Overview of the 2025 Federal Reconciliation Act and Federal Funding

Joint Fiscal Committee
Joint Fiscal Office and Legislative Counsel Staff
July 31, 2025

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The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations

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Outline of Talk

- Overview of federal funds rescission language
- Federal legislation: 2025 Federal Reconciliation Act
  - Medicaid and health care
  - Revenue implications
  - Inflation Reduction Act (IRA) rescissions
  - Supplemental Nutrition Assistance Program (SNAP)
  - Other changes
- What's next for the Joint Fiscal Committee (JFC) and the General Assembly

Federal Funds Rescission Language

At this time, no action is required by the Governor, the General Assembly, or JFC

Federal Rescission Language in Act 27
(2025; Fiscal Year 2026 Big Bill)

- Allows the Administration and JFC to act when needed if federal funds are eliminated or reduced while the General Assembly is out of session

Sec. E.127.2
Federal Funding Reductions – Definitions

- The section is structured around reductions calculated by "Unduplicated Function Total"
  - **Unduplicated** funds excluded funds that are appropriated twice: Global Commitment funds, Interdepartmental Transfers, and Internal Service Funds
    - For this calculation, the Education Fund is also excluded even though it is not typically considered a duplicated fund, since funds are granted to school districts and are not part of the operations of State government
  - **Function total** refers to government function areas by which the Big Bill is organized (outlined in Sec. A.108)
    - General Government, Protection, Human Services, Labor, Education, Higher Education, Natural Resources, Commerce and Community Development, Transportation, and Debt Service

Sec. E.127.2(b)(1)

Administration Spending Reduction Plan

If a federal revenue reduction results in a decrease of the unduplicated function total for any government function unit by:

Less than 0.5% **OR** $2,000,000

Whichever is Greater

The Secretary of Administration shall notify JFC and may prepare and implement a spending authority reduction plan ***without*** JFC approval

Sec. E.127.2(b)(2)

JFC Spending Reduction Plan

If a federal revenue reduction results in a decrease of the unduplicated function total for any government function unit by:

Greater than 0.5% **OR** $2,000,000

BUT

Less than 25% **OR** $50,000,000

Whichever is Lower

The Secretary of Administration shall prepare a spending authority reduction plan for JFC consideration and ***approval***

General Assembly Action

While not explicitly stated in the Act, if a federal revenue reduction results in a decrease of the unduplicated function total for any government function unit by more than the amounts outlined in Sec. E.127.2(b)(2), only the General Assembly can act to mitigate the impacts

When JFC Can Act

	Unduplicated Appropriations	Federal Funds	Window for JFC Action	
			Lower Bound	Upper bound
General Government	180,332,856	1,273,020	-	-
Protection	640,768,748	239,445,060	3,203,844	50,000,000
Human Services	3,660,474,985	1,946,078,413	18,302,375	50,000,000
Labor	50,664,933	29,640,603	2,000,000	12,666,233
Education *(less the Education Fund)*	484,302,801	206,397,296	2,421,514	50,000,000
Higher Education	137,397,800	-	-	-
Natural Resources	332,459,729	184,885,710	2,000,000	50,000,000
Commerce and Community Development	167,844,428	87,393,425	2,000,000	41,961,107
Transportation	807,811,210	452,025,811	4,039,056	50,000,000

Federal Legislation

The 2025 Federal Reconciliation Act – what it is and what it isn't

NOTE: JFO and LC staff continue to work with the Executive Branch to more fully understand the Act and its impacts on Vermonters – this presentation is not exhaustive. There are other provisions that will also impact the State.

