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"Big Beautiful Bill" House GOP Tax Plan: Preliminary Details and Analysis

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Updated analysis of the House-passed "One, Big, Beautiful" reconciliation bill on May 22, 2025.

House GOP's "Big Beautiful Bill" Tax Plan: Topline Preliminary Analysis

Gross Domestic Product (GDP)	Gross National Product (GNP)	Capital Stock	Pre-Tax Wages	Hours Worked Converted to Full-Time Equivalent (FTE) Jobs	10-Year Conventional Deficit Change, 2025-2034, Billions	10-Year Dynamic Deficit Change, 2025-2034, Billions
0.8%	0.8%	0.2%	Less than +0.05%	983,000	-$2,595.6	-$1,700.7

Source: Tax Foundation General Equilibrium Model, May 2025

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The House passed the "One, Big, Beautiful" reconciliation bill on Thursday, May 22, addressing the expirations of the 2017 Tax Cuts and Jobs Act (TCJA) and making additional changes to US tax policy and spending.

Our preliminary analysis finds the tax provisions included in the House-passed bill would increase long-run GDP by 0.8 percent. The bill's tax and spending changes would increase the 10-year budget deficit by $2.6 trillion from 2025 through 2034 on a conventional basis before added interest costs. On a dynamic basis, accounting for economic growth, the deficit would increase by $1.7 trillion over ten years before interest costs.

The bill's tax provisions alone would reduce federal tax revenue by $4.1 trillion from 2025 through 2034 on a conventional basis before added interest costs. On a dynamic basis, accounting for economic growth, the revenue reduction would fall by nearly 22 percent to $3.2 trillion over 10 years before added interest costs.

Overall, the bill would prevent tax increases on 62 percent of taxpayers that would occur if the TCJA expired as scheduled. However, by introducing narrowly targeted new provisions and sunsetting the most pro-growth provisions, like bonus depreciation and research and development (R&D) expensing, it leaves economic growth on the table and complicates the structure of the tax code.

The House-passed budget resolution (which contains the instructions that committees must follow for the reconciliation process) would allow a $4.5 trillion increase in the deficit from tax cuts over the next decade so long as spending is cut by $1.7 trillion. But if spending is not cut by $1.7 trillion, the cap on tax cuts will be reduced dollar-for-dollar. The House-passed bill as currently estimated meets the requirements of the budget resolution.

Table 1. Summary of Preliminary Long-Run Economic and 10-Year Revenue Effects of House Reconciliation Bill Tax Package

GDP	GNP	Capital Stock	Pre-Tax Wages	Hours Worked Converted to FTEs	10-Year Conventional Deficit Change, 2025-2034, Billions	10-Year Dynamic Deficit Change, 2025-2034, Billions
+0.8%	+0.8%	+0.2%	Less than +0.05%	+983,000	-$2,595.6	-$1,700.7

Source: Tax Foundation General Equilibrium Model, May 2025.

Major Provisions and Effective Dates

We model the economic, revenue, and distributional effects of the following major provisions, effective after the end of 2025 unless other dates are specified:

Individual Provisions

- Make the expiring rate and bracket changes of the TCJA permanent and increase the inflation adjustment for all brackets excluding the 37 percent threshold
- Make the expiring standard deduction levels permanent and temporarily boost the standard deduction by $2,000 for joint filers, $1,500 for head of household filers, and $1,000 for all other filers from 2025 through the end of 2028
- Make the personal exemption elimination permanent
- Make the $750,000 limitation and the exclusion of interest on home equity loans for the home mortgage interest deduction permanent\
- Make the state and local tax (SALT) deduction cap permanent at a higher threshold of $40,000, phasing down to $10,000 at a rate of 30 percent beginning at modified adjusted gross income of $250,000 for single filers and $500,000 for joint filers. The cap and income thresholds increase by 1 percent per year over the next 10 years.
- Make other changes and limitations to itemized deductions permanent, including: the limitation on personal casualty losses and wagering losses and termination of miscellaneous itemized deductions, Pease limitation on itemized deductions, and certain moving expenses
- Limit the value of itemized deductions to 32 or 35 cents on the dollar for those in the top tax bracket

