



What investors need to know about the One Big Beautiful Bill

Trending Conversations

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The One Big Beautiful Bill Act (OBBBA) is a comprehensive fiscal package

Key provisions in the One Big Beautiful Bill Act

Individual tax provisions

Individual tax rates and deductions

Permanent extension of Tax Cuts and Jobs Act of 2017 (TCJA) rates and brackets; increases standard deduction

Elimination of green energy tax credit

Credits related to electric vehicles and home energy improvements now expire by end of 2025

No tax on tips and overtime

Temporary deductions for tips (\$25,000 for individuals) and overtime pay (\$12,500 for individuals) through 2028

Additional measures

Raises state and local tax (SALT) deduction to \$40,000 through 2029; expands Child Tax Credit; increases standard deduction for elderly

Business tax provisions

Research and development expensing

Immediate and full deductibility of domestic research and development (R&D) expenditures

Small business deduction

Permanent extension of the 20% deduction for small business owners

Opportunity zones

Permanent extension of Opportunity Zone tax incentive program to spur investment in underserved communities

100% bonus depreciation

Permanent extension allowing businesses to immediately deduct the cost of qualifying assets

Spending provisions

Defense

Nearly \$150 billion in funding for shipbuilding, weapons, munitions, and rare earths production

Homeland security

Nearly \$130 billion for border patrol and immigration enforcement

Entitlement programs

Substantial cuts to Medicaid; decreased eligibility for Supplemental Nutrition Assistance Program (SNAP)

Debt limit increase

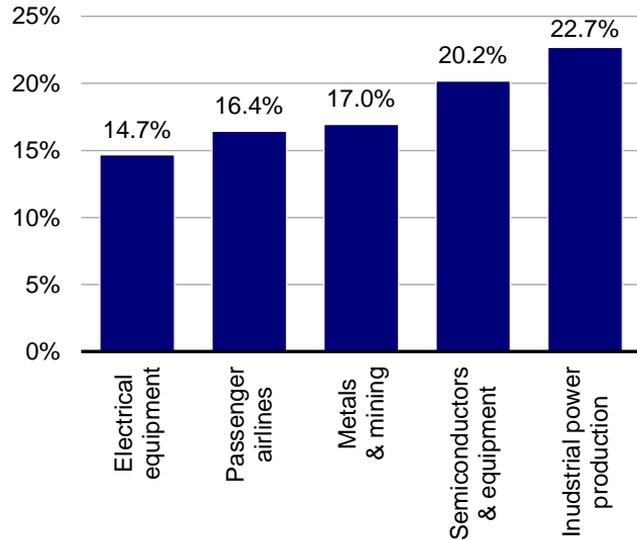
Debt limited raised to \$5 trillion

- The US Congress voted in favor of passing the OBBBA, a sweeping fiscal package — and key legislative priority — of tax breaks, new spending initiatives, and cuts to entitlement programs.

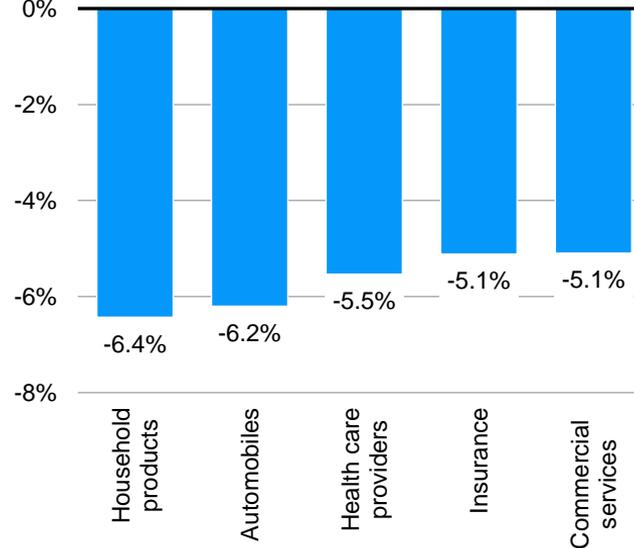
Sources: Invesco, Congress.gov, July 18, 2025.

