

Billionaires Win - Families Lose

2025 U.S. House
Republican
Reconciliation Bill




Monday June 9, 2025
Dems Club of Willow Valley
Jerry Henige

Disclaimer


- There are a lot of moving parts
- I have tried to keep reasonably current, but the focus is on the bill as passed by the Republican House
- The Senate now has the bill and we will have to see what comes out of their effort
 - There has been a fair amount of discomfort expressed by Republican Senators ... but it is hard to predict who will fold under pressure



What Is A Reconciliation Bill?

- A process set up to expedite passage of federal budget legislation in the Senate
 - Final passage:
 - Goes thru committee hearings
 - Final debate is limited to 20 hours
 - Simple majority (not subject to the filibuster)
 - Targets mandatory spending, not discretionary spending
 - The focus must be on spending or revenue, not on non-budgetary components
 - Can not increase the federal deficit after 10 years or change Social Security
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Senate Vote on Reconciliation Bill

- Senators can question whether provisions conform to the rules
 - The parliamentarian gives advice on conformity
 - However, the final decision is up to the presiding officer (typically the Vice President)
 - A vote of 60 Senators is required to override this decision
 - Senate goal is to have this passed by July 4th
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Cost Estimates Of The Republican House Reconciliation Bill

- CBO projects it will add \$2.4 trillion to the national debt
- Committee for a Responsible Federal Budget projects it would add roughly \$3 trillion to the national debt or \$5 trillion if temporary policies are made permanent
- Even as it uses trickery to avoid counting the true costs
- It is skewed heavily to the wealthy
- It fails to deliver for families

Further Assessment

- Committee for a Responsible Federal Budget also projects that by 2034:
 - Increases the deficit from 6% of GDP to 7% by 2026
 - Doubles interest costs between 2024 and 2034 to \$1.8 trillion (4.2% of GDP)
 - Increases debt from 100% of GDP today to 124% by 2034, 129% if made permanent, and 134% if interest rates stay high
 - Significantly front-loads costs and back-loads saving such that three-quarters of the deficit impact would in the first four years



"This massive, outrageous, pork-filled Congressional spending bill is a disgusting abomination. Shame on those who voted for it: you know you did wrong. You know it."

Elon Musk posting on X



Tax Provisions Are Skewed to the Wealthy

- The 2017 Tax bill's business tax cuts are permanent, but in order to keep the costs down, the individual tax cuts expire this year
 - This bill largely extends the individual tax cuts in that bill
- Proposed tax cuts are highly regressive
- Top 1% get tax cuts three times larger than the bottom 60%
- The top 0.6% of people (1.2 million) with incomes over \$1 million would receive more total tax cuts than the 127 million people making less than \$100,000



Change in After-Tax Income (2027)

Income Bracket	Regressive (Proposed)	
	Percent Change	\$ Change
Over \$1 Million	4.3%	\$89,390
Top 1%	4.3%	\$64,770
90-99%	4.2%	\$10,960
80-90%	2.9%	\$4,500
60-80%	2.7%	\$2,750
Middle 20%	1.9%	\$1,290
20-40%	1.5%	\$640
Bottom 20%	0.6%	\$90



Change in After-Tax Income (2027)

Income Bracket	Regressive (Proposed)		Flat
	Percent Change	\$ Change	1.9% Change (=Middle 20%)
Over \$1 Million	4.3%	\$89,390	\$39,497.9
Top 1%	4.3%	\$64,770	\$28,619.3
90-99%	4.2%	\$10,960	\$4,958.1
80-90%	2.9%	\$4,500	\$2,948.3
60-80%	2.7%	\$2,750	\$1,935.2
Middle 20%	1.9%	\$1,290	\$1,290.0
20-40%	1.5%	\$640	\$810.7
Bottom 20%	0.6%	\$90	\$285.0



