**Summary of the One Big Beautiful Bill Act**

The top priority of the Trump administration, the One Big Beautiful Bill Act, was signed into law on July 4. This new law will initiate the largest transfer of wealth from working-class people to the ultra-wealthy in American history. And as Project 2025 envisioned, its intent is to undermine—if not abandon—programs that help Americans: public schools and higher education, food services, healthcare and social services.

By providing a $4.5 trillion tax cut over the next decade, $450 billion in new spending, and spending cuts totaling $1.7 trillion, the law could increase the debt by $3.4 trillion by 2034. According to [estimates](https://www.cbo.gov/system/files/2025-05/61423-PAYGO.pdf) from the Congressional Budget Office, if Congress does not take pre-emptive action, this debt will trigger $23 billion per year in annual across-the-board spending cuts.

Using the budget reconciliation process to circumvent traditional filibuster requirements, the 870-plus-page law is unprecedented due to its harmful impact on social safety nets, healthcare and immigration policies, while simultaneously increasing the national debt and providing tax cuts primarily for the wealthy. President Donald Trump said he wanted Republicans in Congress to load his legislative agenda into “one big, beautiful bill.” They fell in line and obliged, passing the Trump agenda that prioritizes:

* **A tax cut that primarily goes to goes to the wealthy.** The richest 0.1 percent of Americans would get an average tax break of over $250,000 while the poorest 20 percent would see their taxes go up. We need a middle- and working-class tax cut, not a huge giveaway to the wealthy.
* **Cutting Medicaid and the Affordable Care Act** by more than $1 trillion over 10 years. This will kick 13 million people off their health insurance and could raise healthcare costs for everyone.
* **Taking food assistance away** from over 22 million families, raising grocery costs and increasing poverty and hunger.
* **Creating a permanent school voucher scheme** in the tax code that redirects billions of dollars each year to private schools.
* **Effectively eliminating some clean energy credits** by phasing them out more quickly, which will raise utility bills and cost 400,000 jobs.
* **Raising the cost of college** while making it easier for predatory colleges to defraud students and taking away access to federal loans for many graduate students.

The effect? A billionaire-first agenda that will [make things even](https://www.americanprogress.org/topic/reconciliation/) worse for Americans struggling to make ends meet, by stoking inflation, raising interest rates and forcing people to pay more for healthcare, food and utility bills.

What follows is a summary of the One Big Beautiful Bill Act and how it will affect AFT members and the communities where they work and live. We must educate our communities so they know what is in the bill and will not only fight against it but also fight for an alternative that is a pathway to a better life, affordability and opportunity, including: working-class tax cuts; strengthening and resourcing K-12 and higher education as engines of opportunity and democracy; protecting and expanding healthcare and nutritional support; creating good jobs and ensuring good wages; and providing a functioning government that works for all Americans, not just billionaires.

**Key Finance and Tax Provisions in the One Big Beautiful Bill Act**

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| **What it means for AFT members:** |
| * This law makes the tax code more complex with new special interest tax breaks and handouts for the ultra-wealthy. It gives the richest 0.1 percent an average tax break of over $250,000 while raising taxes on the poorest 20 percent of Americans. This will affect some AFT members and many of the communities and constituents we work with. |
| * Because of the size and scope of the tax cuts and spending cuts in other areas (including the huge cuts to Medicaid, food assistance and aid for higher education), there is not enough spending to counterbalance the resulting increase in the U.S. deficit. This will likely require Republicans to [slash public benefits even further](https://www.theguardian.com/us-news/2025/mar/06/gop-budget-medicare-medicaid-cuts), including discretionary programs (Title I, the Individuals with Disabilities Education Act, healthcare, career and technical education and more), than they already have in this law. While they haven’t gone so far as to touch Social Security benefits, they have gone after Medicaid and insurance plans under the Affordable Care Act, so the risk is real. |
| * This will put tremendous strain on state governments as Washington shifts much of the burden for healthcare, food assistance and other programs onto them—likely forcing even greater cuts. States are already facing a slowing economy and federal spending cuts. They will have to determine how they will make up the shortfall to ensure their residents have access to healthcare and social safety net programs like food assistance once they lose federal assistance. And they will have to do this while meeting the law’s new requirements. |
| * The shortfall could decimate state education, healthcare and public services, forever altering the roles our schools, colleges, public health facilities and government play in equalizing opportunity. |
| * The AFT will prioritize repealing and replacing these disastrous policies to protect American families from rising costs and loss of healthcare coverage. |

**Tax Provisions**

Under the law’s tax provisions, billionaires are the winners and workers are the losers.

