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WASHINGTON POLICY STRATEGY

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The bombing of Iran's nuclear sites over the past weekend is unlikely to materially change the timeline for finishing the "One Big Beautiful Bill," although it could make passing the Senate's version of the bill by July 4 a little more challenging. The most important factor driving the timing of the bill is the debt ceiling. Since it appears the cap will need to be raised by mid-August or early September, we continue to believe the most likely outcome will be that Congress will finish the legislation by late July or early August.

- **An Iran resolution is a bipartisan debate while reconciliation is a Republican-only exercise; the majority party can keep working on the tax bill even while the media's focus is on foreign policy.**
 - Congress has only so much bandwidth, so the upcoming debate over a War Powers Act (WPA) resolution will take up some time and energy that would have otherwise been devoted to work on the "One Big Beautiful Bill" (OB BB). Senators will be able to compartmentalize their work to some extent but, since the OB BB is a Republican-only endeavor, Democratic efforts regarding a WPA resolution should have only a limited impact on the reconciliation bill. The Senate Parliamentarian's ongoing assessment of the bill and political considerations regarding the bill's policies will continue to be the most significant drivers of the substance and the timing of the bill.
- **Senate procedural issues might be more impactful on the substance and timing of the OB BB than a debate over Iran.**
 - This week, the Parliamentarian will continue to evaluate whether parts of the OB BB comply with the Byrd Rules, which restrict content in reconciliation bills. Proposals that have only an incidental impact on revenue and outlays cannot be included in a reconciliation bill. That is why the Parliamentarian ruled last week that a proposal to zero out the budget of the Consumer Financial Protection Bureau does not comply with the Byrd Rule. Rulings such as this are forcing Republicans to pivot to other proposals to meet their budget goals.
- **Debates over big issues also continue to be a big driver of the legislation.**
 - Republican disagreements over Medicaid cuts, the future of some Inflation Reduction Act (IRA) tax credits, and the cap on the State and Local Tax (SALT) deduction are the primary influences over the timing of the bill. These issues, especially Medicaid, need to be resolved before the bill reaches the Senate floor. The IRA tax credits and the SALT cap issue are mostly a House/Senate fight, but divisions among Senate Republicans over Medicaid could also delay a Senate floor vote.
 - President Trump will likely be the decider on some of these key issues. To the extent that he is occupied with foreign policy, it might slow down work on the OB BB. Other factors we have cited, however, will likely have more influence on the timing of the bill.
- **The most important factor regarding the timing of the OB BB is the debt ceiling, which would be raised in the OB BB.**
 - The Treasury Department has said it is likely to exhaust the extraordinary measures it uses to remain under the debt limit in August, which would necessitate an increase in the cap by then. The OB BB includes a debt limit increase, and Republicans want to avoid stripping the debt ceiling hike out of the OB BB because that would require Democratic votes. That would give leverage to Democrats they currently lack.

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- It is possible the Treasury department's extraordinary measures could last past Labor Day, but Republicans seem committed to finishing the OBBB and a debt ceiling hike before they break for their August recess. The recess could be delayed by a week or two to finish the reconciliation bill, but it seems unlikely the legislative process would continue past mid-August.
- **Bottom-line – The Iran situation could slow down consideration of OBBB in the Senate (especially if the situation deteriorates). We still think that it is highly likely Congress will finish the reconciliation bill by late July or early/mid-August.**

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