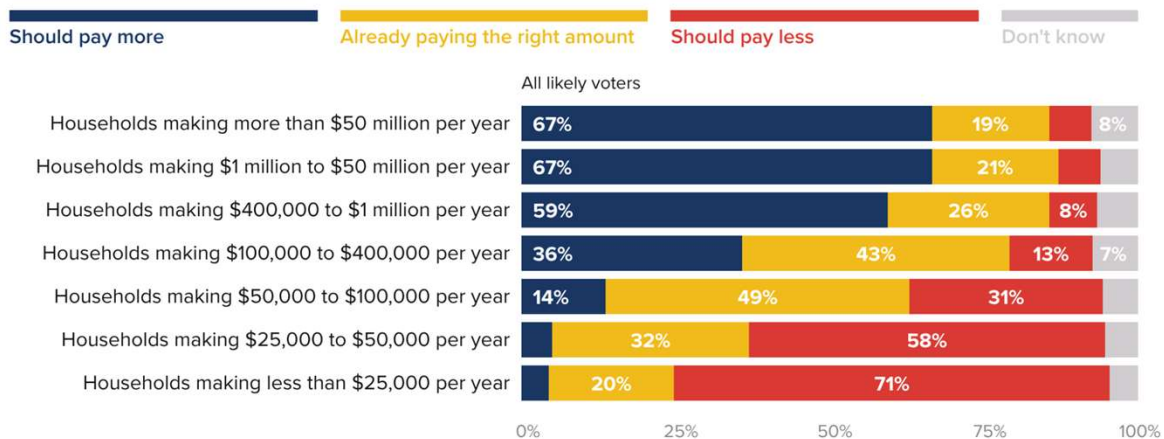
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90-99%	4.2%	\$10,960	\$4,958.1	0.6%	\$1,566
80-90%	2.9%	\$4,500	\$2,948.3	0.6%	\$931
60-80%	2.7%	\$2,750	\$1,935.2	1.5%	\$1,528
Middle 20%	1.9%	\$1,290	\$1,290.0	1.9%	\$1,290
20-40%	1.5%	\$640	\$810.7	2.7%	\$1,152
Bottom 20%	0.6%	\$90	\$285.0	4.2%	\$630



Voters Only Support Tax Cuts for Americans Making Less Than \$50,000 Per Year

For each of the following groups, do you think that they should pay more or less in taxes — or are they already paying the right amount?



May 16–19, 2025 survey of 1,160 U.S. likely voters

DATA FOR PROGRESS

The Bill Fails Families



Medicaid

- Medicaid proposal could strip coverage from 8.7 million people and lead to 7.6 million more uninsured over the next 10 years
- It includes new work requirements, more frequent redeterminations, and other harmful policies
 - Required to start in 2026
- Includes co-pays for those above the federal poverty level
- It limits state's ability to tax medical providers as a way to recover some of their Medicaid spending
- Penalizes states that provide health coverage to immigrants

Affordable Care Act (ACA)

- Another attempt to 'kill' the ACA??
- It fails to extend the enhanced ACA premium tax credits
 - 20 million will face steeply higher premiums leading to 4 million more uninsured
 - And it will increase marketplace premiums as many with higher health issues rejoin the marketplace
 - Medicaid expansion states will be hit harder than non-expansion states
 - Estimated 40% increase in premiums
- It raises new barriers for ACA marketplace enrollees



**Medicaid
& ACA**

**Bottom Line:
Attacking Medicaid &
ACA would threaten
the financial stability
of families
nationwide!**

Hospitals At Risk

- Estimated to increase uncompensated care by \$48 billion in 2034
 - PA uninsured would increase by 340,000 with a rise of \$1.19 billion in uncompensated care
- This would put at risk hospitals that serve more low-income patients ... particularly rural and “safety net” hospitals
 - Nearly 200 of these hospitals are already at ‘immediate risk of closure’



