



16 June 2025

Summary of Select Senate Reconciliation Bill Tax Provisions

Below is a preliminary summary of select tax provisions in the Finance Committee's portion of the proposed Senate version of H.R. 1, the House-passed One Big, Beautiful Bill Act (OBBBA).

TCJA extensions and modifications

Provision	House	Senate
Individual rates	10%, 12%, 22%, 24%, 32%, 35%, 37% made permanent (with inflation relief for rates below the 37% rate)	Same provision, except for inflation adjustment for 10%, 12%, 22% brackets
Standard deduction	\$15,000/single, \$30,000/married inflation (adjusted for 2025) extended past 2025 and increased for years 2025-2028	Similar provision except increased for years after 2025
Personal exemptions	Reduced to \$0, effectively suspending the provision, extended beyond 2025	Same provision
Child tax credit	Extension of \$2,000 credit and inflation indexing beginning in 2029	Makes permanent increased credit and sets at \$2,200 per child beginning in tax year 2025
	Increased to \$2,500 for 2025-28	
	Subject to Social Security number requirement	
199A pass-through deduction	20% deduction on certain pass-through income made permanent, increased to 23% See EY Alert, "Tax reconciliation bill passed by House could significantly affect individual taxpayers," https://taxnews.ey.com/news/2025-1161 and "Tax reconciliation bill passed by the House would expand and make permanent the qualified business income deduction (IRC Section 199A)," https://taxnews.ey.com/news/2025-1205	Makes permanent current policy provision at 20% (without increase) and expands the deduction limit phase-in range
Estate tax	Exemption increased to \$15m and indexed for inflation (permanent)	Same provision



AMT	Exemption amounts and phase-out thresholds extended past 2025 (changed by manager's amendment to push out inflation adjustment)	Similar provision with some language differences on inflation adjustment
Residence interest	\$750,000 (\$375,000 for married filing separately) limitation on home mortgage acquisition indebtedness is made permanent, and the exclusion of interest on home equity indebtedness from the definition of qualified residence interest is made permanent	Similar provision but treats certain mortgage insurance premiums on acquisition indebtedness as qualified residence interest
Itemized deductions	Permanently eliminated	Similar provision but removes unreimbursed employee expenses for eligible educators from the list of miscellaneous itemized deductions
Limitation on tax benefit of itemized deductions	In place of the Pease limitation, itemized deductions would be capped for those in the top 37% tax bracket See EY Alert https://taxnews.ey.com/news/2025-1161	Includes a provision that mirrors the original Ways and Means language that was changed by manager's amendment, plus language on agricultural and horticultural cooperatives
Casualty loss deduction	Permanently allows for the itemized deduction for only personal casualty losses resulting from federally declared disasters	Similar provision but also addresses state declared disasters
SALT	\$10,000 state and local tax (SALT) deduction cap increased to \$40,000 per household for incomes under \$500,000, with the cap and income threshold set to grow 1% each year Pass-through entity tax (PTET) deduction repealed for specified service trades or businesses (SSTBs) See EY Alert https://taxnews.ey.com/news/2025-1161	\$10,000 cap under current policy extended (but subject to further negotiation); clarifies and modifies the list of taxes subject to the SALT cap ("specified taxes"); does not repeal PTETs for SSTBs but generally limits PTETs to the greater of \$40,000 or half of the otherwise allowed PTET deduction; establishes an individual-level limitation for a partnership or S corporation owner's separately stated share of PTETs
Limitation on excess business losses	Makes the excess business loss limitation permanent	Same provision



Bicycle commuting	Termination of the exclusion for qualified bicycle commuting reimbursement after 2025 See EY Alert, "House-passed tax bill contains provisions affecting compensation and benefits, including eliminating taxes on tips and overtime," https://taxnews.ey.com/news/2025-1120	Same provision
Moving expense deduction	Permanent repeal of the exclusion for employer-provided qualified moving expense reimbursements, except for a member of the armed forces Permanent repeal of deduction for moving expenses, except for a member of the armed forces	Same provision
Wagering losses deduction	Wagering losses deduction clarification to include deductible expenses incurred in gambling activity extended beyond 2025	Similar provision, but limited to 90% of the amount of such losses, only to the extent of the gains from such transactions
ABLE accounts	Makes permanent certain provisions related to Achieving a Better Life Experience (ABLE) accounts Eligibility for the Saver's Credit Extension of rollovers from qualified tuition programs to ABLE accounts permitted	Same provision
Student loans	Restores the exclusion from an individual's gross income for an otherwise includible amount from the discharge of a qualifying loan on account of a student's death or total and permanent disability	Same provision

