Insight

The House Ways and Means Committee's Tax Bill

JORDAN HARING | MAY 13, 2025

Executive Summary

- The House Ways and Means Committee has released and will soon mark up its portion of the "one, big, beautiful bill" that addresses the expiring provisions of the Tax Cuts and Jobs Act, and the new tax policies proposed by President Trump during his presidential campaign, among other items.
- The Joint Committee on Taxation estimates the bill would increase federal borrowing by $3.7 trillion over the fiscal year (FY) 2025–2034 budget window, about $800 billion below the maximum $4.5 trillion of new borrowing allowed during the same period under the FY 2025 budget resolution.
- The bill also includes a $4-trillion increase in the debt ceiling.

What's in the Ways and Means Tax Bill?

The House Ways and Means Committee has released and will soon mark up its portion of the "one, big, beautiful bill" that addresses the expiring provisions of the Tax Cuts and Jobs Act of 2017 (TCJA) and the new tax policies proposed by President Trump during his presidential campaign, among other items. The Joint Committee on Taxation estimates the bill would increase federal borrowing by $3.7 trillion over the fiscal year (FY) 2025–2034 budget window. The FY 2025 budget resolution adopted by Congress allows the Ways and Means Committee to draft reconciliation measures that increase federal borrowing by up to $4.5 trillion through FY 2034, so the bill as currently written would boost borrowing by about $800 billion less. The table below and the discussion that follows outline the provisions in the Ways and Means Committee's bill.

A Closer Look at the Ways and Means Committee's Tax Bill

Provision	2025-2034 Cost/Savings (-)
Individual Tax Provisions	
Extend reduced individual income tax rates	$2.2 trillion
Extend increased standard deduction and temporarily enhance the deduction through 2028	$1.3 trillion
Extend repeal of personal exemptions	-$1.9 trillion
Increase state and local tax deduction cap to $30,000 for taxpayers earning less than $400,000 and phase down to $10,000 thereafter	$916 billion
Extend increased Child Tax Credit and temporarily enhance the credit through 2028	$797 billion
Extend Section 199A deduction and increase maximum deduction to 23 percent of qualified business income	$820 billion
Extend increased state and gift tax exemption amounts	$212 billion
Extend increased Alternative Minimum Tax exemption and phase-out thresholds	$1.4 trillion
Limit tax benefit of itemized deductions, extend $750,000 mortgage interest deduction, limit on casualty loss deductions, and repeal of other itemized deductions	-$47 billion
Eliminate taxes on overtime pay through 2028	$124 billion
Eliminate taxes on car loan interest through 2028	$58 billion
Eliminate taxes on tips through 2028	$40 billion
Provide $4,000 enhanced deduction for seniors through 2028	$72 billion
Extend increased or modified employer-provided child care, paid family and medical leave, and adoption tax credits	$9 billion
Provide tax credit for contributions to tax-exempt scholarship granting organizations through 2029	$20 billion
Limit deductibility of cash charitable contributions through 2028	$7 billion

Create Money Accounts for Growth and Advancement savings account and MAGA accounts pilot program for newborns	$17 billion
Extend and modify taxation of opportunity zones	$5 billion
Increase dollar limitations for Section 179 deduction	$25 billion
Extend limit on excess business losses of noncorporate taxpayers	-$9 billion
Business Tax Provisions	
Extend 100-percent bonus depreciation through 2029	$37 billion
Allow full expensing of research and experimental costs through 2029	$23 billion
Extend business interest deduction and increase deduction cap	$40 billion
Extend deduction for foreign-derived intangible income and global intangible low-taxed income	$143 billion
Extend base erosion minimum tax amount	$31 billion
Allow 100-percent depreciation for qualified production property through 2028	$148 billion
Impose 1-percent floor on charitable contributions made by corporations	-$17 billion
Green Energy Tax Credits	
Extend and modify clean fuel production credit through 2031	$45 billion
Repeal clean vehicle tax credits	-$191 billion
Repeal residential clean energy tax credit	-$77 billion
Repeal energy efficient home improvement tax credit	-$21 billion
Repeal energy efficient homes tax credit	-$6 billion
Repeal clean hydrogen production tax credit	-$9 billion
Repeal alternative fuel vehicle refueling property tax credit	-$1 billion

Phase out and restrict clean electricity production and investment tax credits	-$182 billion
Phase out and restrict advanced manufacturing production tax credit	-$44 billion
Place restrictions on carbon oxide sequestration tax credit	-$18 billion
Phase out and restrict zero-emissions nuclear power production credit	-$10 billion
Other Provisions	
Remove tax benefits for illegal immigrants	-$140 billion
Enforcement of remedies against extraterritorial taxes	-$116 billion
Require Affordable Care Act Exchange verification of eligibility for health plans	-$41 billion
Disallow ACA premium tax credits in the case of certain coverage enrolled in during special enrollment period	-$41 billion
Eliminate limits on the recapture of advance payments of ACA premium tax credits	-$20 billion
Modify tax treatment of investment income of private colleges and universities	-$23 billion
Reform Earned Income Tax Credit	-$15 billion
Ban IRS from issuing additional unpaid Employee Retention Credit claims	-$6 billion
Other	$69 billion
Total	**$3.7 trillion**

Sources: House Ways and Means Committe and Joint Committee on Taxation.

