# One Big Beautiful Bill: Power, Policy, and the Road Ahead

With major tax changes and spending shifts, Trump's landmark bill lays the groundwork for a new era in Washington and sets the tone for elections to come.

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With the fireworks in Washington behind us (for now), the race to define the One Big Beautiful Bill Act (OBBBA), passed by Congress and signed by President Donald Trump, is officially underway. While the legislative victory marks a significant political milestone, the substance of the bill is likely to remain a point of contention through the midterms and beyond. Supporters see it as a meaningful recalibration of federal priorities, while others express concern that it may signal a departure from long-standing commitments to social support and fiscal discipline.

But the OBBBA is just one piece of a much larger puzzle. From looming budget battles and partisan gridlock to the growing influence of cryptocurrency in policymaking, the months ahead will test whether Washington can govern through complexity—or whether this bill is merely the opening act in a much larger political drama.

## Key Points

- The One Big Beautiful Bill Act marks a major shift in federal priorities, expanding tax cuts while reducing funding for social programs and clean energy.
- The bill's passage sets the stage for contentious budget talks and tests of bipartisan cooperation, with its delayed provisions poised to shape political and fiscal debates through the 2026 midterms and 2028 presidential race.
- Meanwhile, a parallel push to regulate cryptocurrency is gaining momentum, as bipartisan legislation and executive actions signal a new era for digital assets in Washington.

## Reading the Fine Print

In addition to new spending on border security, immigration enforcement, and defense, the OBBBA introduces a wide range of policy changes. These include the extension and expansion of tax cuts, reductions in federal investments in key social programs such as Medicaid and food assistance, and the elimination of tax credits tied to clean-energy initiatives. The bill also proposes a sweeping overhaul of the student-loan system, a move that could significantly affect borrowers nationwide.

One of the most prominent features of the legislation is the extension of the Tax Cuts and Jobs Act of 2017, which incorporates approximately $4 trillion in tax cuts. The bill also introduces several temporary deductions aimed at easing financial burdens for working Americans, including deductions for tips, overtime pay, and auto loans. Notably, it creates a new $6,000 tax deduction for older adults earning $75,000 or less annually—an initiative that aligns with Trump's pledge to eliminate taxes on Social Security benefits and offers targeted relief to seniors.

The child tax credit is also set to increase, rising from $2,000 to $2,200. However, this expansion may not benefit all families equally; millions of lower-income households could be excluded from receiving the full credit, limiting its overall impact. Meanwhile, the cap on state and local tax (SALT) deductions would quadruple to $40,000 for a five-year period. These deductions let taxpayers write off certain local taxes on their federal returns, so the change could provide substantial relief in high-tax states.

To spur economic growth, the OBBBA includes a suite of business-focused tax incentives. Among the most significant is a provision allowing companies to immediately write off 100% of costs related to equipment purchases and research expenditures. This measure is designed to encourage investment and innovation across industries, with the broader goal of strengthening the economy.

The recent federal spending adjustments outlined in the bill mark a notable shift in how resources are prioritized, particularly in relation to long-standing safety-net programs. While these changes are more than incremental, they reflect a broader rethinking of federal budget allocations and management. It's also worth noting that the savings generated from these reductions cover only a portion of the bill's overall cost. According to projections from the nonpartisan Congressional Budget Office, the legislation is expected to add more than $3 trillion to the federal debt by 2034, prompting ongoing discussions about long-term fiscal sustainability.

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## Beyond the Bill: What's Next for Federal Spending

With the passage of the OBBBA now in the rear-view mirror, Congress and the Trump administration are shifting their focus back to the annual budget battles. This year's negotiations are shaping up to be particularly contentious, and will test whether Republican-led efforts to rein in federal spending can maintain momentum. This is especially true with the debut of Department of Government Efficiency (DOGE) and a potential rescissions package on the horizon.

Rescissions, essentially the formal cancellation of previously approved but unspent federal funds, are expected to play a central role. Rescissions allow the administration to target specific programs or accounts for cuts, even after funding has been authorized. They are often used alongside tools such as the Impoundment Control Act (a 1974 law that allows the president to propose canceling previously approved spending) and the regular appropriations process. The goal: to claw back billions in spending and reshape the federal budget in line with conservative priorities.

Democrats are likely to have a say in how this unfolds. With Speaker Mike Johnson (R-LA) and Sen. Majority Leader John Thune (R-SD) navigating one of the narrowest Congressional majorities in history, Republican leaders will face challenges uniting their caucus—especially with the more conservative members frustrated that the OBBBA didn't go far enough in slashing spending. Unlike the OBBBA, which passed through the reconciliation process and required only a simple majority in the Senate, this year's budget and appropriations bills must move through regular order, meaning bipartisan cooperation will be essential.

## Testing Bipartisanship With Key Legislation

While the Trump administration has been active in advancing its agenda through executive orders (more than seen in recent decades) legislative progress has been more limited. So far, the OBBBA stands as the only bill to pass both the House and Senate this year. This reflects not just the complexity of the issues at hand, but also the realities of governing with razor-thin margins in both chambers. Johnson and Thune are operating with limited room to maneuver, especially in a political climate in which nearly every issue sparks partisan division.