2025 Federal Reconciliation Act

- On July 4th, President Trump signed the 2025 Federal Reconciliation Act
- Includes changes to the way several federal programs are implemented by states, are structured, and are funded
- Impacted programs include:
  - Medicaid
  - Other health care programs
  - Supplemental Nutrition Assistance Program (SNAP)
- Includes modifications to the Federal Income Tax Code, some of which may impact Vermont's personal and corporate income taxes
- Rescissions of funds and termination of credits relating to the Inflation Reduction Act (IRA)

This Is Not The Only Bill That May Impact State Programs

- There are other major funding bills still outstanding
  - The Federal Fiscal Year (FFY) 2025 Rescission Bill
  - The FFY 2026 appropriations bills
    - The federal government typically has 12 budget bills
- The 2025 Federal Reconciliation Act did **NOT** include the reduction to grants and programs that were presented in the spring – these changes will be part of the appropriations process
  - Any changes related to these programs are still up for debate in Congress
  - The 2025 Federal Reconciliation Act made changes to mandatory programs – the budget will consider changes to discretionary programs

Federal Rulemaking

- While the bill outlined a myriad of changes to federal policy, like with any large piece of legislation federal agencies need to interpret it, issue guidance, and go through rulemaking before its implications can be fully known
- For instance:
  - The Internal Revenue Service (IRS) needs to update forms and issue guidance
  - The Centers for Medicare and Medicaid Services (CMS) needs to implement grant programs and guidance to states
  - As does the Department of Health and Human Services (HHS)

2025 Federal Reconciliation Act: Medicaid and Health Care

Medicaid and Health Care

- The bill makes changes to the Medicaid program – many of which do not go into effect right away
- The bill will affect Vermont's Medicaid program in three major ways:
  1. Loss of health insurance coverage and increased burden on beneficiaries
  2. Loss of federal participation and investment in Vermont's health care system
  3. Increased administrative burdens for Medicaid beneficiaries, providers, and the State

Loss of Health Insurance Coverage and Increased Burden on Beneficiaries

PRELIMINARY ESTIMATES = As many as 45,000 Vermonters could lose coverage

- **Work requirements** – states must establish community engagement requirements for Affordable Care Act (ACA) expansion population as a condition of eligibility for able bodied adults ages between 19 and 64
  - Effective no later than 1/1/27
  - Exemptions allowed until 1/1/29 if states demonstrate good faith effort to comply
- **Retroactive coverage limits** – shortens retroactive Medicaid coverage for expenses incurred prior to application date from three months to:
  - Two months for traditional Medicaid and Children's Health Insurance Plan (CHIP) populations
  - One month for ACA expansion population
  - Effective 1/1/27
- **Eligibility Determinations** – increases frequency of eligibility redeterminations for the ACA expansion population eligibility from annually to every six months
  - Effective 1/1/27

Loss of Health Insurance Coverage and Increased Burden on Beneficiaries

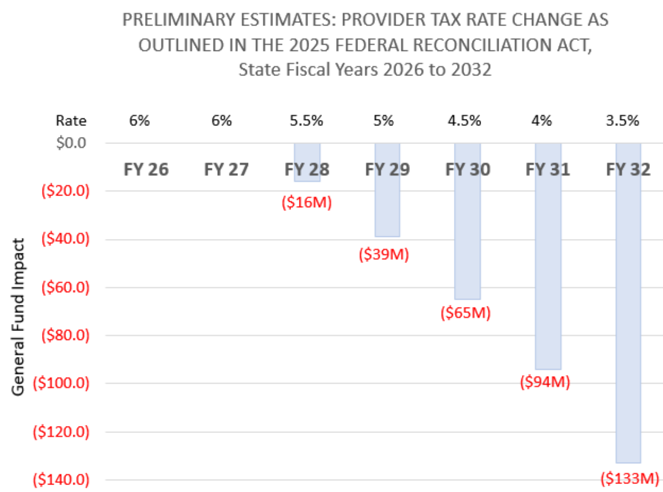
- **Non-citizens** – Eligibility limited to citizens, lawful permanent residents, Cuban and Haitian entrants, and persons allowed to live and work in the U.S. under the Compacts of Free Association (COFA)
  - Legal non-citizens like refugees and asylees will lose Medicaid eligibility
  - Effective 10/1/26
- **Cost Sharing Requirements** – requires states to impose cost-sharing for ACA expansion adults with incomes over 100% the FPL (individual = $15,650 / family of 4 = $32,150)
  - Cost sharing must be greater than $0 but no more than $35 per service
  - Certain types of services will be exempt, including primary care, prenatal care, pediatric care, emergency services, mental health, and Substance Use Disorder services
  - Does not affect the current cost sharing limits on prescription drugs
  - Total amount of out-of-pocket costs capped at 5% of family income
  - Effective 10/1/28

