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More Than Taxes: The "Big Beautiful Bill" Explained

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law, enacting a sprawling agenda that will significantly impact every corner of the economy. In addition to making permanent the tax changes introduced in the 2017 Tax Cuts and Jobs Act, the legislation boosts national security spending, raises the debt ceiling by $5 trillion, changes the eligibility requirements for government aid programs, and implements a number of domestic policies.

Below we highlight a few of the provisions that will impact organizations going forward.

Business Operations

The OBBBA establishes or makes permanent a number of industry-agnostic changes to the tax code affecting how businesses can deduct expenses:

- The 100% bonus depreciation returns permanently, allowing capital investments to be fully deducted in their first year.
- Research and experimentation expenses incurred after January 1, 2025 can be immediately deducted, and deductions for existing, unamortized expenditures can be accelerated to just one or two years.
- Qualified Production Property, the portion of a property used for manufacturing, producing, or refining goods, can be fully deducted in the first-year if the property meets certain deadlines for completing construction and entering service.
- The 20% Qualified Business Income deduction for self-employed individuals and small business owners, previously set to expire in 2025, was made permanent.
- "Opportunity Zones," a program that incentivizes investment in low-income communities by allowing investors to defer capital gains, increase their basis after five years, and exclude capital gains entirely after 10 years, was made permanent.

Health Care

The OBBBA makes significant changes to Medicaid and the Affordable Care Act which will reduce federal health care spending by an estimated $1 trillion, according to the Congressional Budget Office. These changes include:

- An 80-hour per month work requirement for Medicaid beneficiaries, with limited exceptions including those under 19 years old, those with children under 13 years old, disabled veterans, and "medically fragile" individuals.
- Limitations to provider taxes, a major source of federal Medicaid funding for states. States levy these taxes on health care providers and apply that revenue towards Medicaid—allowing the state to receive greater federal matching funds—before making providers whole for the amount taxed. The OBBBA gradually limits provider taxes from 6% to 3.5% of a taxed provider's total revenue by 2034.
- Ending automatic reenrollment for Affordable Care Act policyholders while shortening the open enrollment period, which previously lasted from November 1 to January 15, to instead end on December 15.
- Imposing required mandatory cost-sharing requirements that will increase the out-of-pocket costs for many Medicaid enrollees' medical appointments. Beginning on October 1, 2028, states must implement cost-sharing for policyholders with income above the Federal Poverty Line, with costs of $1 to $35 per service, subject to certain exclusions.
- Establishing a $50 billion fund for rural health care providers to offset the effects of cuts. States can apply by the end of 2025 by submitting a plan for how funds would be used, and $25 billion must be distributed evenly to all approved states.

Notably, Sen. Josh Hawley (R-Mo.) has subsequently introduced legislation to effectively reverse some of these changes included in the OBBBA, including the limits on provider taxes, and expand the fund set aside for rural health care providers.

Renewable Energy

The OBBBA terminates several existing tax incentives for clean energy, including the popular credit for electric vehicles, over the next several years.

Clean Electricity Production and Investment Tax Credits
The clean electricity production credit and the investment tax credit will also be phased out more quickly than originally planned under the Inflation Reduction Act. Now, projects must begin construction, defined as beginning significant physical work or spending at least 5% of the total project cost, by July 4, 2026 or enter service by December 31, 2027 to benefit from these credits.

Renewable energy project developers should examine current and planned project timelines to evaluate whether they will be affected by the accelerated phaseout. In a July 7 executive order, President Trump instructed the Department of the Treasury to revise its guidance on the safe harbor exceptions for projects already under construction to prevent "artificial manipulation of eligibility." The order also instructs the Department of the Interior to review its policies and remove "preferential treatment" of solar and wind energy projects.

Foreign Investment
Additionally, the act places new restrictions on foreign investment by enacting a complex set of rules disqualifying taxpayers from receiving credits if they are majorly owned, influenced, or financed by certain "prohibited foreign entities." These include organizations designated under existing national security laws as well as governments, businesses, or citizens from North Korea, Iran, Russia, and China.

Taxpaying businesses, particularly with many individual shareholders, will need to assess the citizenship status of those shareholders to determine whether the business is foreign-controlled and therefore restricted from certain tax credits.

Education

The OBBBA takes aim at higher education through increased taxation on college and university endowments, with a tiered system based on the size of the endowment on a per-student basis. The current tax rate of 1.4% could rise to as high as 8% for the largest endowments, with an exemption for institutions with fewer than 3,000 students.

Further, changes to federal policy will connect schools' access to federal student loans to how much their graduates earn. If an undergraduate program fails the earnings test—which means its students earn less than someone with a high school diploma—it could lose access to federal loans.

Looking Forward

Because of its scope, the OBBBA will likely present both challenges and opportunities for businesses across industries. As the effects of the act unfold, we are monitoring the latest developments, including supplementary executive orders, new priorities in federal enforcement, and reactive changes in state law.

What's Next?

We would be happy to assist you in addressing any questions. Please view our relevant practice areas and the attorneys that can assist:

Education

General Tax

Health Law

Renewable Energy

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Gallagher Evelius & Jones | 218 North Charles Street, Suite 400 | Baltimore, MD 21201 US