Beyond the budget and annual spending bills, several major legislative items, each with a history of bipartisan support, are still waiting in the wings. Whether that tradition holds in today's polarized environment remains to be seen, but these bills will be key tests of whether Congress can still function across the aisle:

- **The National Defense Authorization Act** – Sets military policy and defense spending
- **The Farm Bill** – Covers crop subsidies, rural development, and food assistance programs
- **Surface Transportation Reauthorization** – Funds highways, transit, and infrastructure
- **Crypto Legislation** – Aims to regulate digital assets and protect consumers

There's some cautious optimism that collaboration may still be possible, but we remain skeptical. As the September 30 budget deadline approaches, a government shutdown or the need for a continuing resolution (a temporary funding bill) seems more likely than a smooth path forward. That said, we're giving slightly better odds that at least some of the big-ticket items mentioned above could make progress before the end of the year.

## Crypto's Growing Footprint in Washington

The cryptocurrency industry played an outsized role in the 2024 elections, largely through unprecedented political spending. The industry's super PAC, Fairshake, poured record sums into key races, helping shape the political landscape both on Capitol Hill and within the Trump administration. Its goal: to support candidates on both sides of the aisle who are aligned with the interests of this rapidly evolving sector. Despite ongoing partisanship in Congress, the industry has made notable progress.

A major milestone came on June 17, when the Senate passed the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act). The bill establishes a regulatory framework for US-dollar-pegged cryptocurrencies, known as stablecoins. Designed to balance innovation with oversight, the legislation includes consumer-protection measures and aims to mitigate risks to the broader financial system. It passed with bipartisan support, and now awaits consideration in the Republican-controlled House. House leadership has designated the week of July 14 as "Crypto Week," during which the GENIUS Act and other crypto-related bills are expected to be taken up.

In parallel, the Trump administration has taken executive action to further support the industry. A recent Labor Department ruling now permits 401(k) plans to include investments in cryptocurrencies and related digital assets, such as NFTs (unique digital collectibles stored on a blockchain) and meme coins (cryptocurrencies often created as internet jokes or cultural references). The move reverses Biden-era guidance that had cautioned against such investments due to concerns over fraud, volatility, and investor protection.

Under the direction of the current administration, the Labor Department argued that the previous standard of "extreme care" was not grounded in the Employee Retirement Income Security Act (ERISA) and emphasized a neutral stance on investment types. Officials clarified that they are "neither endorsing, nor disapproving of" employers offering crypto options in retirement plans.

While the policy shift treats crypto like any other asset class, it comes amid ongoing uncertainty about regulation and risk. Critics of the Biden-era guidance viewed it as unfairly targeting crypto, but the underlying concerns about volatility and investor exposure remain relevant.

As the Trump administration continues to fill out its regulatory team, further developments in the digital asset space are expected and could potentially reshape how crypto is integrated into the broader financial system.

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## Setting the Stage for Elections to Come

Trump secured a major legislative milestone less than six months into his term, as a Republican-controlled Congress passed his signature OBBBA on July 3. The historic vote concluded a lengthy process of negotiation, internal debate, and compromise—much of it within the GOP. Democrats, excluded from the legislative talks, have so far had limited influence as the administration advances its broader agenda. While the OBBBA's passage marked a significant win, it also set the stage for future debates. Several key provisions are designed to take effect years from now, ensuring that these issues will resurface in the political spotlight.

Notably, some of the most controversial reductions to Medicaid and the nation's largest food assistance program are scheduled for implementation in 2028. That same year, many of Trump's most favored tax cuts are set to expire, with the expanded SALT deduction, which is important to many blue-state Republicans, following in 2029.

The OBBBA locks in a mix of long-anticipated tax benefits and significant restrictions on safety-net programs, laying the groundwork for high-stakes political battles in the 2026 midterms and the 2028 presidential election. Its passage may mark the end of one legislative chapter, but attention now turns to how its provisions will play out in practice—and how they'll shape the political and policy landscape in the years ahead.

**Talk to your financial professional to help make sure your portfolio is prepared for whatever happens in Washington, D.C.**

## About the Author:

James R. (JT) Taylor serves as Chief Political Strategist and Macro Policy Sector Head at Hedgeye Potomac Research. JT has extensive experience in both government and business in Washington, D.C., with a career spanning the legislative and executive branches as well as the financial-services industry. Prior to joining Potomac Research Group, he ran Pelorus Research, the US public-markets division of the Holdingham Group based in the United Kingdom. He previously led a policy research team as Managing Director at DeMatteo Monness. From 2002-2009, he was Managing Partner of Kemp Partners, a Washington, D.C.-based strategic consulting, business development, and marketing firm he founded with former Housing and Urban Development Secretary Jack Kemp in 2002. At Kemp Partners, he oversaw day-to-day operations and business development while managing client relationships in both the corporate arena and financial-service industries.