Reduced Federal Participation and Investment in Vermont's Health Care System

- **Family Planning** – prohibits federal Medicaid funds from being directed to nonprofit organizations that meet certain criteria, such as specified family planning, abortion services, etc.
  - Effective for one year, beginning 10/1/25
  - Currently subject to ongoing litigation
- **Reduction in covered lives**
  - More uncompensated care
  - Fiscal impacts remain unknown but may be significant
- **Provider Taxes**

Focus on Provider Taxes

- Phase down of the provider tax rate that expansion states can charge from 6% to 3.5% by 2032
- Begins 10/1/27 (fiscal year 2028)
- Preliminary JFO Estimate: $16 million (fiscal year 2028) to $133 million (fiscal year 2032) reduction in General Fund revenues



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Increased Administrative Burdens on Beneficiaries, Providers, and the State

- Implementation of cost-sharing changes, work requirements, eligibility changes, increased frequency of eligibility redeterminations, etc. will require significant IT changes and staff resources
- Will likely impact future Global Commitment 1115 Waiver negotiations
- Makes changes affecting exchange plan enrollees, including effectively eliminating automatic reenrollment
- Allocates $10 billion per year (2026-2030) to states to support rural providers
  - Requires an approved rural health transformation plan

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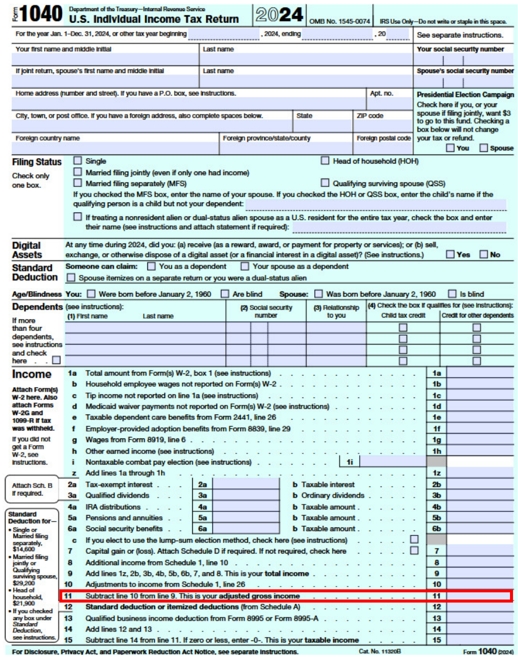
2025 Federal Reconciliation Act:
Revenue Changes

Revenue Changes

- The 2025 Federal Reconciliation Act makes the tax rates and many other provisions from the 2017 Tax Cuts and Jobs Act (TCJA) permanent and creates other significant new tax deductions at the federal level
- Overall, the bill is expected to have rather minor direct impacts to Vermont income tax revenues
  - Most of the significant new deductions are not expected to "flow through" to Vermont because they will not change the calculation of adjusted gross income (AGI) at the federal level
- *Note: for income taxes, generally tax year 2026 = fiscal year 2027 revenue impacts*

Revenue Changes

- Vermont tax law is “decoupled” from federal tax law in many ways, but changes at the federal level ***sometimes*** flow through and impact State revenues
  - Vermont uses the federal definition of AGI as the “starting point” for calculating Vermont income tax
    - Similarly, Vermont uses federal taxable income as the starting point for Vermont corporate income taxes
  - Some Vermont tax credits are tied to a percentage of the federal credit
- Vermont is currently “linked up” to the federal tax laws in effect as of 12/31/24
- The General Assembly traditionally updates the link-up date annually



Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2024 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning , 2024, ending , 20 See separate instructions.