- Make the expiring child tax credit permanent; temporarily increase the maximum credit to $2,500 from 2025 through the end of 2028; inflation adjust the $2,000 max in years thereafter
- Make the increase in the alternative minimum tax exemption and phaseout thresholds permanent and adjust related inflation indexing calculations
- Repeal several Inflation Reduction Act (IRA) green tax subsidies primarily aimed at individuals, such as electric vehicle and residential energy efficiency credits, after 2025
- Temporarily make tip income deductible for tax years 2025 through 2028 for individuals in traditionally and customarily tipped industries, excluding highly compensated employees
- Temporarily make auto loan interest deductible for itemizers and non-itemizers for autos with final assembly in the United States for tax years 2025 through 2028; deduction limited to $10,000 and phases out by $200 for every $1,000 of income above $100,000 for single filers and $200,000 for joint filers
- Temporarily increase the additional standard deduction for seniors by $4,000 for tax years 2025 through 2028 and extend the increase to itemizers; larger deduction phases out at a 4 percent rate when modified adjusted gross income exceeds $75,000 for single filers and $150,000 for joint filers
- Temporarily make overtime compensation deductible for the premium portion of overtime for itemizers and non-itemizers for tax years 2025 through 2028, excluding highly compensated employees and qualified tips
- Tighten rules on claims for premium tax credits (PTCs) and repeal limitations on PTC clawbacks for credits advanced to taxpayers

Estate Provisions

- Permanently increase the estate and gift tax exemption to an inflation-indexed $15 million beginning in 2026

Business and International Provisions

- Permanently reduce the post-2025 global intangible low taxed income (GILTI) inclusion rate from 62.5 percent to 50.8 percent, increase the foreign-derived intangible income (FDII) deduction from 21.875 percent to 36.5 percent, and reduce the base erosion and anti-abuse tax (BEAT) rate from 12.5 percent to 10.1 percent.

- Make the Section 199A pass-through deduction permanent; increase the deduction percentage from 20 percent to 23 percent; modify the limitations based on W-2 wages and capital investment and for specified services and trade businesses (SSTBs)
- Close SALT cap workarounds for pass-through businesses that are considered SSTBs under Section 199A
- Make the noncorporate loss limitation permanent and tighten related rules
- Sunset major IRA clean electricity tax credits: clean electricity production tax credit (45Y) and clean electricity investment tax credit (48E) eliminated for projects for which construction begins more than 60 days after enactment or property placed in service after 2028, except for advanced nuclear projects under construction before 2029; nuclear electricity production tax credit (45U) eliminated after 2031; repeal hydrogen production credit (45V) for facilities beginning construction after 2025
- Phase out advanced manufacturing production credit (45x) for wind energy components after 2027, for all other eligible components after 2031
- Across several IRA green energy credits, further restrict credits based on involvement of foreign entities of concern (FEOC)
- Expand clean fuel production credit (45K)
- Tighten rules on the 162(m) limitation for executive compensation
- Limit deductibility of C corporation charitable contributions by implementing a 1 percent floor on the deduction
- Temporarily restore 100 percent bonus depreciation for short-lived investment from 2025 through 2029
- Temporarily restore immediate expensing for domestic research and development (R&D) expenses from 2025 through 2029
- Temporarily reinstate the EBITDA-based limitation on business net interest deductions from 2025 through 2029
- Temporarily provide 100 percent expensing of qualifying structures in manufacturing, extraction, and agriculture sectors for which construction begins before the end of 2028 and

placed in service date occurs before the end of 2032

We incorporate revenue scores from the Joint Committee on Taxation for all other provisions not scored by Tax Foundation, including higher taxes on endowments and private foundations and other various rule changes. We incorporate spending change estimates from the Congressional Budget Office to estimate the full effect of the House bill on the budget deficit.

Long-Run Economic Results

We estimate that together, the major tax provisions we modeled would lower marginal tax rates on work in the United States, leading to a 0.8 percent expansion in the size of the long-run economy. The capital stock would grow by 0.2 percent, and pre-tax wages would grow by less than 0.05 percent. The capital stock and wages grow less than the broader economy due to higher marginal tax rates on housing investment under the limitations on itemized deductions. Hours worked would expand by 983,000 full-time equivalent jobs.

