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WASHINGTON POLICY STRATEGY

Potomac Perspective

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The Senate's passage of the "One Big Beautiful Bill" (OB BB) sets up a House vote on Wednesday. While some House Republicans might oppose some of the bill's provisions, we believe it is unlikely enough of them will vote against it to block it. Despite widespread skepticism that they could meet this deadline (including ours), Republicans seem to be on track to pass the reconciliation bill by their goal of July 4.

- On Tuesday, the Senate approved the reconciliation bill 51-50, with Vice President Vance casting a tie breaking vote. The bill goes back to the House for its approval, and we expect it to pass despite some pockets of opposition.
- In the House, Republicans currently have a 220-212 majority (three vacancies), so they can afford to lose only three votes – assuming all Members vote. Representative Massie (R-Kentucky) voted against the OB BB in May and is expected to do so again. Other Republicans have concerns over the bill, but it is questionable whether they will actually vote against it.
- Possible opposition to the bill could come from three groups, some of which overlap each other.
 - **Budget hawks** say they want deeper spending cuts and more deficit reduction. In the end, this might be the best deal they can get, and opposing President Trump carries political risks. Apart from Representative Massie, we think this group will support the bill despite their misgivings.
 - **The State and Local Tax (SALT) deduction** Caucus members might be angry the Senate sunsets the \$40,000 cap for the SALT deduction after five years, but they may claim victory and fight about the sunset when the time comes
 - **Moderates** oppose some cuts to Medicaid, but House moderates from either party rarely stand between their President and a big legislative win. Maybe this time is different, but despite angst over what the spending cuts could mean for them in the 2026 midterm elections, we expect these lawmakers will vote for the bill.
- The math to block the bill is clearly there, especially given the Republicans' narrow majority, but we doubt individual House Republicans will want to encounter President Trump's wrath if they vote against the OB BB.
- As for the markets, we think the bill's passage is priced into stocks. Equities could possibly see a selloff following the vote (selling the news), given their recent rally and the reemergence of negative trade/tariff headlines.

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