Stock market has already begun to price the implications of the OBBBA

Industries with positive initial reaction to OBBBA (May 20, 2025–July 14, 2025)



Industries with negative initial reaction to OBBBA (May 20, 2025–July 14, 2025)



- The stock market appears to have already priced in optimistic outcomes for industries expected to benefit from the OBBBA, such as energy, airlines, and semiconductors. It's reflecting more cautious or negative expectations for sectors likely to face headwinds, including public healthcare and insurance.
- It's important to remember, however, that actual outcomes will not just hinge on fiscal policy. The overall strength of the economy, and the trajectory of monetary policy, will also shape demand, investment, and financial conditions in the months ahead.

Sources: Bloomberg L.P., July 18, 2025. Performance is based on the S&P 500 Electrical Equipment Industry GICS Level 3 Index, S&P 500 Passenger Airlines Industry GICS Level 3 Index, S&P 500 Metals & Mining Industry GICS Level 3 Index, S&P 500 Semiconductors & Semiconductor Equipment Industry Group GICS 3 Index, S&P 500 Industry Power Production & Energy Traders GICS 3 Index, S&P 500 Commercial Services & Supplies Industry GICS Level 3 Index, S&P 500 Insurance Industry GICS Level 3 Index, S&P 500 Health Care Providers & Services Industry GICS Level 3 Index, S&P 500 Automobiles Industry GICS Level 3 Index, and S&P 500 Household Products Industry GICS Level 3 Index. An investment cannot be made directly into an index. **Past performance does not guarantee future results.**

OBBBA may benefit certain industries more than others longer-term

Potential OBBBA industry “winners”

	<p>Traditional energy</p> <p>Natural gas mandates on federal lands; tax breaks for coal exporters</p>
	<p>Chip manufacturers</p> <p>Tax credits to build plants; reinstates full expensing for R&D</p>
	<p>Defense</p> <p>Authorization of \$300b in new spending on defense and homeland security</p>
	<p>Nuclear energy</p> <p>Tax credits for nuclear projects</p>
	<p>Manufacturing</p> <p>Full expensing of R&D and 100% depreciation for equipment and structures</p>

Potential OBBBA industry “losers”

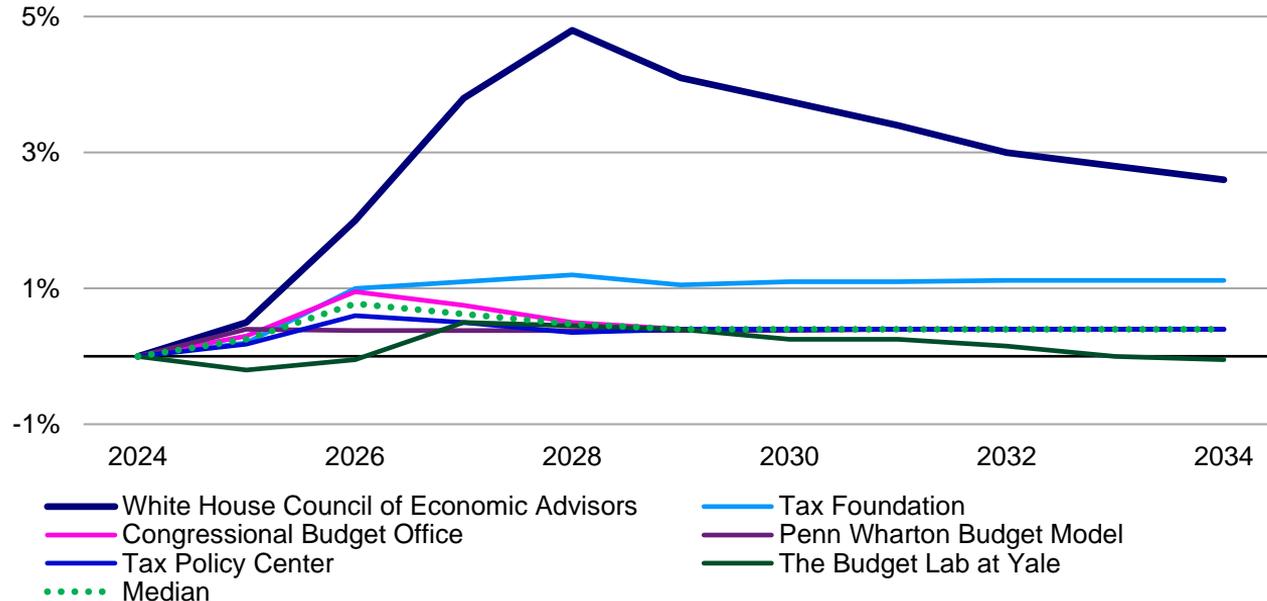
	<p>Solar & wind</p> <p>Clean energy phase out; rollback of Inflation Reduction Act subsidies</p>
	<p>Electric vehicles</p> <p>Rollback of electric vehicle and battery tax credits</p>
	<p>Health care providers</p> <p>Medicaid cuts; Affordable Care Act subsidies expire; reduced spending on medications</p>
	<p>Household products</p> <p>Expiration of Earned Income Tax Credits; retail excluded from bonus depreciation</p>
	<p>Insurance</p> <p>Medicaid cuts; no new funding for disaster mitigation</p>