American incomes measured by GNP would increase by 0.8 percent. The deficit impact of the bill drives a wedge of 0.2 percent between the increase in economic output and the increase in American incomes.

The tax and spending provisions would increase the budget deficit by $1.7 trillion from 2025 through 2034 on a dynamic basis, and that higher budget deficit would require the US government to borrow more. As interest payments on the debt made to foreigners increase, American incomes decrease.

Table 2. Long-Run Economic Effects of May 22 Tax Legislation

	GDP	GNP	Capital Stock	Pre-Tax Wages	Hours Worked Converted to FTEs
Lower rates and wider thresholds on certain brackets and inflation adjustments	1.1%	1.2%	1.2%	0.1%	1,233,000

	GDP	GNP	Capital Stock	Pre-Tax Wages	Hours Worked Converted to FTEs
AMT exemption and exemption threshold changes	-0.1%	-0.1%	Less than +0.05%	0.1%	-125,000
Larger standard deduction and inflation adjustments	-0.1%	0.0%	-0.6%	-0.2%	72,000
No personal exemptions	-0.2%	-0.2%	-0.2%	Less than -0.05%	-166,170
Permanence for TCJA child tax credit and other dependent tax credit expansion and inflation adjustments	0.1%	0.1%	0.1%	0.0%	32,000
$40,000 Cap on State and Local Tax Deductions, increased 1% annually for 10 years	-0.5%	-0.4%	-0.9%	-0.3%	-193,000
Phase down $40,000 SALT cap to $10,000 at a 30% rate when income exceeds $500,000	-0.1%	Less than -0.05%	-0.2%	-0.1%	-20,000
Disallow SALT deduction cap workarounds for certain income	-0.1%	-0.1%	-0.3%	-0.1%	-37,000
Other limitations on itemized deductions and Pease limitation repeal	-0.1%	Less than -0.05%	-0.3%	-0.1%	-18,000
Section 199A pass-through deduction permanence at 23% deduction rate	0.6%	0.5%	1.0%	0.4%	157,000
Limit the value of itemized deductions for high earners	Less than -0.05%	Less than -0.05%	Less than -0.05%	0.0%	-1,000
Designate a 1% floor on corporate charitable deductions	Less than -0.05%	Less than -0.05%	Less than -0.05%	Less than -0.05%	-2,000
Retain modified current policy GILTI, FDII, and BEAT rates	0.2%	0.2%	0.4%	0.2%	52,000

	GDP	GNP	Capital Stock	Pre-Tax Wages	Hours Worked Converted to FTEs
Make existing estate tax thresholds permanent and raise the estate tax exemption to $15 million (single) and $30 million (joint), indexed for inflation starting in 2026	0.0%	0.0%	0.0%	0.0%	-
Make permanent and establish changes to the limitation on excess business losses of noncorporate taxpayers	Less than -0.05%	Less than -0.05%	Less than -0.05%	Less than -0.05%	-1,000
Implement aggregation rules for 162(m) highly compensated employee deduction limits	Less than -0.05%	Less than -0.05%	Less than -0.05%	Less than -0.05%	-1,000
Deficit Impact on American Incomes	0.0%	-0.2%	0.0%	0.0%	-
Total	**0.8%**	**0.8%**	**0.2%**	**Less than +0.05%**	**983,000**

Source: Tax Foundation General Equilibrium Model, May 2025.

10-Year Revenue Results

We estimate the tax provisions would reduce federal revenues by $4.1 trillion between 2025 and 2034. Most of the revenue reduction comes after 2025, when the major provisions of the TCJA are scheduled to sunset.

On a dynamic basis, incorporating the projected increase in long-run GDP of 0.8 percent, the revenue loss falls by about 22 percent to $3.2 trillion over the 10-year budget window.

In total, accounting for all provisions, including about $1.5 trillion in net spending cuts estimated by CBO, we estimate the House bill would increase budget deficits by about $2.6 trillion over 10 years on a conventional basis and by $1.7 trillion on a dynamic basis.