Your first name and middle initial | Last name | Your social security number

If joint return, spouse’s first name and middle initial | Last name | Spouse’s social security number

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no.

City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code

Foreign country name | Foreign province/state/county | Foreign postal code

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Filing Status Check only one box.
☐ Single ☐ Head of household (HOH)
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child’s name if the qualifying person is a child but not your dependent:
☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Digital Assets At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1960 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1960 ☐ Is blind

Dependents (see instructions): (1) First name Last name | (2) Social security number | (3) Relationship to you | (4) Check the box if qualifies for (see instructions): Child tax credit | Credit for other dependents
If more than four dependents, see instructions and check here ☐

Income
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a
b	Household employee wages not reported on Form(s) W-2	1b
c	Tip income not reported on line 1a (see instructions)	1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
e	Taxable dependent care benefits from Form 2441, line 26	1e
f	Employer-provided adoption benefits from Form 8839, line 29	1f
g	Wages from Form 8919, line 6	1g
h	Other earned income (see instructions)	1h
i	Nontaxable combat pay election (see instructions) 1i	
z	Add lines 1a through 1h	1z
2a	Tax-exempt interest 2a; b Taxable interest	2b
3a	Qualified dividends 3a; b Ordinary dividends	3b
4a	IRA distributions 4a; b Taxable amount	4b
5a	Pensions and annuities 5a; b Taxable amount	5b
6a	Social security benefits 6a; b Taxable amount	6b
c	If you elect to use the lump-sum election method, check here (see instructions) ☐	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7
8	Additional income from Schedule 1, line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11
12	**Standard deduction or itemized deductions** (from Schedule A)	12
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15

Attach Sch. B if required.

Standard Deduction for—
- Single or Married filing separately, $14,600
- Married filing jointly or Qualifying surviving spouse, $29,200
- Head of household, $21,900
- If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2024)

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Vermont’s Personal Income Tax

From federal form 1040

Federal AGI

plus

Additions to AGI
Bonus depreciation, interest from non-Vermont state and local bonds

minus

Subtractions from AGI

Standard deduction*
$7,400 for single filer,
$14,850 for married filer

Personal exemptions*
$5,100 for taxpayer, spouse, and any dependents

Other subtractions
- Interest income from U.S. bonds
- Capital gains exclusion
- Social Security exemption
- Medical expenses

equals

Vermont Taxable Income

**Note: amounts for tax year 2024; indexed annually for inflation*

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New Federal Tax Deductions

- Sec. 70201: “No Tax on Tips”
  - Must be employed in an occupation to be listed by the IRS as customarily and regularly receiving tips on or before December 31, 2024
    - Guidance due by October 2, 2025
  - Maximum annual deduction is $25,000
- Sec. 70202: “No Tax on Overtime”
  - May deduct overtime pay that exceeds the regular rate of pay (the “half” portion of “time and a half”)
  - Maximum annual deduction is $12,500 ($25,000 joint)
- For both deductions:
  - Deduction phases out with AGI over $150,000 ($300,000 joint)
  - Available for itemizing and non-itemizing taxpayers
  - Effective for tax years 2025 through 2028
  - No direct impact to Vermont revenues, since these deductions are not expected to change the calculation of AGI

New Federal Tax Deductions

- Sec. 70203: “No Tax on Car Loan Interest”
  - May deduct interest paid on loans used to purchase qualified vehicles for personal use
  - Loan must be originated after December 31, 2024
  - Vehicle must be new
  - Vehicle must have GVW less than 14,000 lbs and undergone final assembly in the US
  - Maximum annual deduction is $10,000
  - Deduction phases out with AGI over $100,000 ($200,000 joint)
  - Available for itemizing and non-itemizing taxpayers
  - Effective for tax years 2025 through 2028
- No direct impact to Vermont revenues, since this deduction is not expected to change the calculation of AGI

