



**ADVANCING AMERICAN FREEDOM**  
*FOUNDATION*

## Senate Refines OBBB, Still Room For Improvement

**TOPLINE:** While the Senate Finance title of the One Big Beautiful Bill (OBBB) Act largely improves upon its House counterpart, there are still significant shortcomings for Congress to fix as it works to stop a \$4.5 trillion tax hike from taking effect in 2026.

### **POSITIVE CHANGES FROM HOUSE VERSION:**

- **Deeper Medicaid Cuts**
  - Halves the tax that states are allowed to charge on medical providers to increase their federally matched Medicaid funds (effectively curtailing a taxpayer-funded money laundering scheme).
  - Reduces support for Biden's costly COVID-era policy incentivizing states to participate in Obamacare's Medicaid expansion.
- **Permanent Expensing for Certain Investments**
  - Allows businesses to deduct domestic research and development and some capital investments from their taxes, spurring economic growth.
- **State and Local Tax (SALT) Deduction Stays Stagnant**
  - Keeps the SALT cap at \$10K, instead of House's expansion to \$40K.
- **Capping Campaign Gimmicks**
  - Limits the tax deduction on tips (to \$25K) and overtime pay (to \$12.5K).
- **Hurrah for Hillsdale**
  - Eliminates the proposed excise tax of up to 10% on the endowment income of some private colleges and universities.

### **NEGATIVE CHANGES FROM HOUSE VERSION:**

- **Debt Limit Raised Even More**
  - The Senate version increases the House's \$4T debt ceiling hike to \$5T.
- **Softer on Green New Deal**
  - The Senate continues many of the IRA green energy tax credits past 2040 for geothermal, nuclear, and hydropower and allows many projects to qualify so long as they begin construction by 2035.
- **No Tax Breaks for Stay-At-Home Parents**
  - Ramps up the child and dependent care tax credit (CDCTC) tax credit, which pushes stay-at-home parents into the workforce.

**BOTTOMLINE:** These provisions don't exhaust everything good or bad about the OBBB. There are items in both versions that are good (individual-side permanency) and bad (e.g., retaliation tax). For a better approach to tax reform for the American people, check out our memo: ["American Taxpayers Deserve the Most Bang for Buck."](#)