July 3, 2025

House Passes Senate Version of "One Big Beautiful Bill" Clearing Way for Enactment on July 4; No Repeal of Tax-Exemption for Municipal Bonds

On the Hill

On Thursday afternoon, the House of Representatives passed the final version of the "One Big Beautiful Bill" following Senate approval on Monday, setting the stage for a bill-signing ceremony on July 4. As adopted by Congress, the final bill leaves the tax-exemption for municipal bonds untouched. In a positive development, the bill expands industry opportunities by including spaceports as exempt facility bonds and providing improvements related to the use of volume cap in connection with certain affordable multifamily housing transactions.

While the text adopted by the House is identical to the version passed by the Senate, the path to final passage was not without drama. House Minority Leader Jeffries delivered a record-breaking floor speech on Thursday, echoing broader Democratic opposition and emphasizing the bill's deficit impact and cuts to social spending.

Behind the scenes, Republican leadership leaned heavily on members of their party to hold the line. Several House Republicans expressed unease with provisions related to the cost of the legislation and its impact on the deficit. Other members felt the Medicaid reforms were problematic, either because of the cuts themselves or because the cuts weren't deep enough. Republican leadership exerted significant pressure on holdout members to avoid any amendments to the Senate version, emphasizing the need to maintain the delicate coalition forged during the Senate process by avoiding a conference. In the end, leadership's aggressive whip effort succeeded in maintaining a narrow majority in favor of final passage, by a vote of 218-214, ensuring that the bill can move straight from the House to the President's desk.

What This Means for Tax-Exempt Bond Issuers

From the perspective of municipal market participants, the House's decision to adopt the Senate version without amendment is a best-case procedural outcome. It avoids the need for a conference committee, thereby eliminating the risk of additional revenue offsets that could have targeted tax-exempt financing tools. The final bill does not repeal or alter the federal tax exemption for interest on state and local bonds, including qualified private activity bonds. The inclusion of permanent changes that benefit affordable multifamily housing are an industry win, as is the expansion of exempt facility bonds to include spaceports (and related manufacturing facilities) under Section 142(a) of the Code.

What's Next

The President is expected to sign the bill into law tomorrow, July 4.

We will continue to provide analysis and client-specific updates as the implementation phase begins, but ongoing advocacy remains critical. While the lack of any repeal language in the final legislation maintains the core tax-exempt financing tools our industry relies on, the political environment remains fluid. Congress will continue to focus on the deficit, and those discussions will undoubtedly include proposals for reduction. Continued industry engagement and proactive advocacy–both in Washington and at the state level–will remain essential to protect and defend these financing tools against future attempts to curtail or repeal their benefits. We look forward to continuing our work with you in this space.

Services

Public Finance

Tax Reform Advocacy

Tax Reform Advocacy Group

Leslie A. Powell
Atlanta
404.222.4639
leslie.powell@kutakrock.com

Michelle G. Adams
Atlanta
404.222.4646
michelle.adams@kutakrock.com

Matthias M. Edrich
Denver
303.292.7887
matthias.edrich@kutakrock.com

Steven C. Likes
Omaha
402.661.8948
steve.likes@kutakrock.com

Frederic H. Marienthal
Denver
303.292.7817
frederic.marienthal@kutakrock.com

Michael G. Thomas
Denver
303.292.7790
michael.thomas@kutakrock.com

Join Us

To join our advocacy efforts, please email taxreform@kutakrock.com.