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As expected, Republicans won special elections for two vacant House seats in Florida. This will give them 220 seats in the House, a slightly bigger margin than what they have had so far in 2025. The results, however, signaled a shift towards Democrats, and Republicans from more competitive districts than these Florida seats will probably take notice. This could, in turn, complicate passing a tax bill.

- In yesterday's special elections, Republicans held onto two vacant House seats in Florida, but the smaller margins were notable. These two seats were thought to be among the safest congressional seats in the country. While the two Republican candidates each won by around 14 points, the results represent a roughly 18-point swing from the 2024 election results towards the Democrats.
- The elections will give House Republicans 220 seats and slightly increase their margin there. The results, however, will be noticed by House Republicans who represent more competitive seats. This could, in turn, impact the timing and the substance of the reconciliation bill which will include an extension of the Tax Cuts and Jobs Act (TCJA).
- We believe some Republicans will interpret the Florida results as a sign voters are dissatisfied with parts of the Trump agenda and Democratic voters are more motivated to vote than are Republicans. This could lead moderates, who tend to represent competitive seats, to oppose deep spending cuts. At the same time, conservatives and budget hawks will be reluctant to support a tax bill without those spending cuts. Last night's Florida elections might have given House Republicans two additional seats, but we think the vote math may have become more challenging in the wake of the results.
- It is still early in the legislative process, and details of the reconciliation bill have yet to be decided. The political and budget math suggest the tax rate for the top individual income tax bracket could reset to 39.6%. We also expect if deep spending cuts are not adopted, it will make it difficult to extend some corporate tax provisions, such as bonus depreciation, which are being phased out. Although a long shot, we would not dismiss the possibility Congress might increase the corporate tax rate in order to fund the extension of the TCJA cuts and the additional tax cuts that President Trump campaigned on, which would include the exemption of income from tips and overtime.

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