- Potential beneficiaries include defense and security contractors, semiconductor firms, fossil fuel and traditional energy companies, and construction firms, all of which stand to gain from targeted spending and deregulation.
- Conversely, sectors that may face headwinds include public healthcare providers, insurance companies, and certain parts of the renewable energy industry.

Sources: Invesco, Congress.gov, July 18,2025. Businesses in the energy sector may be adversely affected by foreign, federal, or state regulations governing energy production, distribution, and sale as well as supply-and-demand for energy resources. Short-term volatility in energy prices may cause share price fluctuations.

Most expect the OBBBA to provide a modest boost to economic growth

Projected change in economic growth due to OBBBA relative to baseline estimate

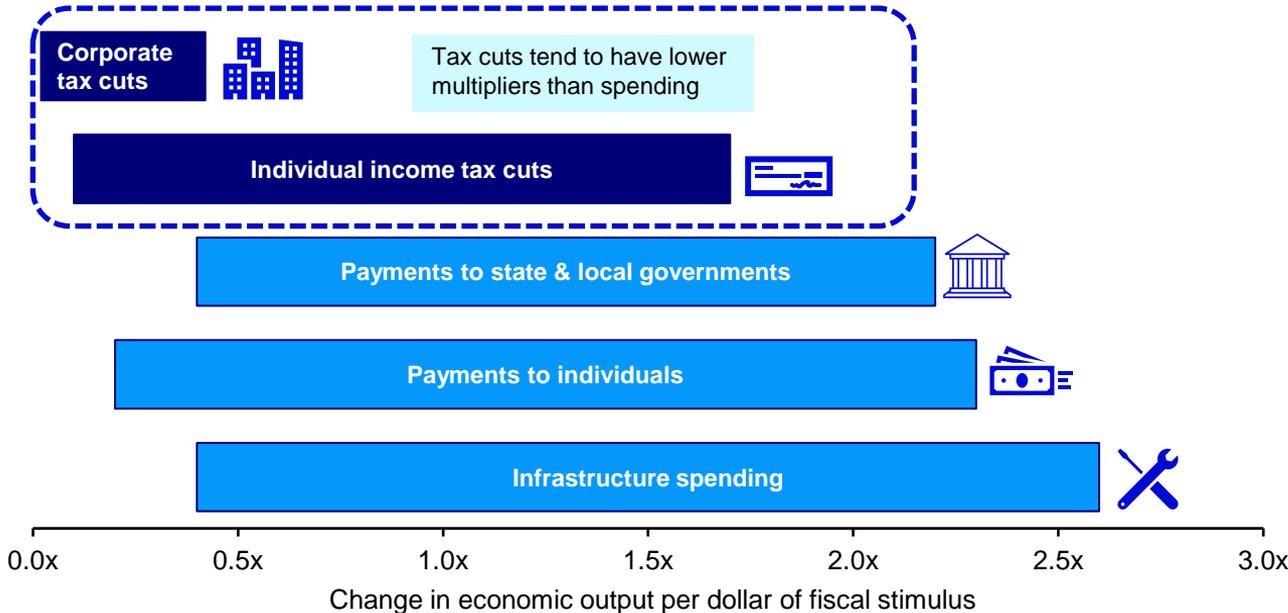


- The White House is projecting significant economic gains from the OBBBA, touting it as a transformative policy that will boost take-home pay by up to \$10,900 annually for a typical family.
- Most independent forecasters, however, are more cautious.