Business

Provision	House	Senate
Bonus depreciation	Allows 100% bonus depreciation for property acquired and placed in service after January 19, 2025, and before January 1, 2030 (5 years less several	Allows 100% bonus depreciation on a permanent basis for property acquired and placed in service on or after January 19, 2025, as well as for specified plants



	days). For longer production period property and certain aircraft, the end date is January 1, 2031. 100% bonus depreciation is also allowed for specified agricultural plants planted or grafted after January 19, 2025, and before January 1, 2030. The rules under the percentage-of-completion method are made permanent for the allocation of bonus depreciation under a long-term contract.	planted or grafted on or after January 19, 2025.
163(j) interest deduction	Reinstates the EBITDA (earnings before interest, taxes, depreciation, and amortization) limitation for the calculation of the deduction after December 31, 2024, and before January 1, 2030	Permanently reinstates the EBITDA limitation for the calculation of the deduction after December 31, 2024. Also permanently modifies the definition of “motor vehicle” to include certain trailers and campers designed to be towed by or affixed to a motor vehicle. This change allows interest on floor plan financing for such trailers and campers to be deducted. Contains a new ordering rule whereby the section 163(j) limitation is calculated prior to any interest capitalization rule. Also, interest capitalized under section 263(g) or 263A(f) is not business interest under section 163(j). However, the business interest allowed under section 163(j) is applied first to the capitalized interest and then to deducted interest. Finally, excludes subpart F and GILTI, along with any associated gross-up under section 78, from adjusted taxable income for purposes of section 163(j).
174 R&D	Allows expensing for 5 years rather than a 5-year amortization period for domestic R&D amounts paid or incurred in tax years beginning after December 31, 2024, and before January 1, 2030.	Allows permanent expensing rather than a 5-year amortization period for domestic R&D amounts paid or incurred in tax years beginning after December 31, 2024.



	Taxpayers can choose to (1) deduct domestic R&D expenses, (2) elect to capitalize and recover domestic R&D expenses ratably over the useful life of the research (no less than 60 months) beginning with midpoint of the taxable year in which the expenses were paid or incurred, or (3) elect to capitalize and recover domestic R&D expenses over 10 years. Taxpayers are required to reduce domestic R&D expenses by the amount of their Section 41 research credits for taxable years beginning after December 31, 2024, and before January 1, 2030. Alternatively, taxpayers can elect to claim a reduced Section 41 research credit. Foreign R&D is unchanged and must continue to be capitalized over a 15-year period.	Small business taxpayers (annual gross receipts of \$31 million or less) are generally permitted to apply this change retroactively to tax years beginning after December 31, 2021. All taxpayers that incurred domestic R&D expenses after December 31, 2021, and before January 1, 2025, permitted to elect to accelerate the remaining deductions for such expenditures over a one-year or two-year period. Foreign R&D is unchanged and must continue to be capitalized over a 15-year period. The provision also includes rules to coordinate the immediate deductibility of domestic R&D expenses with the research credit.
Accelerated depreciation for factories	Allows expensing of new factories, certain improvements to existing factories, and certain other structures. Construction must begin after January 19, 2025, and before January 1, 2029, and be placed in service before January 1, 2033. Includes recapture if property use changes within 10 years.	Same provision but for property placed in service before January 1, 2031
Executive compensation	The provision adds an aggregation rule to Section 162(m). Where a specified covered employee is paid by different members of a controlled group, the amounts are combined for purposes of the \$1m limit. See EY Alert https://taxnews.ey.com/news/2025-1120	Same provision



Third Party Litigation Funding Reform	No provision	Imposes a tax equal to the highest individual tax rate plus 3.8% on qualified litigation proceeds received through investments to fund litigation
Deduction disallowance for employer-provided meals	Adds an exception to this disallowance by cross-reference to IRC Section 274(e)(8), which excepts expenses for goods or services sold by the taxpayer in a bona fide transaction for adequate and full consideration, helping taxpayers such as restaurants that are in the business of selling food to customers and also provide food to employees. See EY Alert https://taxnews.ey.com/news/2025-1120	Similar provision, but includes language on commercial vessels and fishing boats
Charitable contributions made by corporations	Corporate charitable deductions are disallowed up to 1% of the taxpayer's taxable income (1% floor), are allowed between 1% and 10% of taxable income, and deductions for contributions above 10% can be carried forward for up to 5 years.	Same provision
Sports teams	Excludes 50% of the adjusted basis of an amortizable Section 197 asset from amortization for professional sports franchises. Section 197 generally provides goodwill and many other types of intangible property with 15-year amortization See EY Alert https://taxnews.ey.com/news/2025-1161	No provision
Opportunity Zones	Ends the initial qualified opportunity zones designation after December 31, 2026, and establishes a new round of qualified opportunity zone designations through December 31, 2033, "under	Permanent OZ policy that creates rolling, 10-year OZ designations beginning on January 1, 2027; maintains the OZ designation process; strengthens eligibility requirements



