



PERSPECTIVES

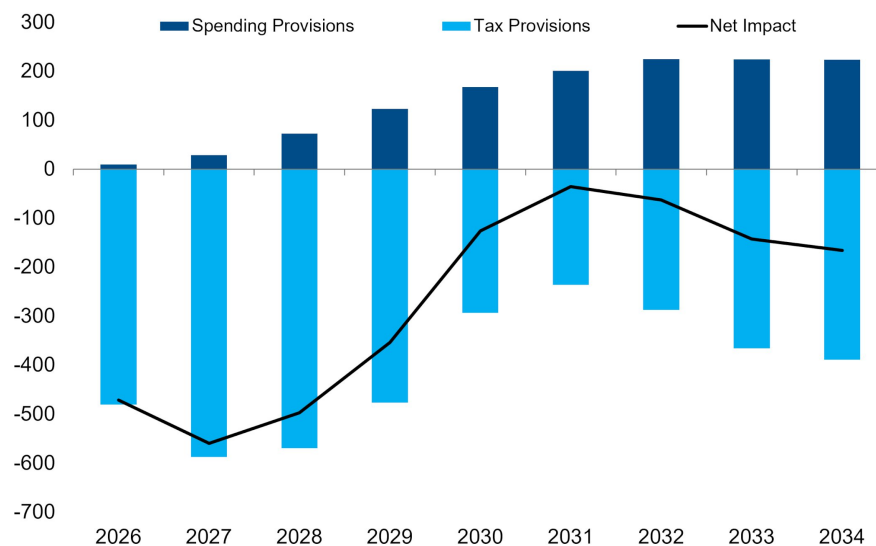
House Reconciliation Package is Even More Irresponsible Than It Appears

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Estimated Budgetary Impact of House Reconciliation Package

\$ Billions per Year



Source: CBO score of House reconciliation package as of 5/18/2025.

The House of Representatives passed their version of the reconciliation bill yesterday by a vote of 215-214. The legislation as written would increase federal deficits by an [estimated](#) \$2.5 trillion over the next decade, exacerbating America's fiscal woes even as interest costs reach record highs relative to GDP. But House passage is just one step in the lengthy reconciliation process, and the final outcome is likely to be even more fiscally irresponsible. For starters, the House legislation includes nearly \$1 trillion in Medicaid cuts that appear unlikely to survive in the Senate. Additionally, the House legislation itself is full of budgetary gimmicks.

Most egregiously, the House legislation frontloads tax cuts and backloads spending cuts within the 10-year budgetary window. While the individual tax provisions from the 2017 Tax Cuts and Jobs Act are made permanent, the new individual tax provisions expire after 2029 (including exemptions on tips and overtime, and an increased standard deduction for seniors). The spending cuts, even if they were to survive the Senate, are backloaded such that 70% occur in 2030 or later. This legislation would provide future Congresses ample opportunity to repeal the Medicaid cuts and dare them to let populist tax cuts expire. We have seen this movie many times before and do not expect future Congressional leaders to miraculously discover fiscal rectitude. More likely,

the tax cuts will be extended, the spending cuts will be watered down, and the cost of the bill will be as much as [two times higher](#) than its current score.

The Senate will now take up the legislation. We expect final passage in early August ahead of the debt limit X-date. While we have some hope that the Senate will avoid some of these budgetary gimmicks, they also appear [likely](#) to remove the Medicaid cuts. We expect that the final legislation will increase the 10-year deficit by about \$5 trillion.

We remain convinced that one day America will have to get serious about fiscal reform. Passage of this reconciliation package through the House tells us that Republicans have no intention of tackling that challenge this year.

For additional details, please review our [October 2024 webinar](#) on America's long-run fiscal outlook.

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