New Federal Tax Deductions

- Deduction for seniors
  - Filers 65 and older may claim an additional deduction of $6,000 per qualifying individual on top of the current standard deduction for seniors
  - Deduction phases out with AGI over $75,000 ($150,000 joint)
  - Available for itemizing and non-itemizing taxpayers
  - Effective for tax years 2025 through 2028
  - ***No change made to the taxation of Social Security benefits***
- No direct impact to Vermont revenues, since this deduction is not expected to change the calculation of AGI

Changes to Existing Federal Deductions

- Extend/Enhance Base Standard Deduction, starting 2025
  - $15,750 single, $31,500 joint, $23,625 head of household
- State and Local Tax (SALT) cap increased from $10,000 to $40,000
  - Deduction phases out with AGI over $500,000, capped at $10,000 if AGI exceeds $600,000
  - $40,000 cap for 2025, increases 1% per year through 2029
  - After 2030, cap reverts to $10,000
  - Only available to itemizers
- Child Tax Credit: increased maximum from $2,000 to $2,200 per qualifying child (inflation adjusted after)
- Charitable Contribution Deduction for non-itemizers (limit $1,000 single/$2,000 joint)
- Increased estate and gift tax exemption from $5 million to $15 million
- No direct impact to Vermont revenues, since these deductions and credits are not expected to change the calculation of AGI

Changes That Will Impact Vermont

- Child and Dependent Care Tax Credit enhancement
  - Max credit increased from 35% to 50% for qualifying expenses
  - Credit still phases down with AGI over $15,000, but with a longer phase-down slope
  - Vermont's Child and Dependent Care Credit is calculated at 72% of the federal credit
- Dependent Care Assistance Program
  - Tax-free deduction from wages for a child care Flexible Spending Account (FSA) will reduce income that flows through to Vermont
- Research and Development (R&D) Credit
  - Bill allows immediate expensing of certain research and development expenditures, which might lead to some impacts in fiscal year 2026 due to filers claiming carry-forwards from prior years all in one tax year
  - Vermont allows 27% of federal tax credit to be claimed against business income tax liability, may be carried forward up to 10 years
- Trump Accounts
  - Employer contributions (up to $2,500/year per account) to an employee's account are deductible
- The bill also contains numerous other provisions related to business and corporate taxes that would likely flow through to Vermont, but it is not yet clear whether they will have a significant impact on revenues

2025 Federal Reconciliation Act:
Inflation Reduction Act (IRA) Rescissions

IRA Related Changes

- The 2025 Federal Reconciliation Act reverts many IRA policies and rescinds unobligated program balances:
  - Various energy efficiency and clean energy tax credits
  - Energy efficiency, infrastructure, and lending programs
  - Climate change and greenhouse gas mitigation grants
  - Transportation grants
  - Not ***all*** IRA programs were rescinded

IRA Related Changes

- Repeals several energy-related tax credits primarily aimed at **individuals** at the end of 2025:
  - Energy Efficient Home Improvement Credit
  - Residential Clean Energy Credit
  - New Energy Efficient Home Credit
- Eliminates electricity **production and investment** tax credits for wind and solar projects initiated more than 12 months after the Act's enactment or placed in service after 2027
- Maintains existing credit phaseout timeline for technology other than wind and solar with additional supply chain requirements
- Rescinds unobligated balances from a variety of energy, climate, emission reduction, environmental justice, and conservation programs:
  - EPA Climate Pollution Reduction Grants, including the Government-to-Government Program
  - EPA Environmental and Climate Justice Block Grants
  - HUD Green and Resilient Retrofit Program

Transportation Related Rescissions

- Low-Carbon Transportation Materials Program
  - Rescinds an estimated $1.9 billion in unobligated funds
  - Vermont was awarded $14.5 million, but these funds haven't been allocated so this rescission won't impact currently existing transportation projects
  - This rescission does represent a reduction in future transportation funding sources
- Neighborhood Access and Equity Grant Program
  - Rescinds an estimated $2.4 billion in unobligated funds
  - No direct impact to Vermont
- Clean Heavy Duty Vehicles Program
  - Rescinds an estimated $454 million in unobligated funds
  - No direct impact to Vermont
- Greenhouse Gas Reduction Fund
- Diesel Emissions Reduction Act National Grants

