June 24, 2025

Dear New England Senators,

As the U.S. Senate works to finalize and pass its budget reconciliation legislation in the coming days and weeks, The New England Council would like to share with you some of the feedback we have received from our 650+ members throughout the region on the legislative text that has been released over the past several weeks by various Senate Committees.

While there are some provisions of the Senate's budget reconciliation draft legislation that we support and believe will benefit the region's economic wellbeing, we at the same time have grave concerns about the potentially catastrophic impact of other provisions. The priorities outlined below are by no means an all-inclusive list of feedback from our members – who span all six New England states and every sector of our region's economy – but rather a compilation of the feedback that we have heard from a broad cross section of these members in recent weeks.

NON-TAX PROVISIONS

Medicaid Program Cuts

The Council **OPPOSES** many of the Medicaid provisions included in the Senate's reconciliation language. Our members have expressed deep concerns over provisions that seek to cap provider taxes at 3.5% of net patient revenue, tighten eligibility and redetermination rules, impose work requirements, as well as restrict or phase out supplemental and directed payments critical to safety-net providers which may result in a significant shift and burden to state budgets. The changes would significantly erode our current core primary care networks and weaken revenue to our rural and urban hospitals."
Across New England region, impacts are projected to be substantial:

- In **Connecticut**, more than one million residents rely on Medicaid, and analysts estimate the state could lose $600–$800 million in annual funding, with as many as 120,000 individuals losing coverage, particularly under enhanced eligibility redeterminations.
- In **Maine**, Medicaid covers nearly one in three residents, including many rural and aging populations. The proposed work requirements and cost-sharing could cause 30,000 to 50,000 people to lose coverage, with projected state budget losses of $300 million annually.
- In **Massachusetts**, reports have estimated that the cuts outlined in the House package would cost $1.75 billion annually, resulting in 250,000 Medicaid recipients losing coverage.
- In **New Hampshire**, the state's expanded Medicaid program serves over 60,000 enrollees. Experts estimate that 20,000 residents could lose coverage, and that state costs could rise by

$150–$200 million per year due to increased reliance on uncompensated care and diminished federal support.

- In **Rhode Island**, Medicaid supports over 65% of nursing home residents. State officials estimate that proposed federal cuts could result in a $220 million annual loss, jeopardizing elder care and threatening the financial viability of long-term care providers.
- In **Vermont**, where Medicaid supports roughly 35% of the population, officials warn of $150 million in annual federal funding losses, leading to coverage disruptions for up to 16,000 people, with acute risks to behavioral health and rural access.

Supplemental Nutrition Assistance Program Cuts

Given the significant impact of food security on the health and wellbeing of New England residents, the Council **OPPOSES** cuts to the Supplemental Nutrition Assistance Program (SNAP). SNAP is an essential public health tool to ensure that individuals and families have access to healthy food. According to the USDA, in 2023 SNAP served an average of 42.1 million people per month, or 12.6 percent of U.S. residents, including hundreds of thousands of individuals across all six New England states. Food security is a critical aspect of the social determinants of health, and our region has a vested interest in ensuring those who need it have the support from government programs to access healthy foods to meet basic needs.

Promoting Rare Disease Innovation

The Council **SUPPORTS** a measure that was included in the House bill that aims to encourage further innovation to develop new treatments for rare disease. The Council has a history of supporting legislative efforts to promote innovation in rare diseases and pediatric treatments, and has previously voiced its support for the ORPHAN Cures Act, a measure which seeks to streamline regulatory pathways for rare disease therapies, extend market exclusivity for orphan-designated drugs targeting conditions with no existing treatments, and incentivize investment in pediatric-focused clinical trials. The Council strongly urges you and your colleagues to include this language in the Senate's reconciliation bill.

Access to Higher Education

The Council has long supported measures aimed at making college education more accessible to students and ensuring that our region has a strong talent pipeline to drive continued growth. To that end, the Council **SUPPORTS** the Senate provision which addresses the Pell Grant shortfall by adding an additional $10.5 billion of mandatory funds in 2026. We also are pleased with the inclusion of Workforce Pell Grants. Workforce Pell would support students seeking a non-traditional path to the workforce across New England who are in short-term workforce programs that are not currently eligible for federal or state financial aid.

However, we **OPPOSE** several provisions of the Senate reconciliation bill related to higher education financial assistance and lending:

- Pell Grant –Senators should be aware of an important change and distinction in regards to the Pell Grant. We are concerned that the Senate bill includes Pell Grant limits for students with full scholarships. Starting July 1 2026, students will no longer be eligible for a federal Pell grant if they receive other grant aid (from federal, state, institutional, or private sources) that meets or exceeds their cost of attendance, meaning the remaining burden could fall on the institution. So, if an institution offers to cover a students "cost of attendance," the federal government may now assume the institution is paying for the full-cost and no longer supply the student with a Pell grant, yet this exclusionary period will still count against a student's maximum Pell grant eligibility period.

