

House Passes Budget Reconciliation Bill; MAHA Report Released

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Overview

The U.S. House passed its version of the budget reconciliation bill last week. After getting through the Rules Committee, the bill made its way to the U.S. Senate for its consideration. The Senate is likely to make changes to the bill. Indeed, the bill is not likely to pass the Senate in its current form.

In addition, last week HHS Secretary Robert F Kennedy Jr. announced the release of the Make America Healthy Again (MAHA) Commission's report on the state of America's health. It comes with a warning that the rate of chronic disease is rapidly accelerating, especially among children. The Report cites poor diet, aggregation of environmental chemicals, lack of physical activity chronic stress and over medication. The Report is also a wake-up call to the industrial production, supply chain system of how the agricultural sector produces food in the U.S.

These are the topics of today's post

Key Tax Provisions in the House-Passed Reconciliation Bill

Here's what I see as the most important tax provisions (in terms of their application to individuals and businesses (including farm businesses):

- The Tax Cuts and Jobs Act (TCJA) provisions that were set to expire at the end of this year have been made permanent. This includes the same 7 tax brackets, the casualty loss limitation, the elimination of miscellaneous itemized deductions, and the elimination of personal exemptions.
- The standard deduction would increase modestly. Seniors would get a \$4,000 boost.
- The SALT deduction. The deduction limit on state and local taxes is currently \$10,000 and would be increased to \$40,000 but would phase out for taxpayers with an AGI of \$500,000.
- The child tax credit would be \$2,500 from 2025 through 2028, then drop to \$2,000 and be adjusted for inflation.
- The estate and gift tax basic exclusion amount would be set at \$15 million for 2026 and indexed for inflation for years beginning after 2026.
- No tax on tips for 2025 through 2028. The tips would be taken as a deduction from income. There would be some qualifications. That is, not all tips would be deductible.
- No tax on overtime for 2025 through 2028, subject to certain restrictions. It's a deduction from income, but not an itemized deduction.



- The Pease limitation is largely removed. There would be a limitation on the itemized deductions, but only for taxpayers in the 37 percent bracket.
- Interest could be deducted on an “auto” loan with two restrictions. The maximum deductible interest is \$10,000 and the provision is only for interest paid from 2025 through 2028. The deduction is available even if the taxpayer doesn’t itemize.
- Non-itemizers could once again itemize, with limitations.
- The I.R.C. §529 program would be expanded to allow the use of funds for home schooling, elementary and secondary education.
- Many of the green energy credits included in the (misnamed) Inflation Reduction Act of 2022 would be terminated, most at the end of 2025.
- Opportunity Zones would be renewed and enhanced.
- The qualified business income (QBI) deduction would be made permanent and the deduction increased from 20% to 23%. There would be changes to the requirements and limitations.
- 100 percent bonus depreciation is restored for property acquired after January 19, 2025 and before January 1, 2030.
- The bill would allow tax preparers to prepare returns, refund claims, or documents that are used with tax returns on a contingent fee basis.
- The bill requires the IRS to shut down the “free file” system within 30 days and replace it with a program created with the IRS and a private vendor.

The MAHA Report

Last week the anticipated MAHA Report was issued. It’s 69 pages in length and it lays out the road map that Health and Human Services (HHS) Secretary RFK JR. thinks federal agencies can use to reduce chronic childhood illnesses in this country. At the top of the list of problems is a poor diet. The report found that up to 70 percent of food that most children consume contains ultra processed ingredients.

Another point of the Report concerns chemical exposure, with the Report ordering a study on pesticides by 2026. The Report also points to the lack of physical exercise by children and overmedication.

Some key statistics in the Report include the following:

- A 1400 percent increase in antidepressant prescriptions among young people over the past 20 years.
- A 250 percent increase in ADHD prescriptions between 2006 and 2016
- Three times as many children are obese as compared to the 1970s (on a percentage basis).
- 75 percent of eligible young people can’t qualify for the military largely because of obesity.
- More than 40% of American children have at least one chronic health condition. This percentage has drastically increased since the 1970s.



Note: Many of the problems are likely linked. Obesity leads to sedentary behavior, which leads to depression with then leads to being medicated.

Another key aspect of the Report is the focus on what's in the food that we eat. There is the start of a movement to label food products so that consumers can clearly understand what is in the food that is purchased and what that means for health when the food is consumed. This is a tremendous opportunity for farmers, particularly smaller operations. If the agricultural production system can be changed to incentivize rather than regulate the growing of healthier food all the way from the farm to the table, this could be an incredible boon.

But the Report doesn't focus solely on what's in food, but what's in the environment in which ag commodities are grown – the impact of pesticides, including glyphosate. Expect the big farm lobby groups to react negatively to this part of the Report.

While the Reconciliation bill makes cuts to SNAP benefits, that doesn't mean that states can't reform their existing rules. For example, Arkansas is replacing such things as pizza and French fries in school lunches with rotisserie chicken.

A Path Forward. The Report is encouraging (at least to me) for its focus on innovation rather than regulation to fix the broken food and health care (referred to in the report as "sick care) systems in the U.S. The product of health care is a healthy body. However, the U.S. population when compared to the world is at the bottom when it comes to health and at the top in terms of spending on healthcare - \$4.1 trillion annually. A big step forward in improving those positions would include removing refined sugars, refined starches and refined oils (seed oils) as well as some dairy products – or at least clearly educating consumers on the health impact of such products.

But expect a major pushback from "Big Ag" – there's a lot of money involved. Indeed, a lot of food that we consume is subsidized – for example, the major commodities of corn, soybeans, wheat, sugar and rice. The ag subsidy programs were started during the depression with the noble intent of helping farmers. But they have stayed in the law and primarily work to the benefit of relatively larger farming operations. I am encouraged by the recent announcement from USDA of programs specifically tailored to smaller farming operations. Perhaps this is the start of a movement away from the longstanding ag subsidy programs. One really good idea (in my view) is to incentivize the growing of grass-fed livestock and move away from subsidizing the growing of the raw material for junk food.

Legal issues. While not addressed in the report, it would be nice to see a change in the "generally recognized as safe" (GRAS) which has turned into a loophole in the law to allow manufacturers to self-certify their own food products as safe. The GRAS rule is established under the Federal Food, Drug, and Cosmetic Act (FFDCA), particularly §§201(s) and 409. These sections create an exemption from the premarket review and approval process required for "food additives" by the Food and Drug Administration (FDA). This is like the standard that allows manufacturers to fortify food with synthetic folic acid rather than folate. Many people have genetic issues with folic acid.



Note: In March of 2025, HHS Secretary RFK JR. directed the FDA to explore rulemaking to eliminate the self-affirmation pathway of the GRAS rules, requiring companies to notify the FDA and provide safety data before introducing new ingredients. There are also legislative efforts to require mandatory FDA notification and stricter oversight.

Another longstanding issue has been the amount of tax dollars (some estimates peg it at \$40 billion annually) that is paid to universities for medical research into new drugs. The problem is not necessarily the amount of money (although it is a concern). The issue is with existing law that allows the universities to get patents on those drugs and grant exclusive rights to drug companies. The drug companies and the universities negotiate royalty of typically between one percent and 10 percent of the net profits.

Also, the law presently allows the FDA to have a revolving door with the pharmaceutical industry. Perhaps the law should be amended to place a time-bar on working for the FDA and then working for a pharmaceutical company.

And maybe, just maybe, the recommended daily allowances (RDAs) could be revisited.

Conclusion

There's a lot happening right now that is very important to agriculture producers and the ag industry in general. The Reconciliation Bill and the MAHA report are two of those.

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