Direct Aim at Medicare

- CBO projects this bill will trigger nearly \$500 billion in future Medicare cuts due to the Statutory Pay-As-You-Go Act of 2010
- This bill terminates eligibility for many individuals with lawful immigration status
 - People who have worked and paid taxes and have earned Medicare benefits
 - Medicare already prohibits payments to the undocumented
- It would eliminate simplified eligibility & enrollment rules making enrollment for many much harder
 - Nearly 1.4 million low-income people would lose cost-sharing assistance
- Low-income Medicare enrollees can lose Medicaid prescription cost-sharing putting many lives at risk



Long-Term Care

- Medicaid paid for 61% of long-term care in 2022 and more than 70% of Home-and Community-Based Services
- This bill undermines long-term care by shifting costs to states, which will likely result in cuts to these programs
- Repeals the Nursing Home Minimum Staffing Rule which requires adequate staffing in nursing homes



Food Assistance (SNAP)

- The largest cut ever to SNAP (\$286 billion or 30%)
- States share of administrative costs grow from 50% to 75%
 - Using 2023 data, PA costs would rise from \$214 million to \$324 million
 - Blocks future increases in SNAP benefits
 - Expands burdensome paperwork to families with children & older adults
- Estimate households with 11 million people would lose some or all of their food assistance due to expanded paperwork requirements
 - 5.4 million people in 2.7 million households would lose more than \$3,000 per year in benefits
- Significantly harder to get waivers of paperwork requirements in times of high unemployment



"Trickle Up Economics": Health Care & Food Assistance vs Tax Cuts

- Cuts to SNAP = \$300 billion
- Cuts to Medicaid & ACA = \$800+ billion

**Taking = \$1.1 trillion
from the low- &
moderate income**

- Tax 'give aways' for people with incomes over \$500K

**Giving = \$1.1 trillion
to the wealthy**

Tariffs will also hit low- and moderate-income families particularly hard



Expansion of Child Tax Credit Fails Lower-Income Families

- The Child Tax Credit has always had a basic flaw
 - *It delivers the least to children in lower-income families that could benefit the most!*
- Republicans and Democrats have long recognized the problem
 - In 2001, the credit was made partially refundable
 - Last year, 169 House Republicans voted to increase the credit for most children ... but it did not become law
- This bill increases the maximum credit by \$500 per child
 - But does nothing about the limit on refundability
- An estimated 20 million children of low- to moderate-income working families will be denied the full \$2,500 child tax credit



Bill Provides No Added Benefits For Children Who Are Most In Need

Married couple with two children
\$400,000 in annual earnings

\$1000 increase
Receives \$5,000

Single parent with 2 children
Provides part-time childcare for
our married couple
\$16,000 in annual earnings

\$0 increase
Receives \$2,025

It fails an estimated 678,000 children in Pennsylvania



Another Attack on Birth Right Citizenship??

- Eligibility for the Child Tax Credit requires the parents or guardians to have a Social Security number
 - Excludes noncitizen parents from claiming the benefit on behalf of a child who is a citizen



Earned Income Tax Credit (EITC)

- The Earned Income Tax Credit (EITC) is an important tool for reducing poverty, encouraging work, and increases children's well-being, especially for low- to moderate-income families
- Bill requires a new "pre-certification system" to claim EITC
 - Low- to moderate-income families would have to apply for "pre-certification" for each child every year they claim EITC
 - Requires supporting documentation
- This burdensome new process raises the risk that more eligible families would not benefit from the anti-poverty, pro-work EITC tax credit




Savings Accounts for Newborns

- It would give \$1,000 savings accounts for newborns
 - Called a "Trump account"
- Parents or beneficiaries could contribute \$5,000 each year until the beneficiary is 31 years old
- Mirrors a proposal from Senator Cory Booker ("baby bonds")



Tax Code Changes

- No tax on tips
 - Some guardrails to preclude “highly compensated employees” from claiming income as tips
 - No tax on overtime
 - Guardrails for “highly compensated employees” and requires Social Security number precluding noncitizens
 - No tax on car loan interest
 - Deduct interest payments up to \$10,000 over 4 years on American-made cars for low- & moderate-income families
 - Adds \$4,000 to the standard deduction for anyone over 65
 - Low- & moderate-income families
 - Ends after 4 years
- 