* Makes existing tax rates and brackets permanent, increases the standard deduction by $750 ($1,500 for married joint filers) and makes higher amounts permanent (subject to inflation adjustments).
* Caps state and local tax deductions at $40,000 for married joint filers for the next five years.
* Provides temporary above-the-line deductions for tips ($25,000) and overtime pay ($12,500); this phases down based on income levels.
* Permanently increases the child tax credit to $2,200 per child. However, recent data show that 2.6 million kids will lose the child tax credit because of their parents’ immigration status.
* Provides a temporary deduction—up to $10,000—for car loan interest associated with vehicles with final assembly in the U.S. The deduction phases down based on income.
* Among other provisions friendly to business and manufacturing, the law restores a tax break from the 2017 tax package that allowed businesses to fully write off the cost of equipment in the first year it was purchased. The incentive has been phasing out since 2023. It also will allow businesses to write off the cost of research and development in the year it was incurred, and it makes significant changes to how the U.S. tax code treats the construction of new facilities, including allowing businesses to fully and immediately deduct the costs.
* Increases the estate tax to $30 million. This means that wealthy heirs will pay no federal taxes on the first $30 million they inherit.
* Keeps the carried interest loophole, benefiting hedge fund managers and private equity.
* Makes the pass-through loophole permanent, benefiting big business.

**Key Healthcare and Public Health Provisions in the One Big Beautiful Bill Act**

The law seeks to undermine the Affordable Care Act and hamstring the ability of states to support Medicaid. It includes stricter requirements for beneficiaries to meet to qualify for and maintain enrollment in federal programs including Medicaid/the Children’s Health Insurance Program, Medicare and the Affordable Care Act. This document has estimates on the percentage of Medicaid funding specific states may lose.

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| **What it means for AFT members:** |
| * AFT members work to improve the lives of their students, patients and communities by focusing on the basics people need to thrive. This includes working for accessible healthcare and a robust public health infrastructure. Under this law, more than 13 million Americans will lose healthcare coverage, we could all potentially have increased out-of-pocket costs, and thousands of people could die because they do not have access to medical care. |
| * This will affect our students, patients and communities, as well as AFT members receiving healthcare through Medicaid or the ACA. |
| * Cuts to Medicaid and the ACA will likely force many hospitals to close or reduce services where AFT members live and work. |
| * Hospitals facing increased uncompensated care may fire our members, which could lead not just to individual crises but also to increased workplace violence and other challenges due to understaffing for those who are still employed. |
| * Employers may use the specter of lower revenue to make unfair demands at the bargaining table. |
| * Since Medicaid reimbursements help fund the salaries of school-based health staff in many instances, the law potentially endangers the jobs of AFT school psychologists; counselors; social workers; speech pathologists; school nurses; and occupational, physical and other therapists, depending on how states respond to lost Medicaid funding. |
| * The law may reduce access to Medicaid-funded long-term care for our members in states with high home costs. The maximum home equity limits are frozen at $1,000,000 regardless of inflation (begins Jan. 1, 2028). |
| * The law will trigger more than $500 billion in automatic cuts to Medicare if Congress does not take action later this year. While Congress has not let these types of automatic cuts happen to Medicare in the past, if they do happen, they could lead to more uncompensated care and affect AFT retirees. |

