
FISCAL UPDATE Article

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

H.R.1 — ONE BIG BEAUTIFUL BILL ACT OVERVIEW

One Big Beautiful Bill Act. On July 4, 2025, the [One Big Beautiful Bill Act \(OBBBA\)](#) was signed into law by President Trump. The information below is a brief summary of some of the provisions in the Act but is not all-inclusive. The Legislative Services Agency (LSA) will continue to analyze the provisions of the Act and will provide future updates.

Tax Provisions. The Act includes numerous tax provisions that affect businesses and individuals. These include:

- Permanently extending existing income tax rates temporarily codified in the [Tax Cut and Jobs Act \(TCJA\) of 2017](#).
- Permanently extending the existing TCJA standard deduction and increasing it by \$750 for single filers and \$1,500 for joint filers.
- Permanently eliminating the personal exemptions that were temporarily eliminated in the TCJA but allowing for a new senior deduction (for those 65 and older) of \$6,000 for single filers and \$12,000 for joint filers from tax year (TY) 2025 through TY 2028, in addition to the additional standard deduction for seniors under existing law. The senior deduction phases out for taxpayers with modified gross adjusted income over \$75,000 for single filers and \$150,000 for joint filers.
- Permanently extending the existing Child Tax Credit, increasing it from \$2,000 to \$2,200 beginning TY 2025, with annual inflation increases beginning TY 2026.
- Increasing the estate and gift exemption from \$5.0 million to \$15.0 million.
- Increasing the State and Local Tax Deduction (SALT) from \$10,000 to \$40,000 beginning TY 2025 with annual increases for inflation through TY 2029, before decreasing to \$10,000 beginning TY 2030. The SALT also phases out for income over \$500,000.
- Deducting cash tips through TY 2028, limited to \$25,000 annually and phased down beginning at an income of \$150,000.
- Deducting overtime wages through TY 2028, limited to \$10,000 annually and phased down beginning at an income of \$150,000.
- Deducting car loan interest for vehicles made or assembled in the U.S. and purchased from 2025 through 2028, limited to \$10,000 annually and phased down beginning at an income of \$100,000.
- Terminating numerous [Inflation Reduction Act \(IRA\) of 2022](#) tax credits for vehicles and energy.
- Extending the IRA [Clean Fuel Production Credit](#) by two years through TY 2029.
- Enhancing the [Adoption Credit](#) by making up to \$5,000 of the credit refundable beginning TY 2025.
- Allowing taxes owed on the sale of farmland to be paid in four equal installments for farmers who have either farmed their property or leased it to a qualified farmer for 10 years prior to the sale.
- Providing a 100.0% immediate depreciation allowance for qualified, nonresidential real property.

Agricultural and Food Provisions. The Act includes the following provisions affecting the U.S. Department of Agriculture (USDA):

- Increases the age of [Able-Bodied Adults Without Dependents \(ABAWD\)](#) work requirement waivers from 54 to 64 for the [Supplemental Nutrition Assistance Program \(SNAP\)](#).
- Requires states with an error rate over 6.0% to contribute at least 5.0% of the cost of SNAP benefit payments beginning federal fiscal year (FFY) 2028.
- Increases the state share of SNAP administrative costs from 50.0% to 75.0% beginning FFY 2027.
- Limits SNAP eligibility to U.S. citizens or residents who meet other legal qualifications.

- Increases mandatory conservation funding for the [Agriculture Conservation Easement Program](#), [Environmental Quality Incentives Program](#), [Conservation Stewardship Program](#), [Regional Conservation Partnership Program](#), and [Watershed Protection and Flood Prevention Operations Program](#). The Act also provides funding for the [Voluntary Public Access and Habitat Incentive Program](#) and [Feral Swine Eradication and Control Pilot Program](#).
- Provides research funding for [the 1890 Scholarships Program](#) for 1890 institutions and agriculture research facilities.
- Increases mandatory funding to the [Plant Pest and Disease Management and Disaster Prevention Program](#) from \$30.0 million annually to \$233.0 million annually from FFY 2026 through FFY 2030 and \$75.0 million annually beginning FFY 2031.