Give Aways to the Wealthy & Corporations



Further Weakens Estate Tax

- The 2017 Tax Law doubled the estate tax exemption to \$22 million per couple and indexed it to inflation
 - Today a couple can pass on a \$28 million estate tax free
 - Only a few thousand pay any estate tax under this bill
- But this give away expires this year
- This bill extends it providing the wealthiest a \$5.7 million tax cut
- But even that isn't good enough:
 - It raises the exemption to \$30 million estate tax free
 - Providing a \$6.3 million tax cut to the wealthiest
- This provision will cost over \$200 billion over nine years
 - Money that should be used to support low- & moderate-income families



Pass-Through Deduction Heavily Skewed Towards Wealthy

- The 20% "pass-through" deduction was one of the costliest and most skewed provisions of the 2017 Tax law
 - Over half the tax breaks go to millionaires
 - Benefits did not "trickle down" to boost workers' income
- The bill permanently extends the benefit and expands it to 23%
 - Adds \$100 billion to the cost of this provision
 - Drops the top tax rate of owners of pass-through business to 28.5% vs 37% for workers at those businesses
- Adds \$800 billion to the bill's cost - more than one-fifth of the bill's total cost



Health Savings Accounts (HSA)

- HSAs are a tax shelter that primarily benefits high-income tax-payers
 - They do not improve healthcare coverage or affordability to the average American
 - Contributions are not taxed
 - They can be invested in stocks & bonds and rolled-over indefinitely with tax-free earnings
 - Withdrawals are not taxable if used for qualified medical expenses
- This bill includes a host of HAS expansions that will cost more than \$40 billion over 10 years



Corporate Tax Breaks

- The 2017 Tax law made a permanent deep cut in the corporate tax rate from 35% to 21%
 - 40% of the benefits flow to foreign investors
 - 83% of the U.S. impact flows to the wealthiest 1% of Americans
- Several tax increases included in the 2017 Tax law to hold down the cost of that bill have been eliminated



More High-Income Giveaways Via SALT

- The 2017 Tax bill capped state & local tax deduction at \$10,000
 - That limit expires this year
 - Note that the Alternative Minimum Tax was also weakened which balanced out the tax implications for most high-income earners
- Reconciliation bill makes the cap permanent, while raising it to \$40,000
 - This will only benefit higher-income individuals
 - Originally the provision to raise the limit would have applied only to taxpayers making less than \$400,000
 - Unfortunately, this provision was removed as part of the give-away to the wealthy
 - It is the type of provision that could be used throughout the bill to make it better targeted



Other Targets



Immigration: Spending on Border Wall & Other Restrictions

- The bill designates \$140 billion on the border and immigration crackdown
 - More than \$50 billion on completing the wall & other fortifications, including maritime crossings
 - Roughly \$45 billion to building & maintaining detention centers
 - \$14 billion for deportee transportation



Big Increases for Defense

- Roughly \$150 billion in the bill for Defense Department
 - \$34 billion for munition and defense supply chain
 - \$33.6 billion for shipbuilding
 - \$20 billion for missile defense and space capabilities
 - Partially for Trump's "Golden Dome" continental missile defense system
- Increase may be limited to 4 years



Aggressive Taxation On College & University Endowments

- Currently endowments are taxed at 1.4%
- Proposed tax rate is based on the size of the endowment per student
 - \$500,000 - \$750,000 1.4%
 - \$750,000 - \$1,250,000 7%
 - \$1,250,000 - \$2,000,000 14%
 - \$2,000,000 & up 21%



Student Loans

- Repeals Biden's student loan forgiveness programs
 - And makes other changes to loan repayments
- Would save \$295 billion over 10 years



Tax Credits for Home Schooling Or Private Schools

- Includes up to \$5 billion per year for four years
 - 100% tax credit for donations to scholarship-granting organizations that help people pay for private-school tuition or home-schooling
- Grows modestly after that if there is sufficient demand
- Families earning up to three times their area median income would qualify
 - Ex: \$450,000 in Washington D.C. or \$270,000 in Morgantown, WV



