Budget Reconciliation Act (OBBA) Overview

At the broadest level, most of the law's (PL 119-21) impacts on local governments are indirect.

- Those indirect impacts will depend on how states change their budgets to accommodate the law's changes to Medicaid and SNAP and how those changes to the state budget impact programs that directly provide funds to the City.
- The SNAP changes will create new work requirements for some recipients and require the states to cover part of the cost of SNAP.
- The Medicaid changes include new work requirements, more frequent eligibility checks, and shifting costs to the states.

Nevertheless, the law includes several items of direct interest to local governments:

- The bill does **NOT** include any change to the tax-exempt status of municipal bonds or private activity bonds,
- The bill increases the cap on the SALT deduction from $10,000 to $40,000 (increasing by 1$ per year) for taxpayers earning less than $500,000 for 2025 through 2029,
- No moratorium on state and local regulation of AI (included in the original House-passed version bill but struck (99-1) by the Senate)
- A permanent extension and expansion of Low Income Housing Tax Credit,
- Permanent extension of New Markets Tax Credits,
- Provides permanent extension of and changes to the Opportunity Zones Program,
- A $625 million appropriation for Homeland Security grants to FIFA 2026 World Cup host cities,
- Rescission of unobligated balances from almost all IRA grant programs, including Neighborhood Access and Equity, the Greenhouse Gas Reduction Fund, Climate Pollution Reduction Grants, Green and Resilient Retrofit for Multifamily Housing, and Diesel Emission Reduction Grants,
- A $12 billion appropriation to improve Air Traffic Control, and
- New Customs and Border Protection agents at international airports as part of the bill's $60 billion appropriation for the agency.

In addition, the law phases out most of the Inflation Reduction Act clean energy tax credits.

- Wind and solar projects that begin construction by July 4, 2026 get the tax credit.
- Wind and solar projects that begin construction after July 4, 2026 must be place in service by December 31, 2027 to receive the tax credit.

Increase spending (including tax expenditures) by approximately $5 trillion over 10 years

- Extension of individual and corporate tax cuts enacted in 2017 that are set to expire at the end of this year (approximately $4.354 trillion)
- New individual and corporate tax cuts (approximately $702 billion)
- Supplemental appropriations for immigration, border, and customs enforcement ($185 billion)

- Increase Department of Defense spending ($150 billion)

Savings over 10 years – about $2 trillion

- Reductions in Medicaid spending (approximately $1 trillion)
- Reductions in SNAP (food stamps) spending ($186 billion)
- Elimination or phase out of clean energy investment and production tax breaks from the 2022 Inflation Reduction Act (IRA) ($543 billion)
- Rescission of unobligated balances from IRA grant programs ($18 billion)