- Analysts outside the administration expect only a modest bump in economic growth during the Act's first year, followed by smaller gains in subsequent years.

Sources: Invesco, Committee for a Responsible Federal Budget, July 18, 2025. There is no guarantee that forecasts or outlooks will come to pass.

Tax cuts typically have a smaller fiscal multiplier than fiscal spending

Estimated fiscal multipliers of different government policies

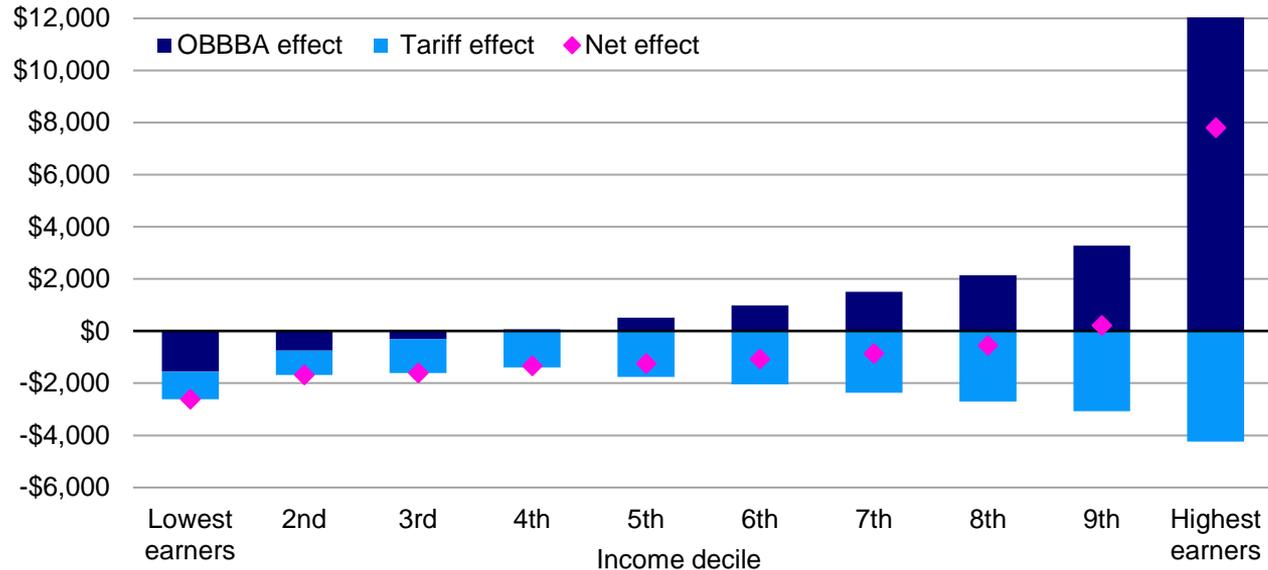


- The effectiveness of government stimulus in boosting economic growth often depends on how the money is spent.
- Historical data suggests that direct payments to individuals, like those issued during the COVID-19 pandemic, and public infrastructure investments tend to have the highest fiscal multipliers, meaning they generate more economic activity per dollar spent.
- By contrast, tax cuts often yield smaller multipliers, as recipients — especially higher earners — are more likely to save rather than spend the extra income.

Sources: Invesco, Committee for a Responsible Federal Budget – Comparing Fiscal Multipliers, July 18, 2025.