Other Transportation Related Changes

- Termination, by September 30th, 2025, of the clean vehicle tax credits for consumers and businesses
  - Up to $4,000 for pre-owned clean vehicle
  - Up to $7,500 for new clean vehicle
  - Up to $40,000 for a commercial clean vehicle
- Termination, by June 30th, 2026, of the alternative fuel vehicle refueling property tax credit
  - Up to $1,000 for individuals or up to $100,000 for businesses for the installation of property that is used to store or dispense clean-burning fuel or to recharge electric vehicles
- Sets a civil penalty of $0 for the violation, by a manufacturer, of the Corporate Average Fuel Economy (CAFE) standard

2025 Federal Reconciliation Act:
The Supplemental Nutrition Assistance Program (SNAP)

Current SNAP in Vermont

- In Vermont, SNAP is referred to as 3SquaresVT
  - SNAP benefits are 100% funded with federal dollars
  - SNAP administrative costs are shared 50/50 between states and the federal government
    - In fiscal year 2024, 50% of SNAP administration costs paid by the State equaled about $16.8 million

Current 3SquaresVT *Eligibility*

- An individual is eligible for 3SquaresVT if they meet the following conditions:
  - Gross household income is equal to or less than 185% of the Federal Poverty Level (FPL); or
  - They have children and get the VT Earned Income Tax Credit
- Households may still qualify if their income is over the limit if they include someone 60 or older or someone with a disability
- Beneficiaries between ages 16 and 59 **need to meet work rules** unless they qualify as exempt or are excused

Current 3SquaresVT Benefits: *Clients under 65*

- Directly transferred by the federal government, not the State
  - This is the largest category of 3SquaresVT beneficiaries
  - Provided on an Electronic Benefit Transfer (EBT) card
- During fiscal year 2024:
  - Nearly 40,000 households, representing over 67,000 individuals, received their 3SquaresVT benefits on an EBT card
  - Equating to $155 million of benefits
- Funds to support this population of clients are ***not*** included in the State budget

Current 3SquaresVT Benefits:
Summer EBT Program

- Helps families buy groceries during the summer break when school meals are not available
  - Started during the summer of 2024
  - Caseload included over 22,000 households with approximately 37,000 children
  - Benefit was $120 per eligible child with a cost of $4.5 million
- These federal funds are administered by the State and ***<u>are</u>*** included in the State budget

Current 3SquaresVT Benefits:
"Cash Out" for Clients 65+ and Individuals Receiving Supplemental Security Income (SSI)

- Deposited as cash into a bank account – this is referred to as "Cash Out"
  - During fiscal year 2024, an average 17,801 households received Cash Out benefits each month
  - At an annual cost of nearly $46 million
- Cash disbursements help address issues of:
  - Technological accessibility,
  - Ensure nutritional access for those who may be unable to shop for and cook their own food, and
  - Reduce stigma
- These federal funds are administered by the State and ***<u>are</u>*** included in the State budget

Current 3SquaresVT Benefits

	FY 2024 Benefits
EBT Cards for Clients Under 65	$155,011,964
Summer EBT Program	$4,455,960
Cash Out	$45,962,520
Total Benefits in Vermont	$205,430,444

New Program Changes to SNAP: *Administrative Costs*

- States are still waiting on federal guidance, including the implementation date of various provisions but:
  - Administrative costs are going from a 50/50 state/federal split to a 75/25 state/federal effective October 1, 2026
  - Estimated to cost the state $8 million annually
  - Funding for nutrition education and obesity prevention is being eliminated

New Program Changes to SNAP: *State Cost Share Depending on Error Rate*

- States must pay 5% of benefit costs if the payment error rate exceeds 6%
  - The payment error rate includes both underpayments and overpayments of benefits, including client reporting errors
- Vermont's fiscal year 2024 payment error rate was 5.13%
- According to the Department for Children and Families (DCF), 5% of benefit costs is approximately $7.5 million per year