Numbers may not sum due to rounding.

On the individual side, the bill would make permanent the Tax Cut and Jobs Act's (TCJA) reduced individual income tax rate structure of 10, 12, 22, 24, 32, 35, and 37 percent and would maintains the use of the chained Consumer Price Index (chained CPI) for the annual cost-of-living adjustment (COLA), though it would add an additional year of inflation into the

calculation of the COLA for the 10, 12, 22, 24, 32, and 35 percent tax brackets. It would also make the TCJA's increased standard deduction permanent and maintain the use of the chained CPI for the annual COLA. For tax years 2025–2028, the bill would increase the standard deduction by an additional $1,000 for singles, $1,500 for heads of households, and $2,000 for couples. It would make permanent the TCJA's repeal of personal exemptions and the doubled Child Tax Credit (CTC) of $2,000 per child. For tax years 2025–2028, the bill would increase the CTC to $2,500 per child. The bill would increase the state and local tax (SALT) deduction cap from $10,000 to $30,000 for taxpayers earning less than $400,000 per year. The cap would phase down by 20 percent for income above $400,000 until it reaches $10,000.

The bill would also make permanent the Section 199A deduction that allows eligible individuals, trusts, and estates to deduct a percentage of their qualified business income (QBI) from their taxable ordinary income. Under the TCJA, the maximum deduction is 20 percent of QBI; the Ways and Means bill would increase the maximum deduction to 23 percent of QBI. The TCJA's increased estate and gift tax exemption would be enhanced and made permanent. For 2026, the exemption amount would be $15 million for ($30 million for couples) and would be indexed annually for inflation. Like the TCJA, the bill would maintain the individual Alternative Minimum Tax (AMT) but make permanent the TCJA's increase in the AMT exemption and the income levels at which the AMT exemption phases out.

In addition, the bill would permanently repeal the Pease limitation and replace it with an overall limit on itemized deductions of 35 cents per dollar and extends the $750,000 mortgage interest deduction, the limit on casualty loss deductions, and the repeal of other miscellaneous itemized deductions. It would also permanently increase or modify employer-provided child care, paid family and medical leave, and adoption tax credits.

During the 2024 presidential campaign, candidate Trump proposed a series of new tax breaks and the Ways and Means bill would codify them in legislative form. The bill would eliminate taxes on qualified tips, overtime pay, and car loan interest through 2028. It would also provide a $4,000 deduction for seniors with a modified adjusted gross income up to $75,000 ($150,000 for couples).

The bill would create a temporary tax credit through 2029 for charitable contributions to tax-exempt organizations that provide scholarships to K-12 students and a temporary tax deduction through 2028 for charitable cash contributions up to $150 ($300 for couples) for non-itemizers. In addition, it would create a new type of savings account called Money Accounts for Growth and Advancement ("MAGA accounts") and a MAGA accounts contribution pilot program for newborns.

On the business side, the bill would extend 100-percent bonus depreciation through 2029, allow for full expensing of research and experimental costs through 2029, permanently increase the cap on the deductibility of business interest expenses, extend the deduction for foreign-derived intangible income and global intangible low-taxed income, and extend the base erosion minimum tax amount. It would also allow for 100-percent deductibility of the cost of certain new factories, certain improvements to existing factories, and other structures through 2028.

The bill would also repeal or phase out many of the Inflation Reduction Act's green energy tax credits, remove taxpayer benefits for illegal immigrants, modify eligibility for and recapture of Affordable Care Act premium tax credits, modify the tax treatment of investment income at private colleges and universities, and enforce remedies against extraterritorial taxes. These changes would all generate savings that would offset the tax cuts contained elsewhere in the bill.

Finally, the Ways and Means bill would increase the debt ceiling by $4 trillion. This is necessary given a recent letter from Treasury Secretary Scott Bessent stating that the federal government will exhaust all of its extraordinary measures, which have kept the federal government from hitting its $36.1 trillion debt ceiling, by August and will no longer be able to issue new debt.