Tariffs and the OBBBA aren't a net positive for most income levels

Estimated effect of OBBBA and tariffs on household income by decile (2026-2034)

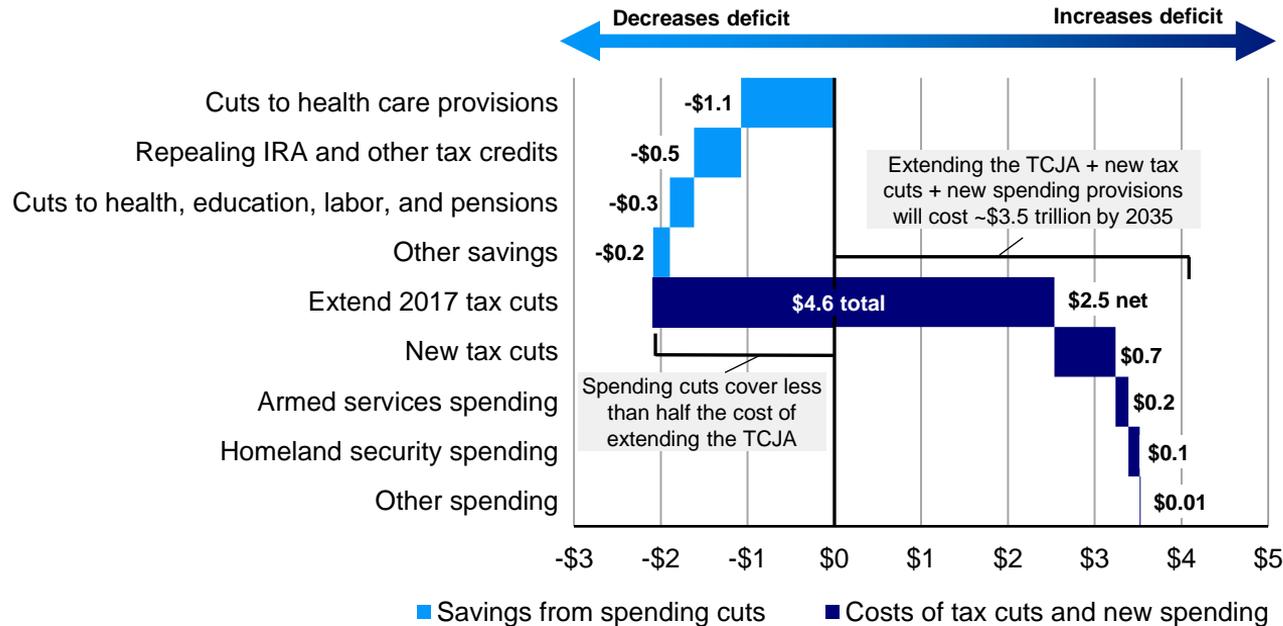


- The Trump administration's sweeping tax-and-tariff agenda may end up widening the economic divide.
- While the OBBBA offers tax relief and spending cuts, and tariffs are framed as a fiscal offset, the net result is regressive. Lower- and middle-income households are forecasted to lose ground, while the top 10% see gains.

Sources: Invesco, The Budget Lab at Yale, data based on House-passed OBBBA provisions, July 18, 2025. An income decile divides a population into 10 equal groups based on their income levels, from lowest to highest. Chart shows the average annual change in household resources from 2026–2034. Figures are expressed in 2025 dollars to reflect the current purchasing power of money. There is no guarantee that forecasts or outlooks will come to pass.

Costs of new tax and spending provisions are greater than the savings from spending cuts

Deficit impact of the OBBBA from 2025-2034 (trillions \$)

