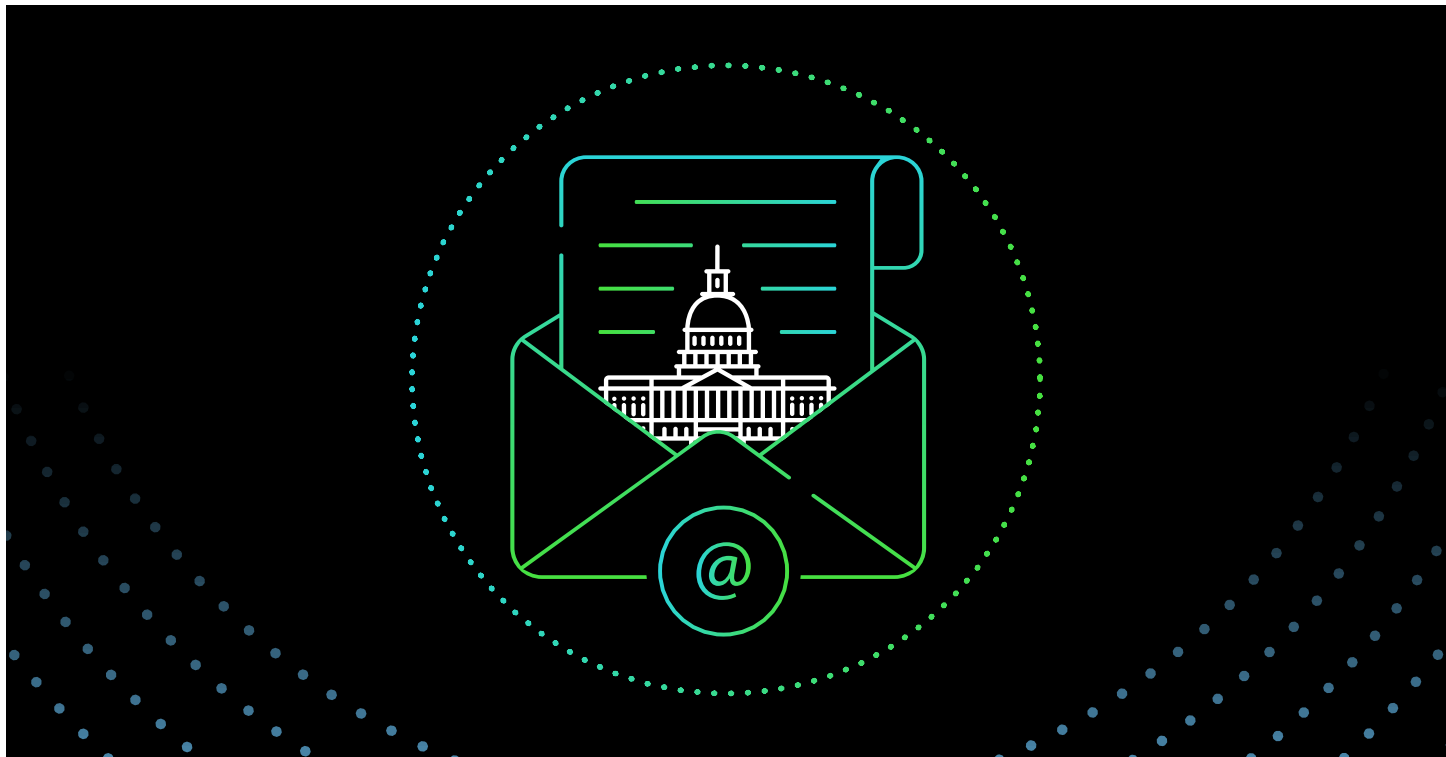




Tax News & Views

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Shutdown standoff continues, nearing key Nov. 1 date

As the federal government shutdown continues into its fourth week with no clear end in sight, an important date – Nov. 1 – is now just eight days away, marking the start of open enrollment for Affordable Care Act (ACA) marketplace coverage and raising the stakes for congressional action on extending the enhanced premium tax credit (PTC), which is set to expire at the end of this year. Democrats are pushing for action, arguing that without renewal, beneficiaries are at risk of facing significantly higher premiums; while the upcoming change in the calendar to the month of November also brings other developments, including missed pay for federal workers and possible disruptions to certain social programs, such as food assistance for lower-income households.

Yet this week, lawmakers came no closer to bridging the gap as each party continued to blame the other for the logjam. Senate Democrats (with only a handful of exceptions among their ranks) continued to oppose the House-approved Republican-drafted continuing resolution

(CR) titled the Continuing Appropriations and Extensions Act, 2026 ([H.R. 5371](#)), which does not include an extension of the enhanced PTC that Democratic lawmakers in both chambers have insisted must be part of any stopgap funding bill. The measure failed to meet the 60-vote threshold (three-fifths majority) for passage, after being brought to the floor for a vote on Oct. 20 and 22, marking a dozen times now that the bill has come up for a vote in the Senate and failed.

As with previous votes on this CR, one Senate Republican – Rand Paul of Kentucky – has continued to oppose the measure, leaving the GOP in need of support from at least eight Democratic senators to advance the CR. However, only two Democrats – Catherine Cortez Masto of Nevada and John Fetterman of Pennsylvania (who did not vote on Oct. 20) – and one Independent who caucuses with the Democrats, Angus King of Maine, have continued to support it, leaving Republicans short of the votes needed to proceed.

“At some point, the Democrats are going to have to say yes for an answer,” Senate Majority Leader John Thune (R-S.D.) told reporters at the White House Oct. 21 following a GOP lunch with President Trump. “We want a normal appropriations process, we want to give them an opportunity to sit down and litigate some of the issues they want to talk about, but that can’t happen until the government gets opened up again.”

