

Key Provisions of H.R.1 and its Impact on Dentistry in California

H.R.1 (P.L. 119-21) also referred to as the “One Big Beautiful Bill” Act makes substantial changes to the federal government’s business tax and Medicaid policies. This document outlines the major changes to applicable business taxes, impacts on the state’s Medi-Cal program and budget, student loans, and other provisions impacting dentistry.

Business Tax Provisions

The act contains numerous tax provisions with a direct impact on dentists and dental practices. These include multiple extended, reauthorized, or new deductions, and new or improved research, education, and investment incentives.

Provisions that will impact dental practices, dental students, and the dental workforce include:

- **Pass-Through Entity Tax (PTET) Deduction** has been fully restored after ADA and CDA advocacy, guaranteeing tax parity for small business dental practices, and protecting dentists from a 1.5 - 5% tax hike.
- **\$40,000 Individual State and Local Tax (SALT) Deduction cap** provides substantial tax relief to dentists with practices organized as pass-through entities (90% of all practices). The full SALT cap is available to households with a Modified Adjusted Gross Income (MAGI) less than \$500,000, after which the deduction begins to phase out. The higher SALT limit remains in place until 2030.
- **Other significant changes include:** the 20% Small Business Income Deduction was made permanent, a 100% bonus depreciation has been restored and made retroactive, new domestic research deductions, 21% corporate tax rate extension, postsecondary credentialing expenses to be treated as education expenses, and depreciable business asset expensing has been increased.

Impacts on Medi-Cal and State Budget

The Department of Health Care Services estimates that H.R.1 may result in as many as 3.4 million Medi-Cal members losing coverage and a loss of over \$30 billion in federal funding. That represents a nearly 20% reduction in federal funding for Medi-Cal. The state will be faced with incredibly large and difficult budget choices. Questions remain around the timing of cuts. While many of the cuts impacting Medi-Cal will not take effect for a few years, there is potential CMS regulatory action around existing managed care organization (MCO) taxes, like the one Prop 35 is based on, that could be more immediate and particularly relevant to California.

Provisions that will directly affect Medi-Cal Dentists:

- The new law requires by October 1, 2028, that states impose co-pays up to \$35 per service for Medi-Cal enrollees with incomes 100% to 138% of the federal poverty level. The amount will be determined by the state and go into effect October 1, 2028.
- New provisions imposing work requirements and six-month eligibility checks are likely to result in existing Medi-Cal patients losing coverage.
- The Act also makes several significant changes that will reduce federal financial support of the state’s Medi-Cal program, causing state budget pressure which include eliminating any new provider taxes and reducing the current taxes by nearly half (which are a major source of federal funding for Medi-Cal), and

California has five provider taxes (hospitals, intermediate care facilities, skilled nursing facilities and ground emergency

medical transport, and a managed care organization tax (under Prop 35)). The provider taxes collectively generate approximately \$9 to \$10 billion annually in combined state savings and federal funding. Reduced revenue from these taxes, along with the state's current fiscal condition, is likely to force difficult decisions around Medi-Cal coverage and provider rates, including for dental services.

Student Loan Repayment

- **Elimination of Grad PLUS starting July 2026:** Grad PLUS loans, which allow students to borrow up to the full cost of dental school, were eliminated.
- **New loan caps:** Without access to Grad PLUS loans, students will be limited to borrowing \$50,000 per year and \$200,000 total in unsubsidized federal loans. That's a big concern as many dental schools cost \$300K - \$500K+ in total. To cover the gap, students may need to take out private loans, which don't offer the same borrower protections as federal loans. For example:
 - No income-driven repayment plans.
 - No Public Service Loan Forgiveness (PSLF) if you work in public health or underserved areas.
 - No guaranteed deferment or forbearance options during financial hardship.
 - No subsidized interest protections, meaning interest accrues immediately and aggressively, and repayment typically starts right after graduation, with fewer flexible terms.
- **New repayment plans:** Beginning in July 2026, new borrowers won't be able to enroll in current Income-Contingent Repayment (ICR) plans. Instead, there will be a single new Repayment Assistance Plan (RAP). Payments will still be income-based, and they will count toward Public Service Loan Forgiveness (PSLF), but monthly payments could end up being higher than repayment plans like SAVE, which caps payments at 5 - 10% of discretionary income. The exact terms of RAP aren't finalized yet, but depending on income and debt load, this could mean tighter monthly budgets after graduation.

