The Daily Dish

The OBBBA Marches Forward

DOUGLAS HOLTZ-EAKIN | JUNE 18, 2025

The release of the Senate Finance Committee (SFC) components was a key moment in the development of the One Big Beautiful Bill Act (OBBA), aka the reconciliation bill. (See the bill text and section-by-section here.) There are lots of differences between the House-passed version and the SFC initial draft (including some that Eakinomics has probably not unearthed), but two stand out.

The first difference is that it takes a slightly different approach to reducing the clean energy tax credits from the Inflation Reduction Act (IRA). One way to think about the approach is that it divides clean energy into “bad” clean energy – wind and solar – and “good” clean energy – the remainder (nuclear, hydropower, hydrogen, etc.). It is much more aggressive in getting rid of the bad credits than the good ones. And whereas the drafters of the IRA phased out credits based on the emissions in the energy sector, the SFC approach phases them out to meet the budgetary needs of hitting reconciliation targets. (See Shuting Pomerleau’s overview of the SFC’s proposal to repeal the IRA energy credits here.)

The second difference is that the SFC is more pro-growth. It makes permanent the expensing (full deduction in the first year) of equipment investment, research and development costs, and some manufacturing structures. Permanent is much better than the four-year version in the House. And, recall, expensing is an important simplification because one does not need elaborate depreciation tables and records. It also limits the interference of the tax code in business decision-making because labor, training, innovation, and investment costs are all treated the same (deducted in the first year). Businesses, not the tax code, determine which route a firm takes to greater productivity.

And more pro-growth is really important. The Congressional Budget Office (CBO) took a look at the growth impacts of the House-passed bill in the form of a dynamic cost estimate. It concluded that there would be only $85 billion (over 10 years) in dynamic feedback. That is, there is essentially zero growth impact.

The OBBBA is still a missed opportunity from a fiscal standpoint, but it has taken a beneficial turn toward a more pro-growth tax effort. Hopefully, there is more of the latter to come.