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ALERT**

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May 19, 2025

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House Budget Committee Advances Tax Reform Legislation by One-Vote Margin

On the Hill

Late last night, the House Budget Committee voted 17–16 to report the “One, Big, Beautiful Bill” to the House Rules Committee. The bill advanced only after four members of the House Freedom Caucus voted “present,” withholding support but permitting the legislative process to proceed. These members have signaled continuing concerns with the bill’s fiscal offsets and overall deficit impact, but chose not to block advancement to preserve ongoing negotiations.

What This Means for Tax-Exempt Bond Issuers

The advancement of the legislation marks a procedural milestone but underscores the fragility of consensus within the majority party. Given this dynamic, substantive modifications to the bill remain likely as it moves through subsequent stages of the legislative process. While the current text does not include any provisions that alter the tax-exempt status of municipal bonds or qualified private activity bonds, the revenue and offset provisions of the bill remain in flux.

With the margin for passage narrowing, the likelihood increases that additional offsets will be proposed to shore up Republican support—potentially putting tax-exempt financing preferences back on the table. Industry participants should remain vigilant.

What’s Next

The bill now moves to the House Rules Committee where insiders predict a vote could happen as soon as Wednesday this week. The Rules Committee is the last step before the omnibus legislation is considered by the full House. While Speaker Johnson maintains a target of final House passage by May 31, internal divisions and the potential for substantive revisions during the Rules process may delay that timeline. Importantly, the Rules Committee has broad latitude to rewrite or restructure the legislation, and last night’s divided committee vote suggests that the legislative timeline may prove difficult to maintain without significant changes to the legislation.

We continue to monitor the legislative process closely and will provide further updates as the bill progresses through the House and into the Senate, where significant modifications remain possible.



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