	rules similar to those for the initial designation” See EY Alert, “Tax reconciliation bill passed by House Ways & Means Committee would affect tax incentives and rules for Opportunity Zones,” https://taxnews.ey.com/news/2025-1068	
Sound recording	Expands the special expensing rules for qualified film, television and live theatrical productions under Section 181 to include aggregate qualified sound recording production costs of up to \$150,000 per taxable year	Same provision
Low-income housing tax credit (LIHTC)	Provides an increase in the state housing credit ceiling for calendar years 2026, 2027, 2028 and 2029, and modifies the tax-exempt bond financing requirement	Similar provision, but permanent and increases the state allocation ceiling by 12% rather than 12.5%
Restoration of taxable REIT subsidiary asset test	Section 856(c)(4)(B)(ii) is amended by striking “20 percent” and inserting “25 percent”	No provision
Treatment of payments from partnerships to partners for property or services	Gives Treasury more flexibility in determining whether a transaction should be treated as made in the capacity as a partner, in the context of arrangements to allow partnerships not to capitalize property, with the costs deducted over time	Same provision
NMTC	No provision	Permanent extension of the new markets tax credit

International

Provision	House	Senate
Global intangible low-taxed income (GILTI)	Modifies and makes permanent the rates on global intangible low-taxed income (GILTI) through a 49.2% deduction (10.668% rate), including the section 78 gross-up amount. The bill would also	Similar to the House bill except that the Section 250 deduction for GILTI purposes is reduced to 40%, and the GILTI FTC haircut is reduced to 10%, resulting in a 14% GILTI tax rate. In addition, the



	exclude from “tested income” any “qualified Virgin Island services income” (a narrow provision). See EY Alert, “US House approves tax reconciliation bill, with minor rate changes in international tax provisions,” https://taxnews.ey.com/news/2025-1143	allocation and apportionment of expenses to GILTI is limited to the section 250(b)(2) deduction and expenses directly allocable to GILTI income; any other expenses would be allocated to US source income. Net deemed tangible income return currently utilized in determining a U.S. shareholder’s GILTI inclusion is eliminated. (Also proposes name change to Net CFC Tested Income)
Foreign-derived intangible income (FDII)	Modifies through a 36.5% deduction (13.335% rate) and makes permanent See EY Alert https://taxnews.ey.com/news/2025-1143	The FDII deduction is reduced to 33.34%, or a 14% rate, and made permanent; expense apportionment is limited to directly related expense; the deduction for eligible income (DEI) would not include gains from the sale or disposition of property that gives rise to rents or royalties; and the deduction for QBAI is repealed. (Also proposes name change to Foreign-Derived Deduction Eligible Income)
Base erosion and anti-abuse tax (BEAT)	Modifies and makes permanent the base erosion and anti-abuse tax (BEAT) rate of 10.1% and the current rules regarding credits, and repeals the changes scheduled to apply post-2025; i.e., changes in the BEAT rate and changes that would reduce regular tax liability by the taxpayer’s income tax credits for the taxable year. See EY Alert https://taxnews.ey.com/news/2025-1143	The BEAT rate is increased from 10% to 14%. The modifications to the calculation of allowable credits for taxable years beginning after December 31, 2025, would be removed. Exempted from the definition of BEAT payments are those subject to a “sufficient level of foreign income tax,” defined as payments subject to an effective tax rate that is greater than 18.9%. In addition, the proposal reduces the base erosion percentage threshold safe harbor from 3% to 2% for all taxpayers and treats certain capitalized interest expense (other than interest expense capitalized under Sections 263(g) or 263(A)(f) as a base erosion payment. The proposed changes would apply to taxable years beginning after December 31, 2025, and would be permanent.



