
(UBS)

Washington Weekly: Senate Parliamentarian

20 June 2025, 18:42 UTC, written by UBS Editorial Team US Editorial Team

The Senate Finance Committee this week released the largest portion of the "One Big, Beautiful Bill," covering taxes, Medicaid and other important areas. John Nolan and the Governmental Affairs US team take a look at this and much more in the latest Washington Weekly report.

Senate Republicans plan to bring the bill to the floor next week with the goal of passing the bill before July 4th. The bill still would need to go back to the House. We highlight some key provisions in the Senate's bill below.

- **Senate Parliamentarian.** As we have noted, the Senate is able to pass a reconciliation bill with only a simple majority (without meeting the 60-vote procedural threshold applicable to most legislation), but there are restrictions on what can be part of a reconciliation package. A key hurdle that any reconciliation bill must pass is known as the "Byrd bath." Named after former Senator Robert Byrd (D-WV), this is the process in which the Senate Parliamentarian scrubs the bill for "extraneous" provisions that don't have a primary budgetary purpose. Elizabeth MacDonough, the Senate Parliamentarian, is not a household name, but she wields considerable power in this process. She has started to make decisions on specific provisions in the bill and we will continue to hear about her rulings throughout next week. During the consideration of the reconciliation bill passed by Democrats in 2022, she ruled that a provision to increase the minimum wage to $15 an hour was not in order. For this bill, she already has ruled against provisions to dramatically cut funding for certain federal agencies, including the Consumer Financial Protection Bureau. We are also watching a proposal that would ban state regulation of AI for ten years. The Parliamentarian's rulings in the coming days will determine whether significant provisions remain in or are stripped out of the reconciliation bill.

- **State and Local Tax Deduction.** The Senate draft keeps in place the current $10,000 cap for the state and local tax (SALT) deduction. Senate Republicans acknowledge that this is just a placeholder for negotiations, but the move has drawn the ire of House members from high tax states (including New York, New Jersey and California). They had fought hard to increase the SALT cap to $40,000 in the House bill (with a phase-out for those with incomes over $500,000) and have signaled that they will oppose the Senate bill if it lowers the deduction below that level. This issue will continue to be one of the thorniest in the bill. While Republican Senators do not want to increase the cap, they understand that it must be increased for this bill to become law. It remains unclear exactly where the cap will land at the end of this process. However, the cap will need to be substantially higher than today's $10,000 cap, though the higher it goes, the stricter the income limitation will be.
- **Business Taxes.** The Senate bill makes a number of changes to the House bill on tax provisions important to businesses. The small business deduction is made permanent under the Senate bill, but it is slightly less generous (20% deduction versus a 23% deduction in the House bill). The Senate version also permanently extends expensing for research and development, which is important to a number of sectors, including defense and pharmaceuticals. Also, there is a permanent extension of 100% bonus depreciation for business investments in machinery, equipment and other short-lived assets. As with any bill of this size, there are a number of moving parts. Generally speaking, business did well.
- **Trump Priorities.** On the campaign trail, President Trump made pledges on no taxes on tips, no taxes on overtime wages and a tax cut for seniors. With prodding from President Trump, both the House and Senate versions have relevant provisions. However, there are some differences between the two bills. For example, the Senate bill is more generous to seniors with a $6,000 deduction that begins to phase out at an income of $75,000 ($150,000 for married couples). The Senate did not agree to all of President Trump's priorities. For example, the Senate bill does not have a change to the tax treatment of carried interest that President Trump wanted. President Trump was involved in the process and the final bill is likely to include several of his campaign promises.

For more, see the latest **Washington Weekly**, 20 June 2025.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.
Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of it its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.
Additional Disclaimer relevant to Credit Suisse Wealth Management: Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website https://www.credit-suisse.com. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.
Please visit https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html to read the full legal disclaimer applicable to this document.