Rescinds Money To Fight Climate Change

- The bill would gut elements of Biden's signature Inflation Reduction Act
 - Eliminates a \$7,500 tax credit for buying an electric vehicle
- Republicans are also seeking to phase out incentives for production of clean energy such as wind and solar power
 - Much of these incentives are going to red states ... we will see what happens



New Oil & Gas Production

- Mandates new oil & gas lease sales in the Gulf of Mexico (America???) and protected Alaskan wildlands
- This provision may be eliminated because it may run foul of the rules for Reconciliation bills



Auction Electromagnetic Spectrum

- The electromagnetic spectrum is used for wireless technologies, military communications and radars
- Gives the FCC authority to auction off bands of the spectrum
- Congressional Budget Office estimates it could bring in \$88 billion over 10 years



Cuts Protections for Federal Workers

- The bill would slash benefits and protections for government workers
- One example: forces new employees to decide between accepting 'at-will' employment status (making it easier to be fired) or putting more of their salary toward retirement



Raises the Debt Ceiling

- The U.S. is currently at the current debt limit
- The government is taking 'extraordinary measures' to put off taking on more debt
 - These measures are expected to reach their limit sometime in August
- This bill would raise the debt ceiling by \$4 trillion



Understated Costs

- This bill uses a number of timing strategies to understate the likely true costs:
 - Example: Some of Trump's proposed tax cuts expire in 2028
 - Once given, these types of tax cuts are typically extended ... but the cost of extension isn't accounted for in this bill
 - Example: Capital gains on opportunity zone investments are deferred to 2034 (last year of the budget window)
 - Capital gains must be claimed in 2034 - reducing the cost of the program
 - But the deferral resumes the next year - with corresponding large costs which are not accounted for in this bill



Undermining Our Democracy

- Attacks on the Judicial Branch
 - Ongoing attacks on judges increasing threatens the independence of the judiciary
 - This bill limits the ability of the courts to hold governmental official accountable for failing to adhere to judicial rulings
- The bill precludes states from putting any limits on AI for the next 10 years

Attack on the Judicial Branch

- This bill would severely restrict federal courts' authority to hold government officials in contempt for violating judicial order
 - Anyone suing the government would have to pay a bond before the court could use its contempt power to enforce injunctions or restraining orders
- This is an attack on the rule of law and the separation of powers, neutering one branch of government
 - And it would be retroactive to court orders issued before the bill passes
- Appears focused on shielding the Trump administration from accountability when it breaks the law
- At the same time, we have an Attorney General who has decided that her job is to support the president, not the constitution or the rule of law



Untouchable AI

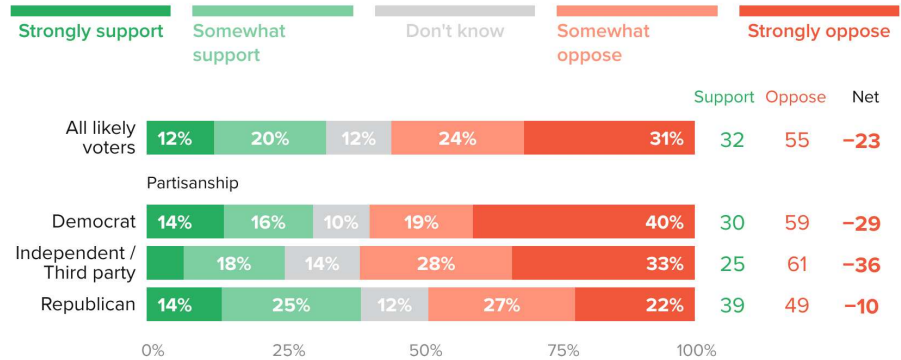
- The bill would impose a 10-year ban on all state and local laws that regulate artificial intelligence (AI)
 - Includes use of AI in political campaigns and elections
- In the absence of federal legislation, more than 20 states (including PA) have laws to address election misinformation and manipulation
 - This could lead to a decade of false information that undermines voters' ability to make informed decisions
- PA Republican & Democratic officials are strongly against this provision
- One PA bill banned AI-generated "deepfakes" and child porn
 - Like the Lancaster County Day School incident where two students used AI to generate nude images of underage classmates



Banning States From Regulating Artificial Intelligence Is Broadly Unpopular

Some lawmakers in Congress have proposed legislation that would **prevent all states and localities** from regulating artificial intelligence (AI) or automated decision-making systems for the next ten years.