Tax increases aimed at “unfair foreign taxes”	The proposal, in creating a new Section 899, combines and makes modifications to legislation introduced earlier this year (H.R. 591) by Chairman Smith and H.R. 2423 introduced by Rep. Ron Estes (R-KS) aimed at increasing tax rates on “applicable persons,” including individuals, foreign governments, foreign corporations, private foundations, certain trusts and certain foreign partnerships with parent entities located in a country that has a discriminatory tax. A discriminatory foreign country is one that has an “unfair foreign tax” as defined by the bill, or an “extraterritorial tax” or “discriminatory tax” as defined by the bill. According to the bill, an unfair foreign tax includes an undertaxed profits rule (UTPR), digital services tax and diverted profits tax. The proposal would increase a variety of taxes, including withholding taxes, on applicable persons. Regarding withholding taxes, if another rate of tax applies in lieu of such rate, such as pursuant to a treaty obligation of the United States, such other rate is increased by the applicable number of percentage points identified in the bill. The tax rate increase would generally be 5 percentage points per year up to a maximum of 20 percentage points. In addition, the proposal modifies the BEAT with respect to corporations that are more than 50% owned by certain applicable persons. The changes to the BEAT in this case would apply regardless of the average annual gross receipts and base erosion percentage of the corporation, regardless of the exception for certain services under section 59A(d)(5), and by treating certain	Similar to the House bill, except the increase is 5 percentage points per year up to 15 percentage points and applies with respect to an “extraterritorial tax.” Extraterritorial tax is defined to include a UTPR. Discriminatory taxes are separately defined to include any digital services tax, as well as to the extent provided by the Secretary. The provision provides a new coordination rule with Section 891 and would modify Section 891 including by defining the terms “extraterritorial tax” and “discriminatory tax” for purposes of Section 891. Section 899 would not apply during any period any increase to any specified rate of tax is in effect under Section 891. The provision would exclude certain types of portfolio interest and interested-related dividends excluded from tax under current law, with authority to the Secretary to identify “similar amounts.” Treasury is also provided authority to expand or limit the definition of applicable person. In general, the effective date is delayed by one year. For example, for calendar year taxpayers the provisions would not apply until taxable years after December 31, 2026. Similar to the House bill, Section 899 would also modify Section 59A including by removing the gating threshold of the annual gross receipts test and modifying
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	amounts that are capitalized as if they had been deducted, among other things. The proposal would be effective on the date of enactment but the increased taxes would apply to taxable years beginning after the later of 1) 90 days after the date of enactment, 2) 180 days after the date of enactment of the unfair foreign tax that causes a country to be treated as a discriminatory foreign country, and 3) the first date that the unfair foreign tax of such country begins to apply; and before the last date on which the discriminatory foreign country imposes an unfair foreign tax. A footnote in the Budget Committee report explains that proposed IRC Section 899 would not apply to income that is explicitly excluded from the application of the specified tax because it would only increase the specified rates of tax, including portfolio interest that is excluded from the tax imposed on fixed or determinable annual or periodical gains, profits and income. See EY Alert, “New IRC Section 899 would increase tax rates and expand BEAT for certain inbound taxpayers,” https://taxnews.ey.com/news/2025-1085 and EY Alert https://taxnews.ey.com/news/2025-1143	the base erosion percentage test, which would be 0.5 percent.
CFC look-thru rule	No provision	Made permanent
CFC tax year	No provision	One-month deferral election for determining a CFC’s tax year under section 898(c) repealed
Downward attribution	No provision	Section 958(b)(4) reinstated to preclude downward attribution from a foreign person to a US person in determining CFC status; new section 951B added causing



		certain foreign controlled foreign corporations to be treated as CFCs
Pro-rata share rules	No provision	Pro rata share rules for subpart F and section 951A amended by removing the reduction of pro rata by distributions made to other US shareholders (current section 951(a)(2)(B))
FTC limitation	No provision	For purposes of calculating the FTC limitation under section 904, income of a US person from the sale of inventory produced in the US and attributable to an office or other fixed place of business outside the US is treated as foreign source up to 50% of the total taxable income from such sale.

Energy

Provision	House	Senate
Clean vehicle credit (30D)	Repeals the new clean vehicle credit for vehicles placed in service after December 31, 2025. Allows credit to continue through December 31, 2026, for manufacturers that have sold 200,000 or fewer plug-in electric vehicles or clean vehicles after 2009 and before 2026	Repeals the credit for vehicles acquired more than 180 days after the DOE
Credit for previously owned clean vehicles (25E)	Repeals previously owned clean vehicle credit for vehicles acquired after December 31, 2025	Repeals credit for vehicles acquired more than 90 days after the DOE
Credit for qualified commercial clean vehicles (45W)	Repeals commercial clean vehicle credit for vehicles acquired after December 31, 2025, except for vehicles placed-in-service before 2033 if acquired pursuant to a written binding contract entered into before May 12, 2025	Generally, repeals the credit for vehicles acquired more than 180 days after the DOE. Vehicles under 14,000 lbs. must now comply with the critical mineral and battery component restrictions in 30D effective for vehicles acquired after June 16, 2025.
Alternative fuel refueling property credit (30C)	Repeals the alternative fuel vehicle refueling vehicle property credit for property placed in service after December 31, 2025	Repeals the credit for property placed in service more than 12 months after the DOE



