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# Washington Weekly: Reconciliation Update

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**The House officially sent the “One Big, Beautiful Bill” to the Senate this week after passing some tweaks to the bill to try to smooth the procedural process of a reconciliation bill. Meanwhile, the Senate continues to work on its version of the bill. John Nolan and the Governmental Affairs US team take a look at this and much more in the latest Washington Weekly report.**

**Reconciliation update.** A few committees have completed their parts of it. However, the largest portion of the bill will come from the Senate Finance Committee, which has broad jurisdiction over taxes, Medicaid, and other important areas. This piece may be released later today or early next week. We expect it to pare back some of the House bill’s Medicaid cuts. It also may make some of the business tax benefits (bonus depreciation and R&D) permanent since the House bill has them sunset in five years. The Senate version of the bill may also lower the state and local tax (SALT) deduction compared to the House bill. The Senate will bypass votes on the bill in relevant committees in its rush to get the overall bill on the floor during the week of 23 June. The rush is part of an effort to meet President Trump’s self-imposed deadline of 4 July. *While the 4 July deadline may not be met, the overall time pressure means that what passes the Senate is likely to be what is signed into law.*

**Reconciliation explained.** We’ve talked a lot about how Republicans are using the budget reconciliation process to advance President Trump’s tax and spending priorities. The process, which was established by Congress in 1974, allows changes to federal tax and spending policies to be considered on a more streamlined basis. The key advantage is only a majority is needed in the Senate instead of the 60-vote threshold applicable to most legislation. That procedural advantage is accompanied by strict limits on the type of provisions that can be included. As we’ve noted before, the Senate Parliamentarian will be the key arbiter of whether individual provisions can stay in or not. Spending measures, tax policy changes, and an increase in the debt ceiling are all covered. However, policy changes without a primary budgetary

purpose cannot be included. Significant provisions in the bill may need to be modified or eliminated. These include a provision that would ban states from enforcing regulations on artificial intelligence for 10 years and provisions on energy permitting (these needed to be dropped from the Inflation Reduction Act in 2022). *Getting through this murky procedural gauntlet is one of the most important steps in the reconciliation process.*

**Tariff talks.** The Trump administration caught a break this week when a federal appeals court issued a temporary stay on a lower court's decision to strike down many of the tariffs imposed by the Trump administration pursuant to emergency authorities. The pause will last for at least a couple of months as the appeals court considers the case. As we noted last week, this case seems destined to go to the Supreme Court in a lengthy legal process. At the same time, the Trump administration had negotiations with China that yielded a limited and temporary truce whereby the US gains access to rare earths (an important input for various tech and manufacturing products) in exchange for a modest lifting of some US export controls on China. There was no movement on tariff levels and no formal extension in the 90-day pause on tariff increases on China (set to expire on 12 August), but the agreement on rare earths is for six months and effectively may lock in current levels over that time. The Trump administration also continues to conduct negotiations with other trading partners with the goal of bilateral agreements (the administration had set a 90-day deadline to expire on 8 July). *With the underlying tariffs in legal limbo, the Trump administration signaled that it may extend the deadline on these discussions (as Treasury Secretary Bessent acknowledged in testimony this week) while continuing to put on pressure through sectoral tariffs (copper, lumber, semiconductors, pharmaceuticals, etc.) that rest on a stronger legal foundation.*

For much more, see [Washington Weekly](#), 13 June 2025.

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