Essential tax and wealth planning guide

2027 EDITION

Tax policy



Deloitte.

GET STARTED

01 Tax policy





01 Tax policy

Democrats take control of the 120th Congress: 2026 elections and implications for private wealth

Democrats gained leverage in future tax policy debates after winning a majority in the US House and US Senate in the November 3 midterm elections. However, with President Trump occupying the White House, any changes to the Internal Revenue Code will require negotiations between congressional Democrats and the administration in the upcoming 120th Congress, which convenes in January 2027 for the subsequent two years. Measures with the best chances for legislative success will likely be proposals that can attract bipartisan support or that can be attached to a small list of must-pass legislative vehicles over the next two years.

Results at a glance

Based on the latest returns available at press time (as reported by C-SPAN using Associated Press data), **Democrats will control at least 256 House seats in the 120th Congress—surpassing the 218 required for a majority—and Republicans will control at least 171.** Those totals will further increase on both sides in the coming days as results are finalized in the House races that remain undecided.

In the Senate, Democrats have 56 seats, compared to 44 for Republicans. (The Democratic headcount includes two Independents—Sens. Bernie Sanders of Vermont and Angus King of Maine—who caucus with the Democrats.)

01 Tax policy

Tax policy implications for 2027 agenda

With Democrats controlling all of Congress, President Trump in the White House, and both parties with largely different visions for tax policy, prospects for broad, substantial tax code changes appear dim over the next two years. Nevertheless, bipartisan cooperation on select issues remains possible and, for certain must-pass bills, may prove necessary. Questions surrounding revenue offsets, deficits, and the cost of extending or expanding tax benefits will likely remain central to any tax legislation.

Democrats will also gain control of committee investigative powers, allowing for increased oversight of Treasury and IRS operations, implementation of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21),[1] the administration's trade policy agenda, as well as oversight of tax strategies used by businesses and high-income taxpayers.

Affordability

Affordability is likely to remain a defining theme of the 2027 tax policy debate. With Democrats controlling both chambers, party leaders will have greater ability to advance their version of legislation focused on the role the tax code can play in addressing household cost-of-living pressures. While Democrats and Republicans are likely to differ on the appropriate policy response, both parties have increasingly framed tax policy discussions around the financial challenges facing workers and families.

Congressional Democrats nevertheless could seek to advance legislation through the House and Senate via budget reconciliation that reflects their tax policy objectives, including proposals aimed at improving affordability for working households such as health care, family and housing issues, and revising provisions of the OBBBA that they view as disproportionately benefiting large business or higher-income taxpayers. Such legislation could help Democrats



[1] 119th Cong., One Big Beautiful Bill Act, P.L. 119-21, July 24, 2025.

articulate policy priorities and draw contrasts with Republicans, even if the primary objective is to shape the policy debate by forcing a presidential veto rather than secure enactment. For private wealth taxpayers, the significance of an affordability-focused tax package may therefore extend beyond the benefits Congress seeks to provide and include potential changes to the individual, investment, business, and other tax provisions used to offset its cost.

At the same time, broader affordability is likely to intersect with questions about investment, energy costs, and technological development. For example, growing electricity demand associated with artificial intelligence (AI) and data center construction has already attracted attention in Washington. Sen. Wyden's recent draft legislative text,[2] which builds on an earlier white paper,[3] proposes limits on certain existing tax incentives and a new excise tax on data centers (Wyden's press release).[4] However, President Trump has championed AI development and the expansion of related infrastructure, saying that data centers promote economic growth, job creation, and lower taxes, implying that bipartisan consensus may be elusive.

Congressional Democrats will likely continue supporting clean energy tax incentives, particularly those enacted in the Inflation Reduction Act (IRA, P.L. 117-169),[5] while using committee hearings and oversight activities to explore the effects of OBBBA provisions that terminated, scaled back, or accelerated the phaseout of several energy credits, including production and investment tax credits. Democrats are likely to pay particular attention to the impact of those changes on wind and solar development. However, without support from the administration, legislative changes may be difficult to enact.

For private wealth taxpayers, the significance of an affordability-focused tax package may therefore extend beyond the benefits Congress seeks to provide and include potential changes to the individual, investment, business, and other tax provisions used to offset its cost.

[2] Sen. Ron Wyden (D-Ore.), Excise Tax on Data Center Services amendment (draft), 119th Cong., October 23, 2026.

[3] US Senate Committee on Finance, "Wyden unveils proposal to ensure data centers pay for disruptions caused to communities," press release, August 6, 2026.

[4] US Senate Committee on Finance, "Amid AI boom, Wyden unveils proposals to ensure wage security, fair contributions from data centers," press release, October 23, 2026.

[5] 117th Cong., Inflation Reduction Act, P.L. 117-169, August 16, 2022.

01 Tax policy

Possibilities for bipartisan consensus

Despite divided government, several tax issues could provide opportunities for bipartisan agreement in the 120th Congress. To the extent some of these proposals are not addressed during the lame-duck session, however, they could carry over as priorities for bipartisan action next year.

Numerous tax administration proposals have already attracted support from both parties during the current congressional session, including several individual House-passed measures and the Senate-passed Taxpayer Assistance and Service Act (TAS Act, H.R. 5349).[6] Although the House and the Senate have pursued different legislative approaches, many of the underlying reforms overlap.



[6] 119th Cong., Taxpayer Assistance and Service Act (TAS Act), H.R.5349, September 30, 2026.