Energy efficient home credit (25C)	Repeals energy efficient home improvement credit for property placed in service after December 31, 2025	Repeals the credit for property placed in service more than 180 days after the DOE
Residential clean energy credit (25D)	Repeals the residential clean energy credit for property placed in service after December 31, 2025	Repeals the credit for expenditures made more than 180 days after the DOE
Energy efficient commercial buildings deduction (179D)	No provision	Terminates the deduction for property that begins construction more than 12 months after DOE
New energy efficient home credit (45L)	Repeals new energy efficient home credit for homes acquired after December 31, 2025, unless home began construction before May 12, 2025, and is acquired before the end of 2026	Terminates the credit for energy efficient homes acquired more than 12 months after the DOE
Cost recovery (168(e)(3)(B))	No provision	Repeals the special 5-year cost recovery period for energy property defined in 45Y(b)(1)(A) and 48E(b)(2) and (c)(2) placed in service after the DOE
Clean electricity production credit (45Y)	Termination of the credit for facilities that have not begun construction 60 days after DOE and have not been placed in service by December 31, 2028. Foreign Entity of Concern (FEOC) limitations apply, and FEOC “material assistance” restriction applies to facilities that begin construction after December 31, 2025. Prevents credits from being used through leasing arrangements to provide residential solar and wind. Retains transferability. Foreign Entity of Concern (FEOC) limitations apply: - No credit for tax years beginning after DOE if the taxpayer is a “specified foreign entity” (defined in new section 7701(a)(51)(B)). - No credit if construction begins after 12/31/2025, and there is “material assistance from a	Phases out credit for wind and solar facilities equal to 60% of the otherwise available credit for facilities that begin construction in 2026, and 20% for facilities that begin construction in 2027 and 0% in 2028; facilities with a nameplate capacity of 1 GW and more than 25% of which is placed in service on land owned or controlled by the US for which a right-of-way grant or lease was executed before June 17, 2025. Eliminates “later of” rule to start phase-down and termination of credit after 2032 (100% in 2033, 75% in 2034, 50% in 2035, and 0% in 2036) for other technologies/facilities. Denies the credit for facilities that receive material assistance from a prohibited foreign entity for facilities that begin construction after 12/31/2025; denies credit for any taxable year beginning after the DOE if the taxpayer is a



	prohibited foreign entity” (defined in new section 7701(a)(52)) - No credit in tax years starting two years after DOE for a “foreign-influenced” entity (defined in new section 7701(a)(51)(D))	prohibited foreign entity calculated as of the last day of the taxable year. The material assistance amount is 40% in 2026, 45% in 2027, 50% in 2028, 55% in 2029 and 60% in 2030 and after. Denies wind and solar leasing arrangements.
Clean electricity investment credit (48E)		Phases-out credit for wind and solar facilities equal to 60% of the otherwise available credit for facilities that begin construction in 2026, and 20% for facilities that begin construction in 2027, and 0% in 2028. Eliminates “later of” rule for all other facilities. Denies the credit for facilities that begin construction after 12/31/2025 and receive material assistance from a prohibited foreign entity. Denies credit for taxable years beginning after the date of enactment if the taxpayer is a prohibited foreign entity. Denies wind and solar leasing arrangements.
Carbon sequestration (45Q)	Includes two of the FEOC limitations that apply to electricity: credit is denied starting tax years after the DOE if the taxpayer is a “specified foreign entity” and denied starting two years after DOE if the taxpayer is a “foreign-influenced entity.” And repeals transferability for carbon capture equipment that begins construction after the date that is 2 years after DOE.	Prohibits specified foreign entities or foreign-influenced entities from claiming credit for the taxable years beginning after date of enactment. Applicable to facilities placed in service after 2022: enacts parity for credit value of \$17 regardless of end-use; indexes credit value of \$17 to inflation; retains \$36 credit value for direct air capture. Retains transferability of credits.
Zero-emission nuclear power production credit (45U)	Expiration on December 31, 2031. Transferability retained.	Denies credit for taxpayers that are specified foreign entities for taxable years beginning after the DOE; denies credit for taxpayers that are a foreign-influenced entity for taxable years beginning after 2 years after the DOE; denies the credit for facilities that utilize nuclear fuel produced in a covered nation (defined in section 4872(f) of title 10) or by a covered entity (effective taxable