**Healthcare provisions:**

* Freezes provider tax rates for non-expansion states and gradually reduces the provider tax rate for expansion states to 3.5 percent by fiscal year 2032 (begins in 2028). This policy will result in significantly lower revenue for states. This document includes state information on the provider taxes.
* Lowers the cap on state-directed payments for inpatient hospital and nursing facility services to 100 percent of Medicare rates in expansion states and 110 percent in non-expansion states (begins in 2028).
* Conditions Medicaid eligibility on beneficiaries working or engaging in qualifying activities at least 80 hours per month, except for parents with dependent children 14 and under (begins in 2027). Where these requirements have been tried, they have led to people losing healthcare but have not led to an increase in employment. This policy creates the most healthcare savings in the law by ensuring that red-tape reporting requirements cause people to lose healthcare. This will include individuals who are working in the gig economy or have mental or physical challenges. Research also shows that when parents lose their healthcare eligibility, their children may do so as well, despite being qualified for healthcare on their own.
* Increases eligibility checks and red tape around enrolling in the ACA, CHIP and Medicaid, which will lead to people losing healthcare (some begin in 2027).
* Provides $50 billion to rural healthcare providers between fiscal years 2026 and 2030, but it is estimated that at least $155 billion will be cut from rural communities. Half of the $50 billion will be controlled by the Health and Human Services secretary and shared through an application process.
* Restricts Medicaid, Medicare and ACA subsidy eligibility to citizens and lawful permanent residents, excluding other categories including victims of sex trafficking, refugees and asylum-seekers, but maintains access for certain Cuban and Haitian immigrants and Compact of Free American state migrants (some restrictions begin in 2026).
* Provides a one-year 2.5 percent increase in Medicare reimbursement rates for physicians (begins 2026).
* For one year, bars Medicaid payments to nonprofit or community providers that primarily offer family planning or reproductive services that provide abortions outside on the Hyde exceptions (begins 2026).
* Prohibits the HHS secretary from implementing, administering or enforcing the nursing home minimum staffing rule.
* Limits federal matching payments to hospitals for emergency services provided to individuals who do not have documented immigration status (begins Oct. 1, 2026).
* The amount of the deficit increase will trigger significant cuts to Medicare under the pay-as-you-go rule (also known as PAYGO) starting in 2026 unless Congress intervenes.
* Does not extend the Affordable Care Act’s enhanced tax credits that expire at the end of this year. If Congress does not take action, more than 4 million people will lose their healthcare.
* Does not include funding for disproportionate share hospitals.

**Key Education Provisions in the One Big Beautiful Bill Act**

The law seeks to overhaul the student loan repayment system while imposing stricter standards on universities and students receiving financial aid. It also creates an unprecedented, permanent tax credit to fund school vouchers.

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| **What it means for AFT members:** |
| * Creates a permanent private school voucher scheme that drains resources from our neighborhood public schools, undermining the schools where our families send their kids and where our members work. |
| * The voucher tax credit provision will divert crucial public funds away from students in public schools to pay for private school tuition. Vouchers have caused some of the largest achievement drops ever recorded, and most vouchers go to families whose children already attend private schools. |
| * A [new analysis](https://urldefense.com/v3/__https:/itep.org/trump-megabill-expensive-private-school-vouchers/__;!!ES5OBA!mrslwb_DHPT2ky7hVHIUfSM4PvnU9e6NO3oQ-_EzgFChHTpW_SdStJnPquuwHbnuo7BOuSZqfaOd4XY$) estimates the cost of the new voucher program could be as high as $51 billion per year. As a reference, IDEA is funded at $13 billion and Title I is funded at roughly $18 billion. $51 billion is more than the federal government spends on public K12 education. |
| * The IRS must issue regulations about the voucher program and then states will have to determine if they will participate (and if so, how), so there will be plenty of need for engagement at the state level on the voucher program over the next couple of years. The voucher tax credit begins in tax year 2027. |
| * Guts more than $300 billion from higher education, driving up college costs and loan repayment costs—putting college out of reach for our kids and grandkids—and slashing financial aid and support for public institutions. |
| * Eliminates the most affordable income-driven repayment options, meaning the typical college graduate will pay almost $3,000 more per year in student loan payments. |
| * Jeopardizes training for essential union-represented careers like educators, early childhood workers and social workers by forcing schools to restrict access to federal aid and limiting what programs students can enroll in. |
| * Eliminates federal grad PLUS loans, pushing more than 425,000 students into risky private loans without protections or eligibility for Public Service Loan Forgiveness. |
| * Strips relief from students scammed by for-profit colleges, abandoning working people who were scammed by predatory colleges while trying to improve their lives through education. |
| * Raids $3.8 billion from university endowments, slashing funding that supports scholarships, medical research and student aid for working families. |
| * Deficit increase triggers significant cuts to education under PAYGO starting in 2026 unless Congress intervenes. |
| * The law is a frontal attack on the ability of students—especially low-income students—to access and afford higher education. It will have a dramatically negative impact, not just on higher ed, but on the whole population. |

**Voucher provisions:**

Tax credit for contributions of individuals to scholarship granting organizations

This section creates the first national voucher program, structured as a 100 percent tuition tax credit. While a taxpayer anywhere in the country can claim the federal tax credit, the vouchers are limited to students in states that effectively opt in by approving “scholarship granting organizations” to operate within their state.

