Unpacking the One Big Beautiful Bill

Over the weekend President Trump signed into law a wide-ranging bill containing most his domestic legislative agenda. The bill covers a wide array of topics, including tax, healthcare, climate, immigration, and defense spending.

Below we provide a high-level overview of what is and isn't in the Senate bill and how it impacts various business and insurance interests.

Key provisions in the Senate bill

- Debt limit increase: The bill increases the amount of money the federal government has available to pay its debts. Most pundits anticipate a major financial crisis would be triggered if the US fails to pay its debt obligations. Absent this provision, the government is expected to hit the debt limit in mid-August.
- Individual tax provisions: The Tax Cuts and Jobs Act (TCJA) in 2017 included trillions of dollars in tax cuts for individuals that are set to expire at the end of this year. The bill preserves and expands most of the TCJA rules including lower tax rates for individuals, an increase to the standard deduction, increased child tax credit, and larger estate and gift tax exemption.
- State and local tax deduction: Individuals earning less than $500,000 who itemize their taxes can deduct $40,000 in state and local taxes (SALT) for five years beginning with the 2026 tax year (the TCJA capped the SALT deduction to $10,000). See below for more on SALT.
- Business tax provisions: Several key tax provisions applicable to businesses are made permanent with minor tweaks, including:
    - 20% qualified business income tax deduction for passthrough businesses like LLCs and S-corporations;
    - Immediate 100% deduction for domestic research and development and purchase of qualifying property; and
    - Expansion of the deduction for business interest expenses by tying it to earnings before interest, tax, depreciation, and amortization (EBITDA) instead of earnings before interest and tax (EBIT).
- HSA expansion: The Senate bill includes a few health savings account (HSA) expansions beginning in 2026, including:
    - Permanent extension of a COVID-era rule allowing high deductible health plans (HDHPs) to provide first dollar coverage of telehealth services without jeopardizing HSA eligibility;

    - Allows HDHPs to cover primary care services without jeopardizing HSA eligibility;
    - Allows HSAs to pay for direct primary care fees up to $150 per month for individuals and $300 for multiple enrollees; and
    - Allows enrollees in Bronze and catastrophic ACA marketplace plans to make HSA contributions.
- Dependent care assistance plan (DCAP) increase: The DCAP limit is increased from $5,000 to $7,500 beginning in 2026.
- Trump campaign promises: The president campaigned on no taxes on (i) tips, (ii) overtime, (iii) Social Security income, and (iv) car loan interest for US cars. The legislation makes good on each of these promises, though there are several nuanced limitations.
- Paid leave tax credit: The TCJA included a tax credit for employers that offered paid leave under certain conditions. Limitations and administrative challenges led few employers to apply for the credit. This legislation makes the credit permanent and makes three changes: (i) the credit can be claimed for insurance premiums in addition to direct cash payments; (ii) it makes the credit available in all states; (iii) it lowers the minimum employee work requirement from 1-year to 6-months.
- Changes to Medicaid and Obamacare: The bill makes numerous changes to Medicaid and the ACA marketplaces. The details of these changes are beyond the scope of this overview, but most observers, including the nonpartisan Congressional Budget Office (CBO), have concluded the changes will increase the uninsured rate and reduce federal spending on health coverage. The legislation includes $50B fund for rural hospitals to help offset impacts to rural providers; however, the full impact on state budgets and provider's bottom lines will play out over the next several years as the provisions become effective. Reduced enrollment in Medicaid and ACA plans could also impact health plan sponsors by (i) increasing enrollment in employer plans and (ii) providers shifting more costs to private plans to cover the cost of care to the uninsured.
- Employer provided childcare tax credit: The proposal increases the maximum credit for employer-provided childcare from $150,000 to $500,000 ($600,000 for small businesses), allows small businesses to pool together resources and still claim the credit, and permits the use of third-party intermediaries to facilitate childcare services on their behalf.
- Clean energy tax credits: The Inflation Reduction Act (IRA) included numerous tax credits intended to promote the adoption of clean energy technology, including credits for wind, solar, nuclear, and hydrogen power, as well as electric vehicle and energy efficient home credits. The Senate bill speeds up the phase out most of the clean energy credits.
- Bicycle commuting fringe: Current law allows a $20 per month tax-free employee benefit for bicycle commuters. The new legislation eliminates this benefit beginning in 2026.
- Moving fringe: The TCJA repealed the exclusion for qualified moving expenses reimbursement and the deduction for moving expenses through 2025. This bill permanently repeals both, except for active-duty members of the armed forces and members of the intelligence community.
- Meals: The bill permanently extends the TCJA 50% limit on the deductibility of company meals.
- Food assistance: The legislation modifies several provisions of the Supplemental Nutrition Assistance Program (SNAP, also colloquially known as food stamps). The CBO expects these changes will reduce the amount of federal spending on SNAP benefits, which could increase state spending and revenues for those in the food supply chain.

Key provisions that failed to make the Senate bill

- Broader HSA flexibilities: The Senate bill removed several other provisions related to HSAs including provisions that would have increased contribution limits and allowed HSA contributions even when a spouse has coverage through a health flexible spending arrangement.
- Individual coverage HRAs / CHOICE plans: The House bill would have codified regulations allowing ICHRAs while changing their name to CHOICE plans. Additional provisions would allow employees to pay individual marketplace premiums with pre-tax through a cafeteria plan, allow employers to gradually provide new employees with CHOICE plans while permitting longstanding employees in the same group to continue receiving coverage through a group plan, and provide a tax credit to incentivize adoption of CHOICE plans.
- Third party litigation funding tax: A 31.8% tax rate on third party litigation proceeds was included in the Senate's draft bill but did not make it to the final version.
- PBM reforms: Early discussions about the bill contemplated new limitations and disclosure requirements for pharmacy benefit managers (PBMs). While earlier drafts included some new requirements for PBMs servicing Medicaid plans, PBM reforms were ultimately left out of the final bill.
- SALT PTET: Most states, in response to the $10,000 SALT cap in the TCJA, modified their tax rules to allow passthroughs to pay their SALT at the entity level, effectively allowing passthrough business owners to receive the full value of their SALT deduction without regard for the cap. This approach ensured passthroughs could deduct their SALT just like their c-corporation competitors. Both the House bill and early Senate drafts limited these state SALT parity rules; however, those limitations were stripped from the final Senate bill.
- State AI regulation: The Senate bill dropped a provision that would have restricted the ability of states to regulate AI.
- Gender-affirming care ban: A controversial provision that would have barred gender-affirming care under Medicaid and the Children's Health Insurance Program (CHIP) was removed before final passage.
- Excise tax on wind and solar projects: The bill dropped a proposed tax on wind and solar infrastructure, which had been widely criticized by industry groups and clean energy advocates as a potential "killer" for the renewable energy sector.

What's next

Speaker of the House Mike Johnson has indicated a desire to enact two more Republican-only bills. While he hasn't specified the content of those bills early indications suggest attacking the debt and deficits and addressing additional healthcare policy changes could be in the works.