June 18, 2025

Senate Turns to Reconciliation

The Senate has begun advancing its version of the budget reconciliation bill, also known as the “One Big Beautiful Bill”, passed by the House of Representatives last month.

As Washington Wire readers may recall, the House passed bill was largely beneficial in terms of advancing pro-growth, pro-business tax policy that is important to NAED. However, energy-related tax incentives were scaled back considerably.

As with the House, the plan being advanced by the Senate Finance Committee—the chamber’s tax writing committee—was largely positive yet differed from the House effort. For example, the Senate language includes the following:

- **Section 199A** - Extended permanently but not increased to 23% that was in the House bill
- **Estate Tax** - Made permanent, with a $15m exemption
- **Bonus Depreciation** - Made permanent versus five years in House bill
- **Section 179 Expensing** - Doubled limit to $2.5m and made permanent
- **LIFO** - Preserves last-in, first-out accounting

Like the House bill, the Senate language also includes a valuable workforce provision which allows funds from 529 accounts to be used for non-college expenses, including certain postsecondary credentialing and licensing costs.

While the business tax provisions were welcome news, the Senate text eliminates or restricts several incentives that benefit clean and energy-efficient technologies including:

- **Section 179D** - Deduction for Energy Efficient Buildings
- **Section 25C** - Energy Efficient Home Improvement Credit
- **Section 45L** - New Energy Efficient Home Credit

- **Section 45X** - Advanced Manufacturing Production Credit

In terms of next steps, releasing the text initiates a process known as the "Byrd bath" in the Senate. During this process, Senators can make the case that specific provisions are ineligible for inclusion in the budget reconciliation bill if it is in violation of the Byrd Rules (namely, the provision must have a revenue impact). These arguments are presented to the Senate Parliamentarian who then issues a ruling with respect to the provision.

Although Senate rules allow lawmakers to reject the Parliamentarian's advice, Majority Leader John Thune (R-SD) has indicated they will comply. Therefore, changes to the text could be made prior to it being sent to the Senate floor for a vote.

With respect to timing, Leader John Thune (R-SD) has indicated he is willing to keep the Senate in DC into the July 4 recess to complete its consideration of the bill. This information is consistent with information NAED gathered in meetings with staff from Speaker Mike Johnson's (R-LA) office and the House Ways and Means Committee, where they reported that conversations with their Senate colleagues were moving swiftly, and they express optimism that they will meet or get very close to passing a bill by July 4, the deadline signaled from the White House.

We understand the Byrd bath process may take the remainder of this week, meaning the earliest the Senate could likely vote on it is next week. If the Senate passes the bill, the House will be required to either pass an identical version, or lawmakers will have to form a conference committee to iron out differences and pass the compromise bill in both chambers before it can go to President Trump's desk for signature.

Throughout the year, NAED has been actively working with Congress to avert the scheduled small business tax hikes by meeting with leadership, tax committees, and issuing statements to key leaders on Capitol Hill – including having an NAED member, Tom Click from Patriot Industries, testify before a joint House and Senate hearing during a key time in the fight.

Moving forward, NAED will continue to work with our partners and coalition teams to advocate for the passage of important business tax policies, and a continuation of energy-efficient incentive policies.

Preserving ENERGY STAR

Following a May announcement that the Environmental Protection Agency (EPA) planned to eliminate the ENERGY STAR program, NAED recently joined 30 leading trade associations to key Senate and House leaders on a letter emphasizing the critical role of the ENERGY STAR program, which is co-managed by the Department of Energy and EPA.

ENERGY STAR is a non-regulatory and bipartisan program, which has delivered significant economic and environmental benefits by saving families and businesses up to $40 billion annually in energy costs by promoting energy-efficient products and practices, reducing energy waste, and supporting U.S. innovation and competitiveness in global markets.

The letter urges continued support for ENERGY STAR, noting its widespread recognition—90% of households are familiar with its blue label—and its status as a trusted public-private partnership. The signatories stress that ENERGY STAR is a proven example of effective, voluntary government action that delivers tangible savings and environmental benefits without imposing regulatory burdens.

NAED Joins Effort to Limit 232 Tariffs

NAED recently joined a coalition of electrical manufacturers, contractors, builders, and utilities to opposes applying Section 232 tariffs (tariff authority granted under the Trade Expansion Act of 1962) that allows the President to adjust imports of certain goods if they threaten to impair national security) to transformers and their components. The letter to the Department of Commerce calls on the agency to waive Section 232 tariffs on these products, which would undermine national objectives across energy, manufacturing, and innovation.

Currently, only 20% of transformer demand is met by domestic supply, and in some cases lead times have stretched to over two years due to rising material costs, labor shortages, and limited U.S. production capacity—particularly for grain-oriented electrical steel (GOES). The communication notes that imposing tariffs would further constrain supply, increase costs, and delay grid upgrades, undermining U.S. energy security, manufacturing growth, and economic competitiveness.

Specifically, delays in transformer procurement could hinder infrastructure projects, increase energy costs, and jeopardize the expansion of semiconductor plants, data centers, and greenfield manufacturing. The letter notes that tariffs would disproportionately impact rural areas, harm grid resilience, and slow down deployment of new power generation and modernization efforts, all of which are critical to the Trump Administration's infrastructure and national security goals.

The coalition also stresses that transformer cores and laminations are complex, precision-engineered components and that the U.S. currently lacks sufficient domestic GOES production to meet demand. Mexico and Canada, key USMCA partners, play a vital role in supplying these products, and past agreements have avoided tariff imposition due to their importance.

Instead of tariffs, the letter calls for federal incentives to expand domestic transformer production, including legislation like the CIRCUIT Act, which would provide tax credits to support manufacturing capacity.

Tariff Testimonial Requests

As the Trump Administration continues efforts to rebalance trade, strengthen domestic supply chains, and reshore U.S. manufacturing, many of our members are feeling the effects—some more than others.

The most common challenge is uncertainty. Tariff announcements, often followed quickly by withdrawals or revisions, have left businesses in limbo. And while many recognize this as a strategic negotiating tactic by the President—and support his ability to make deals—it's beginning to take a toll. Some members report fewer orders and delays in workforce or capital investments.

If your company has experienced disruptions or setbacks, NAED wants to hear from you. NAED is hoping to collect testimonials on your experiences (both realized and likely to materialize) to share with select members of Congress. Please keep the primary concern of your submission to 3-4 paragraphs.

Please contact Bud DeFlaviis at bud@naed.org with any questions or testimonials.