* Any taxpayer in the country can claim a federal tax credit of up to $1,700 per year by contributing to an SGO. This is a 100 percent credit, meaning that a $1,700 contribution results in a $1,700 credit (i.e., $1,700 less in taxes owed).
* The SGO then uses those funds to distribute “scholarships” to K-12 students. For an SGO to participate in this program, a state must include it on a list of approved SGOs.
* Students who receive vouchers must be from families earning less than 300 percent of the area median income and must attend school in a state that has included the SGO on its list of approved SGOs.
* The “scholarships” can be used for any qualified educational expense, using the existing Coverdell accounts definition of “qualified education expense” [[26 U.S. Code § 530(3)(A)](https://www.law.cornell.edu/uscode/text/26/530)]. Note that this explicitly includes uses for students at public schools as well as private schools. There is no cap on the amount of the scholarship.
* The IRS will issue rules around implementing this provision, and states will be able to have their own criteria for approving SGOs, so there is more to come (and possibly more opportunity for more advocacy) before we know exactly the impact and what’s possible.
* The [estimated cost](https://itep.org/trump-megabill-expensive-private-school-vouchers/) of this tax credit is $8 billion to $51 billion per year, even as our public schools remain underfunded.

**Higher education provisions:**

* Terminates income-contingent repayment plans beginning July 2026; after that, borrowers must choose between a standard repayment plan or the new Repayment Assistance Plan, based on 1 percent to 10 percent of their adjusted gross income.
* Ends PLUS loans and subsidized Stafford loans for graduate and professional students starting July 2026.
* Caps the maximum amount undergraduate, graduate and professional students can borrow.
* Sunsets unemployment and economic hardship deferments for loans disbursed beginning July 2027.
* Bars eligibility for borrowers with a student aid index twice or more than the total maximum Pell Grant for the academic year.
* Bars eligibility for students if they received more than their cost of attendance in aid from other sources.
* Establishes a new Workforce Pell Grant beginning in July 2026 for students enrolled in an 8- to15-week program at a higher education institution. This new grant does not include important guardrails to prevent predatory colleges from taking advantage of students via short-term Pell programs.
* Bars schools from offering direct federal loans if their graduates from undergraduate programs make less than the median earnings of 25- to 34-year-olds with no higher education credentials. It also adds similar restrictions for graduate programs’ grads.
* Delays for 10 years the Biden-era borrower defense rule to protect defrauded students and hold predatory colleges accountable for their actions, reinstating a rule from former Education Secretary Betsy DeVos that means only 3 percent of scammed students will get relief. Similarly, the law delays implementation for 10 years of Biden-era closed school discharge rules. Implementation of portions of Biden-era rules on loan discharges will be tied to school fraud for loans made before July 2035.

**Key Energy Provisions in the One Big Beautiful Bill Act**

The law will claw back federal support for renewables, rescind unspent Inflation Reduction Act funds, raise electricity costs and loosen select permitting hurdles to encourage additional fossil fuel production.

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| **What it means for AFT members:** |
| * Attacks clean energy tax credits, risking more than 400,000 well-paying jobs, including union construction and skilled trades positions, and making it harder for public schools and public buildings to upgrade their energy systems. |
| * Tax credits for solar, energy storage, thermal storage, electric vehicles and charging infrastructure will sunset much sooner and in many cases will become unworkable for schools. |
| * However, there were no material changes to the tax provision that applies to geothermal (also known as ground-source) heat pumps. This tax credit remains available to schools with no changes. |
| * Hikes energy bills by more than $110 next year and nearly $400 in the next decade for working families, hurting household finances and small-business owners the most. The law recklessly [repeals](https://www.lcv.org/wp-content/uploads/2025/07/2025.06-Reconc_All-Anti-Enviro-Provisions_SENATE.docx.pdf) lifesaving incentives for weather resilience, energy efficiency and improved air quality in American communities. Baked into the law are [cuts](https://www.lcv.org/wp-content/uploads/2025/07/2025.06-Reconc_All-Anti-Enviro-Provisions_SENATE.docx.pdf) to the Inflation Reduction Act’s [federally funded initiatives](https://www.americanprogress.org/article/the-trump-administrations-cancellation-of-funding-for-environmental-protections-endangers-americans-health-while-draining-their-wallets/), such as air pollution monitoring, cleaning up ports, home energy efficiency upgrades and emissions-free school buses. |

**Energy provisions:**

* Claws back critical tax credits for clean energy, clean vehicles, home efficiency and clean manufacturing.
* Phases out tax credits for wind and solar beginning in 2026 and fully eliminates these credits by 2028, with significant restrictions and requirements around “foreign entity of concern” provisions, making the clean energy tax credits essentially nonfunctional.
* Eliminates tax credits for new and used electric vehicles, commercial clean vehicles and fueling infrastructure, stalling the American-made EV industry, which will result in significant job losses throughout the auto industry.
* Accelerates phase-outs of tax credits that support American businesses and supply chains that have brought billions of investments to the U.S.
* Cuts tax credits that make homes and buildings more efficient and more affordable to operate.
* Rescinds Inflation Reduction Act funds for certain programs and unobligated balances for a variety of grant and financing programs created under the IRA, including remaining funding for the environmental and climate justice block grants.