- Grad Plus Loans - Eliminating the Grad Plus loan program would remove a critical financial aid tool for graduate students in New England. At a time when the country is in dire need of workers with advanced degrees in health care and public service, the House and Senate proposals will significantly harm graduate students across the region. This proposal would cause students to explore more costly loans in the private student loan market that do not carry the same protections that Grad Plus and other federal student financial aid programs provide.
- Aggregate Professional Loan Limits- While we are grateful that the Senate version of the bill increases the Professional Loan Limits from $150,000 to $200,000, we would like to see this limit increased to $300,000 given the average cost of attendance. For example, according to the American Dental Association, the combined total average cost of attendance for a private dental school – including tuition and cost of living – was $383,267 for the 2023-2024 academic year.
- Public Service Loan Forgiveness (PSLF) program - By excluding time spent in physician residency training as qualifying public service, medical residents would be ineligible for the PSLF program. This is particularly impactful since nearly 90% of medical school graduates carrying student debt last year who intended to enter into a loan forgiveness program said in their graduation questionnaire that they wished to participate in the PSLF program. If time as a resident does not count toward loan forgiveness, fewer physicians will be incentivized to work for qualifying employers such as government agencies, non-profit hospitals and community health centers, and will diminish access to care in rural and underserved communities.

Air Traffic Control

Safe and efficient air travel is vital to the New England economy, for business travel and tourism alike. The Council therefore **SUPPORTS** the Senate Reconciliation bill's allocation of more than $12.5 billion for air traffic control (ATC) improvements nationwide. These funds would go towards such items as the modernization of facilities, radar systems, and telecommunications infrastructure, and help upgrade runways and aid in the training of critical ATC staff. We support the inclusion of these vital funds that will help make America's skies safer.

TAX PROVISIONS

Corporate Tax Rate

The Council **SUPPORTS** maintaining the 21% corporate income tax rate that was first established in the 2017 Tax Cuts and Jobs Act, and is preserved under the current Senate Finance Committee draft language. We believe that maintaining the 21% corporate income tax rate allows businesses in New England and across the nation to be more globally competitive. A lower corporate rate encourages investment in the United States, discourages profit shifting, and attracts foreign investment, all of which leads to job creation, expansion, and ultimately, economic growth. While we recognize that increasing the corporate rate would increase federal tax revenue, it would ultimately have a negative impact on consumer prices, workers' wages, and shareholder returns, which would ultimately harm the economy.

Research & Development Expensing

The Council **SUPPORTS** the restoration of full Research & Development (R&D) expensing. For years, businesses had been allowed to fully deduct their R&D expenses in the same year because the tax code appreciated the importance of research and development. However, under a provision of the Tax Cuts and Jobs Act of 2017 that went into effect for the 2022 tax year, businesses now must amortize these domestic R&D expenses over a period of five years. This will ultimately make R&D more costly to conduct in the New England and across the U.S. The New England Council believes firmly that the current R&D amortization requirement will halt and harm our region's continued growth and leadership on the global stage, and applauds the Senate Finance committee for making permanent full R&D expensing in its draft text.

Advanced Manufacturing Investment Credit

The Council **SUPPORTS** strengthening New England's Advanced Manufacturing Base by extending and expanding the §48D Advanced Manufacturing Investment Credit (AMIC) is essential to sustaining the region's leadership in semiconductor innovation. New England is home to a dense ecosystem of chip design, R&D, and advanced manufacturing firms that stand to benefit directly from continued federal support. We applaud the Senate for increasing the AMIC from 25% to 30%.

Renewable Energy Tax Credits

The Council **OPPOSES** provisions in the Senate proposal outlining a phase-down of the Clean Electricity Production Tax Credit (45Y) and Investment Tax Credit (48E), as well as other limits to clean manufacturing incentives such as Section 48C. These changes risk undermining the financial viability of energy and grid modernization projects that are already in development across the New England region. If enacted, these reductions will raise upfront costs for developers, utilities, municipalities, and ratepayers. The Council urges you and your colleagues to consider the disruptive and inequitable impact of phasing out these tax incentives, particularly in regions like New England that are actively investing in renewable energy infrastructure and innovation.

Higher Education Endowment Tax

The proposed expansion of the endowment tax in both the House and Senate packages would have serious and counterproductive consequences for students and families, and the Council **OPPOSES** the expansion. While we appreciate that the Senate numbers are not as high as the House in terms of percent of tax on endowments, we believe it is important to note that endowments are not excess reserves; rather, they are philanthropic commitments—often legally restricted—that sustain scholarships, research, student mental health services, and long-term financial stability.

Both the Senate and House proposals significantly expand the endowment excise tax, which would disproportionately impact New England higher Ed institutions according to data. The Senate provision replaces the current 1.4% tax on net investment income with a tiered system ranging from 4%-8%.