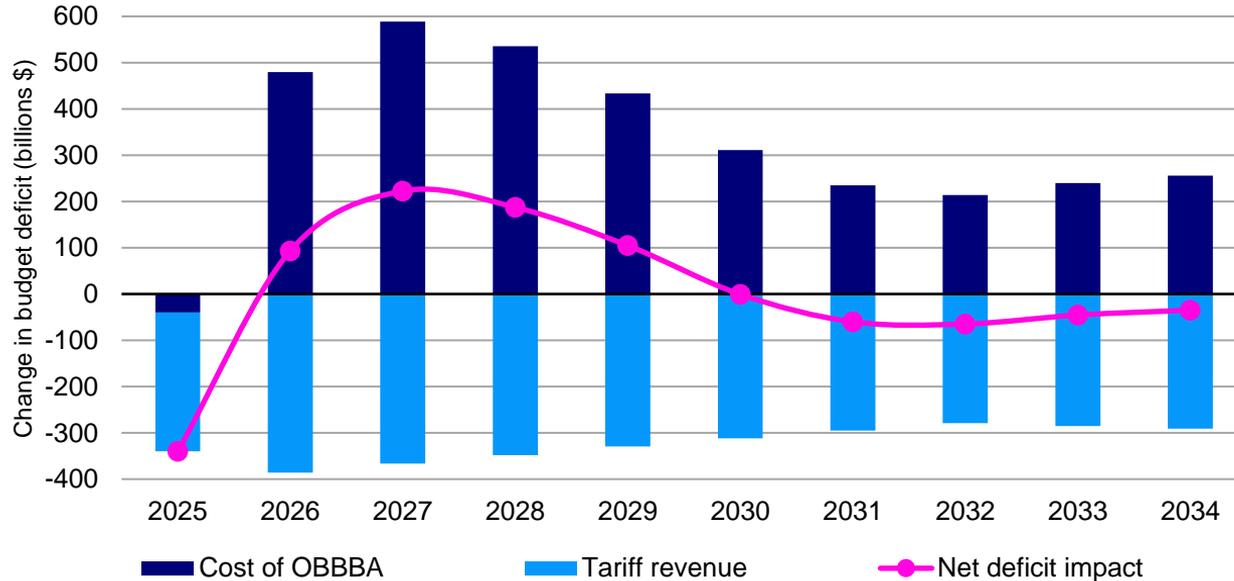


- The OBBBA is expected to increase federal deficits by nearly \$3.5 trillion over the next decade, according to the Congressional Budget Office.
- While the bill includes some spending cuts and revenue-raising measures, they fall short of offsetting the cost of significant tax reduction.

Sources: Invesco, Committee for a Responsible Federal Budget, and The Economist, July 18, 2025. Tax Cuts and Jobs Act (TCJA).