01 Tax policy

Another measure with bipartisan support is the House-passed United States-Taiwan Expedited Double-Tax Relief Act (H.R. 33),[7] which would provide targeted relief from double taxation on cross-border investment between the United States and Taiwan.

Additionally, efforts to expand retirement plan participation could offer opportunities for bipartisan discussion. For example, as a principal advocate of SECURE 2.0 (P.L. 117-328),[8] Rep. Neal welcomed[9] a 2026 executive order[10] issued by President Trump to expand retirement-plan access and promote participation in the law's Saver's Match program, suggesting at least some common ground on efforts to increase retirement savings among low- and moderate-income workers. In addition, targeted technical refinements to retirement savings provisions enacted under SECURE 2.0 could be addressed before year-end given their bipartisan support.

Digital asset taxation is an area where interested parties will be hopeful that lawmakers can find common ground. The House Ways and Means Committee demonstrated that potential this fall when it approved the Digital Asset Tax Certainty Act (H.R. 10357)[11] by a 38–5 vote. For private wealth taxpayers with digital asset holdings, further legislative developments in this area could have implications for tax compliance, charitable giving, and broader planning strategies. Still, tax proposals could get caught up in broader political dynamics, making bipartisan agreement potentially more difficult to sustain.

Treasury and IRS regulatory actions remain important

For private wealth taxpayers and their advisers, regulatory and administrative guidance may be particularly important in determining how recently enacted tax provisions affect planning strategies and compliance obligations. At the same time, Democrats' control of the House and Senate could translate into heightened oversight of Treasury and IRS implementation of the law, including hearings and inquiries into how the agencies interpret certain provisions and administer associated tax benefits. (The 2026–2027 Priority Guidance Plan[12] indicates likely areas of future regulatory action.)

[7] 119th Cong., United States-Taiwan Expedited Double-Tax Relief Act, H.R.33, January 16, 2025.

[8] 117th Cong., Consolidated Appropriations Act, 2023, P.L.117-328, December 29, 2022.

[9] Rep. Richard E. Neal (D-Mass.), "Neal statement on expanding retirement savings through auto IRA legislation," press release, April 30, 2026.

[10] The White House, "Promoting Retirement-Savings Access for American Workers by Establishing TrumpIRA.gov," EO 14403, April 30, 2026.

[11] 119th Cong., Digital Asset Tax Certainty Act, H.R.10357, September 14, 2026.

[12] Department of the Treasury, 2026–2027 Priority Guidance Plan, September 29, 2026.

Potential for action in a lame-duck session

The outcome of the midterm elections will likely affect what lawmakers are able and willing to accomplish during the lame-duck session. With Democrats poised to take control of the House and Senate in the 120th Congress and President Trump entering the final two years of his term, congressional Democrats may see advantages in postponing action on certain issues until 2027 if they believe their leverage will improve in the next Congress. On the other hand, lawmakers could conclude that addressing unresolved matters during the lame-duck session is preferable to carrying them into a new Congress with its own competing priorities.

Wrapping up the 119th Congress

Funding federal government operations will top the lame-duck legislative agenda, an issue that will require bipartisan cooperation. Although Congress prevented a government shutdown by approving a short-term continuing resolution (CR) that extends current funding levels through December 11, lawmakers have yet to reach agreement on all full-year FY2027 appropriations. In the Senate, Republicans will need Democratic votes to finalize a funding measure, setting up potentially difficult negotiations over both duration and funding levels.

Funding federal government operations will top the lame-duck legislative agenda, an issue that will require bipartisan cooperation.



01 Tax policy

Reconciliation?

Knowing they are losing unified Republican control of government at the start of 2027, GOP leaders could explore whether another reconciliation package is achievable during the lame duck, potentially addressing issues such as the debt ceiling and additional funding for the Department of War. Even if Republicans pursue another reconciliation package, tax provisions are not likely to be a focus. Notably, the GOP's reconciliation efforts this year have not included instructions to the tax-writing committees. While that does not preclude future Republican-backed tax legislation in reconciliation, the omission suggests little appetite among Republican leaders for pursuing another near-term tax package along party lines.

Tax in the mix?

Several bipartisan tax measures could also receive attention before the 119th Congress adjourns. Among them are the Taxpayer Assistance and Service Act, which passed the Senate by unanimous consent and contains provisions similar to tax administration measures previously approved by the House; the House-passed United States-Taiwan Expedited Double-Tax Relief Act; and technical corrections to retirement provisions enacted under SECURE 2.0 (P.L. 117-328).[13] Digital asset tax issues could receive attention, potentially through the bipartisan Digital Asset Tax Certainty Act, which the Ways and Means Committee has cleared.

Other possibilities include expired or expiring tax provisions, such as the work opportunity tax credit and the advanced manufacturing investment credit, as well as proposals addressing domestic film and television production and restoring the prior-law deduction for wagering losses, which provision was included in the Digital Asset Tax Certainty Act. Separately, the Senate could act on the pending nominations of James Gadwood to serve as IRS chief counsel and an assistant general counsel at Treasury and Andrew De Mello to serve as a US Tax Court judge.

[13] 117th Cong., Consolidated Appropriations Act, 2023, P.L. 117-328, December 29, 2022.

Deloitte.

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

About Deloitte
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see deloitte.com/about to learn more about our global network of member firms.

Deloitte Private is the brand under which firms in the Deloitte network provide services to privately owned entities and high-net-worth individuals.

Copyright © 2026 Deloitte Development LLC. All rights reserved.