In addition to the new four tiers, the tax would be changed in several other important ways: 1) the calculation of an institution's student-adjusted endowment excludes international and undocumented students; 2) the tax includes an exception for religious institutions; and 3) the calculation of a school's net investment income subject to the tax includes student loan interest income and certain royalty income. This bill also expands the excise tax on compensation over $1 million to apply to all current and former employees of tax-exempt organizations including universities and hospitals. This will negatively impact recruiting and retaining leading researchers, clinicians, and innovators across New England.

Low Income Housing Tax Credit

The Council **SUPPORTS** provisions included in the Senate proposal that expand the federal Low Income Housing Tax Credit (LIHTC). Specifically, the current Senate language would permanently increase the annual volume cap for 9 percent Housing Credit allocations by 12 percent, and permanently reduce the bond financing threshold from 50 percent to 25.

As you know, one of the biggest challenges the New England region currently faces is a shortage of affordable housing throughout all six states, and some of the highest average housing costs in the nation for both home sales and rentals. This shortage makes it more challenging for employers to attract and retain talent, and ultimately makes our region less competitive. The LIHTC provisions included in the House bill will support efforts to develop more affordable housing units throughout our region, and we urge you to support their inclusion in the Senate's bill.

Retaliatory Tax on Foreign-Based Corporations

The Council has heard from a number of member businesses in a wide array of industries, including energy, financial services, life sciences, and technology, that they are concerned about the proposed disproportionate retaliatory tax on foreign-based corporations. Our region is home to many U.S. subsidiaries of foreign based companies. These businesses employ thousands of New Englanders and play an important role in our region's economy. These retaliatory provisions risk undercutting foreign direct investment by substantially increasing withholding taxes on payments from U.S. subsidiaries, including those in New England, to foreign parents. Further, these measures disproportionately impact U.S. subsidiaries of international companies based solely on their global organizational structure in reaction to international tax initiatives such as the OECD's Pillar Two framework, imposing a more severe version of a U.S. corporate minimum tax regime. We are concerned that inclusion of these provisions will have a negative impact on our region as targeted employers will pull back on investment and their operations in the U.S., hurting American workers, not foreign governments. These provisions also risk prompting retaliatory action by foreign governments against U.S.- headquartered companies, further destabilizing an already fragile international tax environment. Rather than advancing measures that risk harming American workers and investment, Congress should reaffirm the U.S.' leadership as the world's premier destination for business growth and innovation. New England based employers need a predictable, competitive tax framework that welcomes investment and facilitates job creation. We strongly support the broader goals of promoting U.S. economic strength and competitiveness, but **OPPOSE** the inclusion of this retaliatory tax provision in the final reconciliation bill.

Charitable Giving

Charitable giving is a mainstay of American culture and practice, allowing citizens and corporations to direct their dollars towards countless entities that offer tangible assistance, advocacy, and community support all across the United States. Our membership includes a wide array of corporations who donate generously to a wide array of charitable organizations, as well as dozens of organizations who are the beneficiaries of charitable donations from both corporations and individual donors. As such, our members have a keen interest in any changes proposed in the reconciliation process that may impact charitable giving and ultimately millions of individuals and thousands of groups nationwide.

The Council is heartened that the Senate bill includes a permanent deduction for charitable contributions from individuals who do not itemize their tax returns. In addition, the Senate language raises the deduction for such charitable contributions to $1,000 for individuals and $2,000 for couples. While this provision is welcome news, there is some concern regarding other provisions that might discourage giving from both private individuals and corporations, including a 35-cent per dollar cap on tax benefits for itemizers, a 0.5 percent "floor" on charitable contributions from taxpayers who itemize, and a 1 percent floor on the deduction of corporate charitable contributions.

Health Savings Accounts

The Council **SUPPORTS** provisions included in the House bill regarding Health Savings Account provisions. Health Savings Accounts (HSAs), which receive largely bipartisan support, are pivotal in expanding access to working seniors and participants in the Affordable Care Act. The House Bill includes provisions that would provide 20 million more Americans with access to HSAs, and also expands how HSA funds can be used. The Council urges you and your colleagues to support including similar provisions in the final Senate bill.

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We appreciate your consideration of these priorities and concerns as the Senate begins work on its own budget reconciliation package in the coming weeks. We firmly believe that inclusion of these priorities and addressing these concerns is in the best interest of the New England economy, and are grateful to you for your ongoing efforts to ensure that our region is positioned for continued growth and success.

If you or your staff have any questions or would like any additional information on any of these items, please contact Emily Heisig, Senior Vice President of Communications & Federal Affairs, at (617) 365-2647 or eheisig@newenglandcouncil.com.

Sincerely,

James T. Brett

James T. Brett
President & CEO