New Program Changes to SNAP: *Eligibility*

- Eligibility limited to citizens, lawful permanent residents, Cuban and Haitian entrants, and persons allowed to live and work in the U.S. under the Compacts of Free Association (COFA)
- Non-citizens – including refugees and asylees – no longer qualify
- Program participants between 18-64 (previously 18-59) must work 80 hours per month, unless the participant is eligible for a work requirement exemption
- Households have a three-month window to come into compliance
- Work requirement exemption eliminated for:
  - people experiencing homelessness (1,603 Vermonters),
  - veterans (8 Vermonters), and
  - individuals in foster care (8 Vermonters)
- Limits the exemption for households with children from those with children under 18 to those with children under 14

New Program Changes to SNAP: *Future Benefit Calculation*

- Thrifty Food Plan:
  - No longer allows the USDA to make future increases to the cost of the Thrifty Food Plan (which is a table used to calculate benefits based on household size)
  - COLAs will still occur at the beginning of federal fiscal years
  - This will essentially "lock in" current benefit levels
- Changes to standard utility allowances and who may claim it

2025 Federal Reconciliation Act: Other Changes

Other Changes

- Education and Early Childhood:
  - New federal tax credit for donations to Scholarship Granting Organizations
    - Permanent federal tax credit with no direct impact on the State budget
    - Program requires states to opt-in and approve list of Scholarship Granting Organizations
  - Federal Student Aid for Higher Education Changes
    - No direct impact on the State budget
    - Changes are likely to impact higher education institutions, student loan borrowers, and the broader economy and workforce
  - Trump Accounts
    - Children born in 2025 through 2028 are automatically enrolled with a Trump Account including a one-time deposit of $1,000 from the federal government

Other Changes

- Additional funding for:
  - Department of Homeland Security and Department of Justice
  - Department of Agriculture for new programs and existing programs
  - Department of Transportation for aviation safety
- Low-Income Housing Tax Credits have been enhanced
  - These credits are administered in Vermont through VFHA and are designed to help create and preserve affordable rental housing for lower income households through a 10-year reduction in federal tax liability for owners of qualifying housing
- New Market Tax Credits (NMTC) have been made permanent
  - NMTC provide a corporate tax credit for real estate and commercial investors in certain disadvantaged census tracts

Next Steps

No Immediate Changes to React to

- There are significant budgetary challenges and policy decisions that we will have to work through **in the next legislative session**
  - Changes in SNAP administrative cost share
  - Changes in Medicaid requirements will require State investment
- The Governor will present a budget in January that will include proposals to manage these changes

Resources

- FFIS Briefing – One Big Beautiful Bill Act: Non-Medicaid, Non-SNAP Provisions Affecting States
  - https://mcusercontent.com/16c4868c51f1ec364e11316a2/files/f28e970f-fdcf-9f13-55f0-9a10a98c1852/BB25_11.pdf
- FFIS Budget Brief (25-12) – One Big Beautiful Bill Act: Medicaid Provisions
  - https://mcusercontent.com/16c4868c51f1ec364e11316a2/files/bf97d396-9025-2336-6849-1d0861ce85cf/BB25_12.pdf
- KFF – Health Provisions in the 2025 Federal Budget Reconciliation Bill
  - https://www.kff.org/tracking-the-medicaid-provisions-in-the-2025-budget-bill/
- NASHP – What Health Care Provisions of the One Big Beautiful Bill Act Mean for States
  - https://nashp.org/what-health-care-provisions-of-the-one-big-beautiful-bill-act-mean-for-states/?utm_source=Nashp+Enews&utm_campaign=4950712df1-EMAIL_CAMPAIGN_MAY_14_2024_COPY_01&utm_medium=email&utm_term=0_afe3b8a6e2-4950712df1-189377693
- DCF Website – 3Squares Eligibility
  - https://dcf.vermont.gov/benefits/3SquaresVT