Tariff revenue will be important in offsetting the cost of the OBBBA

Estimated annual impact of the OBBBA on US budget deficit including tariffs

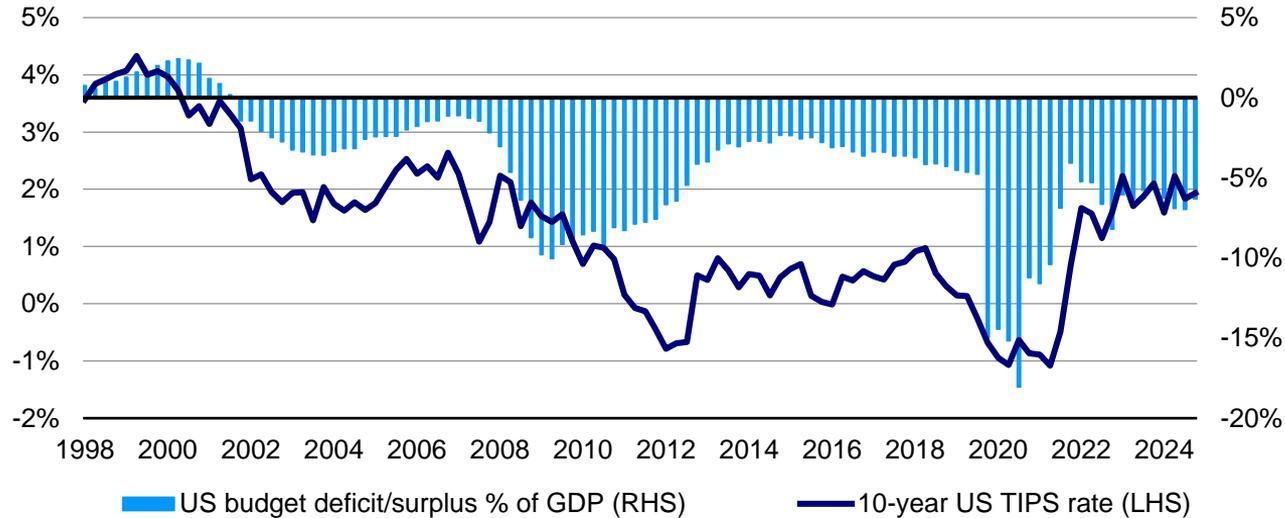


- Costs of the OBBBA are front-loaded but diminish over time. While the bill is expected to increase the deficit the next few years, tariff revenue is projected to be greater than the cost of the OBBBA in later years.
- Assuming tariff rates decrease in the future, or are removed by a future US administration, then other measures may be required to mitigate the impact of the OBBBA on the budget deficit, such as new spending cuts or higher taxes.

Sources: Invesco, Penn Wharton Budget Model, Committee for a Responsible Federal Budget, Congressional Budget Office, July 18, 2025. Assumes temporary measures in the OBBBA are not made permanent. There is no guarantee that forecasts or outlooks will come to pass.

Interest rates have generally been driven by growth expectations, not budget deficits

10-year US Treasury Inflation-Protected Security (TIPS) rate and US budget deficit/surplus (percent of GDP)



- Historically, real US Treasury rates haven't been driven by the size of the US federal deficit or surplus.
- In fact, real interest rates generally trended lower over the prior three decades, even during periods of large budget deficits.
- We would expect interest rates to continue to be driven by real growth and inflation expectations, and not by the size of the US budget.

Source: Bloomberg L.P., July 18, 2025. Treasury Inflation-Protected Securities (TIPS) are US Treasury securities that are indexed to inflation. The TIPS rate represents the real yield, which is the nominal rate adjusted for inflation. Gross domestic product (GDP) is a broad indicator of a region's economic activity, measuring the monetary value of all the finished goods and services produced in that region over a specified period of time. Left hand side (LHS). Right hand side (RHS).

Index definitions

The S&P 500 GICS Level 3 Industry Indexes are part of the Global Industry Classification Standard (GICS), which organizes companies into sectors, industry groups, industries, and sub-industries to facilitate investment analysis and portfolio management.

The S&P 500 Electrical Equipment Industry GICS Level 3 Index includes manufacturers of electric cables and wires, electrical components, and heavy electrical equipment like transformers, switchgear, and motors.

The S&P 500 Passenger Airlines Industry GICS Level 3 Index includes companies providing primarily passenger air transportation, including major, regional, and low-cost carriers.

The S&P 500 Metals & Mining Industry GICS Level 3 Index covers companies engaged in the extraction and processing of metals and minerals, including producers of steel, aluminum, gold, copper, and other industrial and precious metals.

The S&P 500 Semiconductors & Semiconductor Equipment Industry Group GICS 3 Index includes manufacturers of semiconductors and related products, as well as companies that produce equipment used in semiconductor manufacturing.

The S&P 500 Industry Power Production & Energy Traders GICS 3 Index encompasses companies involved in generating electricity from various sources (e.g., fossil fuels, renewables) and those engaged in energy trading and marketing.

The S&P 500 Commercial Services & Supplies Industry GICS Level 3 Index includes providers of commercial printing, office services and supplies, security and alarm services, environmental services, and other outsourced business services.

The S&P 500 Insurance Industry GICS Level 3 Index covers companies offering life, health, property, casualty, and reinsurance products, as well as insurance brokers and agencies.

The S&P 500 Health Care Providers & Services Industry GICS Level 3 Index comprises hospitals, clinics, and other health care facilities, as well as companies offering managed health care and related services.

The S&P 500 Automobiles Industry GICS Level 3 Index includes manufacturers of passenger cars, trucks, motorcycles, and related components and accessories.

The S&P 500 Household Products Industry GICS Level 3 Index covers producers of non-durable household goods such as cleaning products, paper goods, and personal care items.

Disclosures

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Risks

All investing involves risk, including the risk of loss. In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

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