The projected ratio of debt to GDP would increase from a baseline level of 162.3 percent in 2059 to 172.3 percent on a conventional basis. After factoring in the revenue feedback from economic growth, debt to GDP would rise 4.7 percentage points to 167.0 percent by 2059.

We provide a detailed revenue table above available for download.

DOWNLOAD FULL REVENUE TABLE

Table 3. 10-Year Revenue Effects and Deficit Impact of House Reconciliation Bill, Billions

	2025	2026	2027	2028	2029	2030	2031
Conventional Revenue Effect of House Tax Package	-$278.0	-$563.6	-$579.1	-$537.0	-$397.4	-$235.8	-$298.5
Dynamic Revenue Effect of House Tax Package	-$251.8	-$481.8	-$471.8	-$413.7	-$280.0	-$153.3	-$212.2
Conventional Deficit Change of House Reconcilliation Bill	-$130.0	-$507.4	-$554.6	-$471.3	-$281.5	-$73.9	-$100.3
Dynamic Deficit Change of House Reconcilliation Bill	-$103.7	-$425.6	-$447.3	-$348.0	-$164.1	$8.6	-$14.0

Source: Tax Foundation General Equilibrium Model, May 2025.

Distributional Effects

We model the distributional effects of the major provisions listed above, excluding the phaseout of IRA green energy credits and eligibility changes for the CTC and earned income tax credit (EITC). Overall, the House bill has outlined significant tax cuts that would, on average, increase market incomes by 2.1 percent in 2025 and by 4.3 percent in 2026. The difference between 2025 and 2026 is primarily because the TCJA provisions do not expire until 2026, so extending them does not have an effect in 2025.

Some business provisions and increases to individual provisions are available in the first half of the budget window but sunset by the latter half, so by 2034, the increase in after-tax income would be smaller at 2.4 percent on average. On a dynamic basis, we estimate that market incomes would increase by 3.1 percent on average in 2034, reflecting the increase in economic output under the plan. The increase in after-tax market income for the bottom quintile falls over time as tighter rules for premium tax credits take effect.

Table 4. Distributional Effect of Major Provisions of House Big, Beautiful Bill Tax Package, Percent Change in After-Tax Market Income

Market Income Percentile	2025, Conventional	2026, Conventional	2034, Conventional	2034, Dynamic
0% - 20%	0.8%	2.1%	0.1%	0.7%
20% - 40%	2.5%	4.6%	1.4%	2.1%
40% - 60%	2.6%	4.5%	2.2%	2.8%
60% - 80%	2.3%	4.4%	2.4%	3.0%
80% - 100%	1.9%	4.2%	2.7%	3.3%
80% - 90%	2.1%	4.1%	2.4%	3.0%
90% - 95%	1.6%	4.0%	2.9%	3.6%
95% - 99%	1.6%	4.4%	3.1%	3.8%

Market Income Percentile	2025, Conventional	2026, Conventional	2034, Conventional	2034, Dynamic
99% - 100%	2.1%	4.3%	2.3%	2.9%
Total	**2.1%**	**4.3%**	**2.4%**	**3.1%**

Note: Market income includes adjusted gross income (AGI) plus 1) tax-exempt interest, 2) non-taxable social security income, 3) the employer share of payroll taxes, 4) imputed corporate tax liability, 5) employer-sponsored health insurance and other fringe benefits, 6) taxpayers' imputed contributions to defined-contribution pension plans. Market income levels are adjusted for the number of exemptions reported on each return to make tax units more comparable. After-tax income is market income less: individual income tax, corporate income tax, payroll taxes, estate and gift tax, custom duties, and excise taxes. The 2026 income break points by percentile are: 20%-$17,735; 40%-$38,572; 60%-$73,905; 80%-$130,661; 90%-$188,849; 95%-$266,968; 99%-$611,194. Tax units with negative market income and non-filers are excluded from the percentile groups but included in the totals.

Source: Tax Foundation General Equilibrium Model, May 2025

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The One Big Beautiful Bill, Explained

Timeline of Activity

May 23, 2025

Updated analysis of the House-passed “One, Big, Beautiful” reconciliation bill on May 22, 2025.