA).
- **No Tax on Tips and Overtime:** Income tax deductions for tips and overtime compensation.
- **Tax Deduction for Seniors:** An increase in the standard deduction by an additional \$4,000 for seniors aged of 65 and older.

China truce

This past weekend's high-level meetings between the US and China yielded a temporary truce in the trade war that brought tariffs down from 145% to 30% for a 90-day period. This was an important development that effectively will allow trade between the two countries to resume (albeit at a still high level of tariffs) and will provide a runway for further negotiations on a bigger deal. This will not be easy. Across multiple administrations, the US has sought to have China make structural changes to its economy that China has resisted. China knows the US is unlikely to drop tariffs any lower and will want to proceed slowly. However, President Trump may become frustrated by the lack of results. While the Trump administration has had positive comments about China recently, China will be sensitive to the rhetoric coming out of the US and to any restrictions on China in deals the US strikes with other trade partners. Given the strategic competition between the US and China and bipartisan political concerns in the US about China, it will be much tougher for the Trump administration to declare victory (relative to its efforts to reach deals with other trading partners) on a preliminary deal with China that contains only minor concessions. Whether within or without the 90-day window, a resumption of trade tensions with China seems likely.

See the [full Washington Weekly](#) for more.

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