Do you support or oppose this proposal?



May 16–19, 2025 survey of 1,160 U.S. likely voters

DATA FOR PROGRESS

Judicial Constraints & Untouchable AI Appear Likely to Go Away

- Reconciliation rules say that only items that affect the budget can be included
- Neither of these items appear to meet that requirement
- That suggests that both these items are likely to be removed from this bill
- But, stay tuned, as VP JD Vance may have the last say

Note: Even Marjorie Taylor Greene says the AI restriction is too extreme

The Bill Is Now In The Senate's Hands

- Senators have expressed a lot of concern with various content in the bill
 - Let's see what they act on
- Senators can question whether provisions conform to the rules
 - The parliamentarian gives advice on conformity
 - The final decision is up to the presiding office (typically the Vice President)
 - They can be overruled by a 2/3 majority of Senators

Market Uncertainty

- The tariff picture continues to be cloudy and uncertain
- Moody's downgraded U.S. credit rating
- Wall Street is privately warning that the tax bill could:
 - Stoke investor anxiety about the rising deficits
 - Push up U.S. borrowing costs
 - Damage the economy
- U.S. bond market is a cornerstone of the global financial market and the national economy
 - Treasury yields have already spiked over 5% before receding
- Musk's DOGE efforts doesn't appear to have slowed the overall pace of federal spending

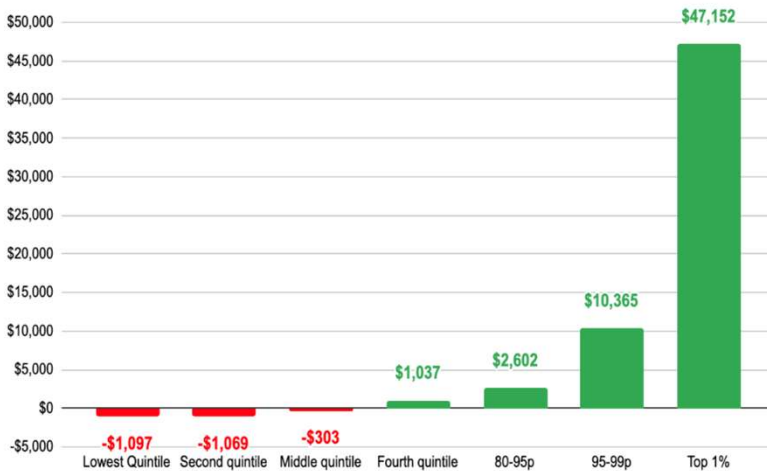


This Bill Reflects Republican 'Love of Bureaucracy'

- They love using bureaucracy as impediments to low- & moderate-income families
- SNAP: Expands burdensome paperwork to families with children & older adults
- Medicaid: Includes new work requirements, more frequent redeterminations, and other harmful policies
- EITC: Requires a new "pre-certification system" for each child every year to claim EITC



MOST HOUSEHOLDS WILL SUFFER FROM GOP FISCAL PLANS AS RICH BENEFIT



Tax & Spending Cuts + Tariffs

Taking From the Bottom 60% To Give to the Top 1%

Americans For Tax Fairness



Americans See What's Happening

- 47% believe it will hurt the middle-class
 - 31% say it will help them
- 54% believe it will hurt the poor
 - 31% say it will help them
- 60% believe it will benefit the wealthy
 - 7% say it will hurt them

CBS News/YouGov Poll from last week