		years beginning after 12/31/2027) unless obtained pursuant to a written binding contract in effect before 1/1/2023.
Credit for production of clean hydrogen (45V)	Terminated for facilities that begin construction after December 31, 2025.	Repeals credit for facilities the construction of which begins after 12/31/2025
Advanced manufacturing production credit (45X)	Terminates the credit for wind energy components for components sold after 2027 and eliminates sale of all other components, including critical minerals, after 2031. Transferability repealed for components sold after 2027. FEOC restrictions apply as follows: No credit is allowed for taxpayers that are “specified foreign entities” for tax years beginning after the DOE; the “material assistance” FEOC rules apply to manufactured components with a new prohibition on licensing agreements valued in excess of \$1m with a prohibited foreign entity; no credit is allowed for taxpayers that are “foreign-influenced entities” for tax years beginning two years after DOE – for this purpose, the restriction applies across the entire eligible component category in 45X (e.g., solar energy components).	Adds a new phase out for critical minerals at 75% of the credit otherwise allowed in 2031, 50% in 2032, 25% in 2033, and no credit in 2034 and beyond. Wind energy components produced and sold after 12/31/2027 are denied. For taxable years beginning after the DOE, a taxpayer cannot be a prohibited foreign entity, and the material assistance restriction applies for tax years beginning after the DOE with varying and escalating threshold percentages for solar, wind, inverters, battery components, and applicable critical minerals. Eligible components within an integrated structure are denied effective DOE. Retains transferability.
Advanced energy project credit (48C)	No provision	Denies any returned credit allocation from being reissued after the DOE
Energy credit (48)	The geothermal heat pump, as a qualifying technology in the legacy section 48 credit, does not expire for facilities PIS before January 1, 2035. The phase-out rule, FEOC restrictions, and repeal of transferability (facilities beginning construction 2 years after DOE) as applied to 45Y and 48E in the underlying bill continue to apply here.	No provision



Clean fuel production credit (45Z)	Repeals transferability for fuel produced after December 31, 2027; extends the credit through 2031; requires fuel to be produced from feedstocks produced or grown in the U.S., Mexico or Canada for fuel sold after December 31, 2025; excludes indirect land use changes for purposes of greenhouse gas emissions analysis and requires new distinct emissions rates for specific manure feedstocks; and applies the new “specified foreign entity” limitation effective in tax years beginning after DOE and new “foreign-influenced entity” rule effective two years after DOE.	Extends the credit through 2031; restricts access to credit for certain foreign entities; prevents double-dipping for entities claiming SAF credit and eliminates Sec. 6426(k) SAF credits after 9/30/2025. For fuels produced after 2025: imposes 20% haircut on credit value for fuels produced from non-domestic feedstocks; maintains ILUC exclusion from House-bill and provides Secretary authority to establish manure-specific emissions rates; generally prohibits negative emissions rates for fuels (except RNG). Retains transferability.
Publicly traded partnerships (7704)	Expands the definition of qualifying income for publicly traded partnerships to include: 1) income and gains from the transportation or storage of sustainable aviation fuel, liquified hydrogen or compressed hydrogen; and 2) income and gains from the generation, availability for such generation, or storage of electric power, as well as capture of carbon dioxide by a 45Q facility effective for tax years beginning after December 31, 2025.	Similar provision
Dyed fuel refund	No provision	Establishes a mechanism for taxpayers to claim a refund on indelibly dyed diesel or kerosene removed from a terminal when that fuel has previously paid federal excise tax. Effective for dyed diesel fuel or kerosene removed on or after 180 days after DOE.
Intangible drilling and CAMT	No provision	Requires AFSI to also be (i) reduced by any deduction allowed for expenses under Section 263(c) with respect to property described therein to the extent of the amount allowed as deductions in computing taxable income for the year, and (ii) adjusted to disregard any amount of depletion expense that is taken into



		account on the taxpayer's applicable financial statement with respect to the intangible drilling and development costs of such property
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Energy definitions related to foreign entities under Senate bill:

Prohibited foreign entity – the term means specified foreign entities and foreign influenced entities.

Specified foreign entity – the Senate definition mirrors the definition in H.R. 1 which includes foreign entities related to or controlled by foreign adversary nations such as those described in the William M. Thornberry National Defense Authorization Act for Fiscal Year 2021.

Foreign-influenced entity – the term refers to an entity that has indicia of effective control by a specified foreign entity or entities based on ownership and management or control criteria (including licensing agreements). The definition deviates from H.R. 1 in that the ownership and payment thresholds are slightly higher in the Senate (e.g., 25% versus 10% for a single specified foreign entity).

Material assistance from a prohibited foreign entity – the same term is used in H.R. 1 but the rules that target the supply chain of taxpayers claiming 45Y, 48E and 45X are much different than H.R. 1. The Senate version establishes a cost ratio to identify taxpayers with supply chains including from prohibited foreign entities and includes various other requirements and penalties.

In 45Y and 48E, material assistance cost ratio for facilities is the quotient of the fraction where the numerator is the total costs attributable to all the manufactured products (including components) (as defined in Notice 2023-38; domestic content bonus) which are incorporated into the qualified facility minus the total costs attributable to all the manufactured products incorporated that are mined, produced or manufactured by a prohibited foreign entity, and the denominator is total costs.

In 45X, for eligible components, the threshold percentage varies for each of the eligible component categories and critical minerals. The numerator is the total direct material costs that are paid or incurred (within the meaning of section 461 and regulations under section 263A) to produce the eligible component minus the total direct material costs attributable paid or incurred to produce the eligible component attributable to a prohibited foreign entity.

