Senate Finance Committee Releases Tax Bill Language

On June 16, 2025, the Senate Finance Committee released the Senate version of the tax bill. Many of the tax provisions in the Senate Finance bill are similar to the tax provisions found in the House-passed One Big Beautiful Bill Act (OBBBA). The bill preserves Trump's tax cuts from his 2017 TCJA bill and creates several new tax breaks that Trump championed during his presidential campaign, such as eliminating certain taxes on tips and overtime. However, there are key differences in a range of areas including Medicare, green energy, higher education and business taxes. To offset the cost, the bill proposes to repeal some clean energy tax credits and scale back Medicaid benefits spending even more than the House-passed bill. Other key provisions include:

- Estate Tax: The Senate bill aligns with the House bill by proposing to make the TCJA's estate and gift tax exemption permanent, rather than reverting to the 2017 law on Jan. 1, 2026. Both the Senate and House versions set the exemption at $15 million per individual (indexed for inflation after 2025), up from the current $13.99 million, though the specifics of inflation adjustments may vary. Both bills retain the 40% tax rate on estates above the exemption.
- Tobacco Drawback: The House tax bill removes tobacco products from the federal drawback program while the Senate bill omits this language. The drawback program currently allows manufacturers to receive refunds on tariffs paid for imported materials that are subsequently exported as part of finished products. Read more about the drawback program **here.**
- $5 trillion Debt Limit Increase: The bill raises the debt ceiling by $5 trillion, $1 trillion more than the House-passed bill.
- No Taxes on Tips: The bill includes this Trump campaign promise but would cap the amount of tipped wages that can be exempt at $25,000 per individual and overtime at $12,500 per individual and $25,00 per couple. Those deductions start to phase out $150,000 in income per person. While the deduction is effective on Jan. 1, 2025, it provides transition relief in the first year by allowing employers and individuals to approximate a separate accounting of amounts designated as tips by any reasonable method.
- Taxes on Overtime Pay: The Senate bill limited the maximum deduction to $12,500 and phases out at the $150,000 income level. While the deduction is effective on Jan. 1, 2025, it provides transition relief for the first year allowing employers to approximate a separate accounting of amounts designated as qualified overtime compensation by any reasonable method.
- Social Security Benefits: While the House-passed bill provides a $4,000 bonus for seniors on top of the regular standard deduction, the Senate version includes a more generous $6,000 credit through 2028.
- Business Tax Breaks: The Senate plans to make permanent a trio of expired business breaks for research and development costs, certain depreciable property and interest expenses. The House version only extended these tax breaks through 2029.
- Passthrough Break: The Senate bill keeps a business deduction for passthrough companies at its current level of 20%. The House plan raised the deduction to 23%. The Senate version also increases the phase-in range making the deduction more generous for those phasing out of the credit.
- State and Local Tax (SALT) Deduction: SALT remains one of the thorniest issues for Republicans as they seek to advance the reconciliation package. Senators consistently said that the deal on SALT made in the House to increase the maximum deduction to $40,000 from the current $10,000 will need to be changed. The appetite for such a large increase in the Senate is minimal due to the high cost and the fact that there isn't a single Republican Senator from the high-tax states of New Jersey, New York or California. However, several members of the SALT Caucus in the House have made clear they expect the number to stay at $40,000. Unable to come to any compromise before releasing their text, the Senate is including the current $10,000 cap in their draft with the expectation that discussions will continue.
- Employee Retention Tax Credit (ERTC): The Senate bill would require employee retention tax credit (ERTC) promoters to comply with due diligence requirements with respect to a taxpayer's eligibility for an ERTC. The bill would apply a $1,000 penalty for each failure to comply. It also extends the penalty for excessive refund claims to employment tax refund claims. It would also prevent the IRS from issuing any additional unpaid claims under Section 3134, unless a claim for a credit or refund was filed on or before Jan. 31, 2024. This provision was stripped out of the House bill last week when House Republicans made several technical corrections to the House-passed bill in order to comply with Senate budget rules before officially transmitting the bill to the Senate. However, the Senate included the provision in their bill. As with all provisions, it will likely undergo a Byrd Rule challenge.

- Child Tax Credit: The Senate bill changes the maximum credit amount per child to $2,200 through tax year 2028 and then adjusts the number for inflation. This is a decrease from $2,500 in the House version, that after 2028 gets lowered to $2,000.
- Making Interest on Car Loans Deductible: The Senate restricted the House bill tax deduction to only new cars. The House version allows car buyers to deduct up to $10,000 a year in interest on their auto loans through 2028 for vehicles built in the U.S.
- Termination of Electric Vehicle Tax Credit: The Senate bill includes the termination of the up to $7,500 tax credit for the purchase of electric vehicles. Tax credits for commercial and used electric vehicles will also be eliminated. These credits would be terminated within 180 days of enactment.
- Clean Energy Tax Credits: The bill calls for a two-year phase out of the Biden-era tax credits for wind and solar. The bill would also end investment and production tax credits for other types of power including hydropower and geothermal.
- End of Duty-Free Imports of Cheap Foreign Goods: The proposal would raise effective rates to 14% for foreign-derived intangible income and global intangible low-taxed income. The base erosion minimum tax calculation would be changed to that level as well.
- Retaliation Against Unfair Foreign Taxes: The Senate bill proposes a more delayed implementation of this provision than the House did and tops off the rate at 15% whereas the House topped it off at 20%. The bill also exempts portfolio interest, which was not included in the House version.

A full section-by-section can be found **here.**
A high-level overview of the bill can be found **here.**
The bill text can be found **here.**

Senate Republicans have raised concerns over some of the provisions in the tax bill and many have spoken out saying they will not vote for the legislation as currently drafted. Senate Republicans can only lose three votes and still pass the legislation.