**Key Nutrition Provisions in the One Big Beautiful Bill Act**

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| **What it Means for AFT members:** |

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| * Like with other provisions in the legislation, these provisions will subject the Supplemental Nutrition Assistance Program to major ($186 billion) budget cuts with new work requirements, will increase state contributions and will limit the Thrifty Food Plan, all of which address food insecurity in this country. |
| * SNAP helps over 42 million families access groceries and meals at home. It is one of our nation’s most effective anti-poverty programs. When a senior, child or family has access to food because of SNAP, they have better health outcomes, academic performance and overall quality of life. |
| * With high grocery prices and the Trump administration’s $1 billion in cuts to food banks and food for schools and child care centers, the future cuts to SNAP benefits and mandating states pay for a federal benefit will cause even more children, seniors, veterans and people with disabilities in every community to go hungry. |
| * This will have a real impact on the communities where AFT members work and live. [Several studies](https://www.cbpp.org/research/food-assistance/snap-is-linked-with-improved-health-outcomes-and-lower-health-care-costs) indicate that individuals who receive SNAP benefits have better health and lower rates of food insecurity than similar people who are eligible but not receiving these benefits. Food insecurity is associated with [multiple chronic conditions](https://pmc.ncbi.nlm.nih.gov/articles/PMC7502278/), [poorer self-reported health status](https://pmc.ncbi.nlm.nih.gov/articles/PMC7502278/), [higher healthcare utilization](https://www.tandfonline.com/doi/abs/10.1080/21551197.2016.1200334) and [lower rates of medication adherence](https://pmc.ncbi.nlm.nih.gov/articles/PMC7502278/). |
| * The $186 billion in food support that will be cut from as many as 22.3 million families who will lose some or all of their SNAP benefits will further add to food insecurity. |
| * But these cuts won’t just affect meals at home; they will also affect access to meals in school. When a family is found eligible for SNAP, their child is immediately enrolled in the school meals program. Nearly 30 million children receive breakfast and lunch at school. These meals are the main source of nutrition for more than half of these children. When the number of families that are eligible for SNAP is reduced, the number of children with direct access to school meals will also be reduced. It is estimated that approximately 18 million children will lose access to school meals due to these SNAP changes. |

**Nutrition provisions:**

* Represents the largest cut, about 20 percent, in SNAP’s history.
* Requires states to pay for up to 15 percent of SNAP benefits if their payment error rate is 10 percent or more. If a state can’t pay for the SNAP benefits that the federal funding will no longer cover, it is likely to need to increase state taxes or cut state spending in other programs.

The law carves out exemptions for the states with the highest error rates, giving them more time to comply with the new rules. States that exceeded that threshold in [2024 data](https://www.fns.usda.gov/snap/qc/per) included Alaska, Florida, Georgia, Hawaii, Maryland, Massachusetts, New Jersey, New Mexico, New York, Oregon and the District of Columbia. The law delays the requirement until fiscal 2029 or 2030 if the error rate meets a specified threshold.

* Lowers the federal share of SNAP administrative costs to 25 percent starting in fiscal 2027, down from 50 percent.
* Prevents changes to the Thrifty Food Plan, which forms the basis of SNAP benefits calculations, except for cost-of-living adjustments.
* Raises to 65, from 55, the age at which “able-bodied adults without dependents” (ABAWD) would be exempt from stricter work requirements. The stricter work requirements also apply to parents whose youngest child is at least 14 years old. This will put more than 5 million people at risk of losing their food assistance, including about a million parents. That’s about 1 in 8 SNAP participants and approximately 800,000 children aged 14 to 17 years old receiving less access to nutrition and meals.
* Limits states’ ability to issue waivers for ABAWD work requirements in the 48 contiguous states.
* Limits categories of eligibility for immigrants living lawfully in the country.
* Reduces or terminates food assistance for an expected 1 million children.