Safe harbor tables shall be issued by 12/31/2026 which identify the percentage of the total direct material costs associated with manufactured products and eligible components attributable to a prohibited foreign entity. Prior to the issuance of safe harbor tables, and for facilities that begin construction 60 days after the date of the issuance of the tables, a taxpayer may rely on existing IRS safe harbors for the domestic content bonus credit listing certain direct material costs and may rely on a certification from a supplier of the manufactured product, eligible component, or constituent element, material or subcomponent of an eligible component to determine total direct material costs or such product or component that was not



manufactured by a prohibited foreign entity. The certification shall include the supplier's EIN, be signed under penalties of perjury, and be retained by the supplier and taxpayer for a period of not less than 6 years to be produced at any time by the Secretary and state that supplier was not produced or manufactured by a prohibited foreign entity and that the supplier was not aware of any prior supplier in the chain of production being a prohibited foreign entity. There is an exception for written binding contracts entered into prior to 6/16/2025 and PIS before 1/1/2030.

Higher education and individual provisions

Provision	House	Senate
Tax credit for contributions to scholarship granting organizations	Allows for a credit for qualified contributions to scholarship granting organizations. Cannot exceed the greater of 10% of the taxpayer's aggregate gross income or \$5,000. Effective for taxable years ending after December 31, 2025.	Similar provision
Charitable contributions for nonitemizers	Allows for an above-the-line deduction of \$150 for individuals and \$300 for married couples for charitable contributions for taxable years beginning after December 31, 2024, and before January 1, 2029.	Provides a permanent above-the-line deduction of up to \$1,000 for individuals and \$2,000 for married couples for charitable contributions made by taxpayers who do not elect to itemize their tax deductions for taxable years beginning after December 31, 2024.
Floor on deduction for charitable contributions made by individuals	No provision	Imposes a 0.5% floor on charitable contributions for taxpayers who elect to itemize for taxable years after December 31, 2025. The amount of an individual's charitable contributions for a taxable year is reduced by 0.5% of the taxpayer's contribution base for the taxable year. Also permanently extends the increased contribution limitation for cash gifts made to qualified charities.
Increase excise tax on private college and university endowments	Expands the current excise tax on net investment income of private college and university endowments. First, it introduces a new rate structure from the current 1.4% rate in which institutions with a per-student endowment in excess	Expands the current excise tax on net investment income of private college and university endowments. First, it introduces a new rate structure from the current 1.4% rate in which institutions with a per-student endowment in excess



	of \$500,000 and not in excess of \$750,000 are taxed at 1.4%, in excess of \$750,000 and not in excess of \$1.25 million are taxed at 7%; in excess of \$1.25 million and not in excess of \$2 million are taxed at 14%; and, in excess of \$2 million are taxed at 21%. Second, the term “applicable educational institution” must now: 1) have at least 500 tuition-paying students during the previous taxable year, 2) have more than 50% of the tuition-paying students located in the U.S., 3) is not a state college or university, 4) is not a qualified religious institution, and 5) the student adjusted endowment is at least \$500,000. Effective for taxable years beginning after December 31, 2025. See EY Alert, “House reconciliation bill would modify provisions affecting tax-exempt entities,” https://taxnews.ey.com/news/2025-1126	of \$500,000 and not in excess of \$750,000 are taxed at 1.4%; in excess of \$750,000 and not in excess of \$2 million are taxed at 4%; in excess of \$2 million are taxed at 8%. Second, the term “applicable educational institution” must now: 1) have at least 500 tuition-paying students during the previous taxable year, 2) have more than 50% of the tuition-paying students located in the U.S., 3) not be a state college or university, 4) not be a qualified religious institution, and 5) the student adjusted endowment is at least \$500,000. Effective for taxable years beginning after December 31, 2025.
Increased excise tax on private foundations	Replaces the current 1.39% excise tax on net investment income with a tiered structure in which private foundations with assets of less than \$50 million are taxed on their net investment income at 1.39%, assets equal to or greater than \$50 million but less than \$250 million are taxed at 2.78%, assets equal to or greater than \$250 million but less than \$5 billion are taxed at 5%, and assets of at least \$5 billion are taxed at 10%. See EY Alert https://taxnews.ey.com/news/2025-1126	No provision