Human Services Provisions. The Act includes the following provisions affecting the U.S. Department of Health and Human Services (DHHS):

- Freezes Medicaid provider tax rates at current rates and prohibits states from establishing new provider taxes.
- Decreases allowable Medicaid provider tax revenues from 6.0% to 3.5% of net patient revenues by FFY 2032 (does not apply to nursing and intermediate care facilities).
- Requires state health agencies to make eligibility checks for Medicaid adults every six months, beginning December 31, 2026.
- Limits state-directed payments for services furnished by providers after enactment of the Act from exceeding the total published Medicare rate and decreases existing state-directed payments by 10.0% annually until the new limit is reached.
- Codifies budget neutrality requirements for [Section 1115](#) demonstration waivers for new or renewed Medicaid waivers.
- Creates Medicaid work requirements of up to 80 hours per month for adults without dependents aged 19 through 64, effective December 31, 2026.
- Restricts Medicaid and [Children's Health Insurance Program \(CHIP\)](#) eligibility for qualified immigrants, effective FFY 2027.
- Requires Medicaid expansion adults with income greater than 100.0% of the federal poverty limit (FPL) to pay up to \$35 or 5.0% of their income for certain medical activities.
- Allows states to establish Home and Community-Based Services (HCBS) waivers for patients/clients outside of institutional care, effective July 1, 2028.
- Prohibits minimum staffing requirements by administrative rule for nursing facilities until FFY 2035.
- Reduces retroactive coverage from three months to two months for traditional Medicaid enrollees and one month for enrollment in the Medicaid expansion program (greater than 100.0% of the FPL).
- Establishes the Rural Health Transformation Program and provides \$10.000 billion annually from FFY 2026 through FFY 2030 to distribute to rural hospitals.

Other Provisions. The Act also includes the following provisions that may affect the State, local governments, and individuals:

- Rescinds unobligated balances from the Inflation Reduction Act (IRA) for numerous U.S. Department of Energy (DOE) programs.
- Rescinds unobligated balances from the IRA for numerous U.S. Environmental Protection Agency (EPA) programs.
- Through the U.S. Department of Homeland Security (DHS), appropriates \$29.850 billion for immigration enforcement, including carrying out [Section 287\(g\)](#) agreements with state and local governments.
- Provides \$10.000 billion in grants to states from the DHS for the costs of actions taken on or after January 21, 2021, associated with federal border security missions.
- Provides \$500.0 million to state and local governments from the DHS to detect, identify, track, or monitor threats from unmanned aircraft systems.
- Decreases the amount graduate students can take out in federal student loans to \$20,500 annually and \$100,000 in the aggregate and eliminates Grad PLUS loans, effective July 1, 2026. Professional student borrowers for law and doctoral degrees, for example, may borrow up to \$50,000 annually and \$200,000 total. The Act also reduces the number of repayment plans for student borrowers.

- Changes the Student Aid Index that determines eligibility for [Pell Grant](#) awards and makes students who receive other grants or scholarships that equal or exceed the cost of attendance ineligible for a Pell Grant.
- Expands eligibility for Pell Grant awards to students enrolled in eligible short-term job training programs between 8 and 15 weeks long.
- Rescinds unobligated balances from the [Green and Resilient Retrofit Program](#).
- Provides \$3.500 billion in grants to states for expenses related to criminal actions by undocumented individuals and gang activities.
- Rescinds unobligated balances from the IRA for numerous U.S. Department of Transportation (DOT) programs.
- Provides \$12.030 billion in funding for air traffic control investments.

More Information. Additional information regarding the fiscal and budgetary impacts of the OBBBA will be published in the coming months by LSA.

LSA Staff Contact: Eric Richardson (515.281.6767) eric.richardson@legis.iowa.gov

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