Changes to UBIT	Makes several additions to what is considered unrelated business income including parking fringe benefits with certain exceptions for churches, and income that is from research not publicly available. See EY Alert https://taxnews.ey.com/news/2025-1126	No provision
Excise tax on excess compensation Section 4960	Regarding Section 4960's 21% excise tax on employers that pay over \$1 million in compensation or pay an excess parachute payment to covered employees of tax-exempt organizations, modify the definition of "covered employee" – currently defined as one of the five highest compensated current or former employees for the applicable tax year – to include any current or former employee. See EY Alert https://taxnews.ey.com/news/2025-1126	Same provision
No tax on tips	The proposal provides a federal income tax deduction equal to the qualified tips that an individual receives during any taxable year. The bill also expands the business tax credit for the portion of FICA/payroll taxes an employer pays on certain tips to include payroll taxes paid on tips received in connection with certain beauty services. This provision sunsets after December 31, 2028. Under the bill, the new tax deduction for tips is limited to cash tips: 1) received by an employee during the course of employment in an occupation that customarily receives tips, and 2) reported by the employee to the employer for purposes of withholding payroll taxes. Further, an employee with compensation	Deduction of up to \$25,000, allowed for both employees and independent contractors; allowed for both itemizers and non-itemizers; phases out for AGI over \$150,000 (\$300,000 joint); allowed only from taxable years 2025 through 2028; Social Security number requirement applies; qualified tips defined as any cash tip received by an individual in an occupation which customarily and regularly received tips on or before December 31, 2024, as provided by Treasury



	exceeding a specified threshold (\$160,000 in 2025 and adjusted annually for inflation) in the prior tax year may not claim the new tax deduction for tips. See EY Alert https://taxnews.ey.com/news/2025-1120	
No tax on overtime	Deduction equal to qualified overtime compensation, which doesn't include tips or payments to highly compensated individuals – 5% owners, compensation over \$160,000 – effective December 31, 2024, through December 31, 2028, and Social Security number requirement applies. See EY Alert https://taxnews.ey.com/news/2025-1120	Deduction of up to \$12,500 (\$25,000 in joint) for qualified overtime compensation, phases out for AGI over \$150,000 (\$300,000 joint), also only allowed from taxable years 2025 through 2028
Enhanced deduction for seniors	\$4,000 tax deduction between 2025-2028 reduced by 4% of however much of the taxpayer's modified AGI as exceeds \$75,000 (\$150,000 for joint return) between December 31, 2024, and before January 1, 2029, and SSN requirement applies	\$6,000 deduction begins to phase out when taxpayer's modified AGI exceeds \$75,000 (\$150,000 joint), allowed 2025-2028, and SSN requirement applies
No tax on car loan interest	Personal interest won't include qualified passenger vehicle loan interest, except fleets, leases, etc., between 2025-2028 See EY Alert, "House-passed HR 1 contains new information reporting and withholding provisions," https://taxnews.ey.com/news/2025-1187	Similar provision, adds VIN requirement language, narrows definition of applicable vehicle to exclude campers and RVs
Enhancement of employer-provided child care credit	25% credit increased to 40% (50% in the case of an eligible small business)	Similar provision
FML credit	Extends the paid family and medical leave credit permanently, with modifications	Similar provision



Adoption credit	Treats up to \$5,000 of the adoption tax credit as refundable	Same provision
Third-party settlement	Reverts to the previous de minimis reporting exception for third-party settlement organizations See EY Alert https://taxnews.ey.com/news/2025-1187	Same provision
Remittance tax	3.5% excise tax generally imposed on any remittance transfer See EY Alert, "New 5% excise tax proposed for remittance transfers," https://taxnews.ey.com/news/2025-1108 and EY Alert https://taxnews.ey.com/news/2025-1068	3.5% excise tax generally imposed on any remittance transfer, except exempts transfers from accounts subject to the Bank Secrecy Act or transfers funded with a debit card or credit card issued in the United States

Savings provisions

Provision	House	Senate
Trump accounts	Trump accounts for beneficiaries younger than age 18, with contribution limit for any taxable year of \$5,000 (except for rollovers and government contributions) with distribution limits until the beneficiary reaches age 31, when it is distributed and ceases to be a Trump account. Distributions from the account that are used for qualified expenses – related to education, business or home purchase – are taxable as capital gains. Under a pilot program, Treasury will pay a one-time credit of \$1,000 to the Trump account of each qualifying child born 2025-2028. See EY Alert https://taxnews.ey.com/news/2025-1108	Same provision



Section 529 accounts	Additional elementary, secondary and home school expenses treated as qualified higher education expenses for purposes of 529 accounts	Similar provision, some changes in language
	Certain post-secondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts	
Health reimbursement arrangements	Codifies the final rules permitting employers to offer individual coverage HRAs – renamed as Custom Health Option and Individual Care Expense, or “CHOICE,” arrangements – without violating the group health plan requirements See EY Alert https://taxnews.ey.com/news/2025-1120	No provision
Cafeteria plans	Permits employees enrolled in a CHOICE arrangement in conjunction with a cafeteria plan to use salary reduction to purchase health insurance coverage on an Exchange	No provision
Employer Credit for CHOICE Arrangement	Establishes a new credit for employers whose employees are enrolled in CHOICE arrangements maintained by the employer	No provision