In contrast, Senate Minority Leader Chuck Schumer (D-N.Y.) labeled the House Republican CR “a partisan plan that leaves the American people high and dry,” telling reporters in the Capitol on Oct. 21 that “[w]e have to get them [Republicans] to the table and negotiate with us.”

No end in sight

The narrative remains largely unchanged since the shutdown started, with Leader Thune insisting that Republicans are united, calling Democrats’ demands untenable, and maintaining that permanently extending the enhanced PTC is too costly and would cover non-US citizens.

In an effort to negotiate and resolve the healthcare crisis so that the government could be reopened, Schumer said that he and House Minority Leader Hakeem Jeffries (D-N.Y.) reached out to President Trump this week to meet with him “any time, any place,” specifically before the president departs on an overseas trip on Friday. However, President Trump said that he would only meet with Democrats after the government has reopened.

Democrats’ counter proposal, the Continuing Appropriations and Extensions and Other Matters Act, 2026 ([S. 2882](#)), did not get a vote this week – same as last week – and has failed on the Senate floor seven times, without attracting any Republican votes. This measure would extend government funding through Oct. 31 and permanently extend enhancements to the PTC, originally enacted under the Affordable Care Act ([P.L. 111-148](#)) and boosted by the American Rescue Plan Act ([P.L. 117-2](#)) and the Inflation Reduction Act ([P.L. 117-169](#)) by expanding eligibility and increasing the subsidy benefit. As a refundable credit, the PTC can be claimed by eligible taxpayers even if it is more than the amount of their federal tax liability; and it may be paid in advance to reduce monthly premium costs. The enhanced PTC is designed to help qualifying individuals and families afford health insurance coverage obtained through the Health Insurance Marketplace, commonly called the exchanges. Other provisions in the Democratic-backed bill would reverse Medicaid changes enacted under the law commonly referred to as the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)) and restrict the president’s ability to rescind congressionally authorized funding.

With no movement on the Democratic proposal or the GOP-drafted CR and gridlock persisting, Republicans have continued to signal a willingness to negotiate – but only if Democrats are prepared to first open the government. “If [Schumer’s] got something to offer up other than this crazy, unserious, unrealistic proposal they have out there, we’re prepared to have that conversation,” Thune said. “But open up the government first.” Meanwhile, the deadline for the House-approved Republican-drafted CR – November 21 – is fast approaching, and reports have suggested that lawmakers anticipate the need for a longer stopgap funding measure, with proposed extension dates ranging from mid-December of this year to well into 2026, though how far the deadline would ultimately be extended remains unclear.

As the government shutdown extends beyond three weeks, Republicans have begun crafting targeted bills to fund specific programs, aiming to increase leverage over Democrats; however, only three Democrats – Sen. Fetterman and Georgia senators Jon Ossoff and Raphael Warnock – joined Republicans in supporting a proposal to pay select federal employees who have been deemed essential and therefore have not been furloughed. The proposal ultimately failed to advance in the Senate after falling short of the 60-vote threshold. Meanwhile, Sens. Chris Van Hollen (D-Md.) and Gary Peters (D-Mich.) both attempted to offer alternative proposals on behalf of Senate Democrats that would pay all federal workers, including those furloughed, and prohibit the administration from undertaking mass layoffs (Reductions-In-Force, RIFs) during the shutdown, but Senate Republicans objected to requests to pass those proposals by unanimous consent.

GOP lawmakers in competitive districts call for PTC priority: Despite the ongoing intransigence in Congress, some Republicans are beginning to look beyond the immediate shutdown standoff, including some GOP House members in vulnerable districts. Led by Reps. Jen Kiggans (R-Va.) and Jeff Van Drew (R-N.J.), with 11 of their House GOP colleagues, the group sent a [letter](#) to Speaker Mike Johnson (R-La.) urging him to prioritize action on the enhanced PTC as soon as the government reopens. (For coverage on a bipartisan bill on extending the enhanced PTC which was introduced by Rep. Kiggans, see [Tax News & Views](#), Vol. 26, No. 36, Sept. 5, 2025.)

"Allowing these tax credits to lapse without a clear path forward would risk real harm to those we represent," they wrote. "Nevertheless, we must chart a conservative path that protects working families in our districts across the country who rely on these credits."

The lawmakers also emphasized their intent to pursue reforms to the enhanced credit. "Let us be clear: significant reforms are needed to make these credits more fiscally responsible and ensure they are going to the Americans who need them most," the signatories wrote. "Our Conference and President Trump have been clear that we will not take healthcare away from families who depend on it. This is our opportunity to demonstrate that commitment through action."

Tax administration

Despite the ongoing government shutdown and the absence of an enacted stopgap funding measure, the Senate passed the Internal Revenue Service Math and Taxpayer Help Act ([H.R. 998](#)) by unanimous consent. The bill requires the IRS to provide specific information in notices related to math or clerical errors, issue notifications regarding the abatement of taxes assessed due to such errors, provide procedures for requesting an abatement, and establishes a pilot program to explore the use of alternative mail delivery methods for issuance of math error notices. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 13, April 4, 2025.)

"No one should have to spend a fortune on a lawyer or hours trying to figure out what went wrong on their taxes when the IRS already knows the answer," [said](#) Senate Finance Committee Member Elizabeth Warren (D-Mass.) who sponsored the Senate version of the bill (IRS MATH Act of 2025, [S. 608](#)) with Senate Finance Committee Member Bill Cassidy (R-La.) as the sole cosponsor. "Our bill is a common-sense bipartisan solution to protect taxpayers and help put more money in their pockets," Warren added.

"Americans should have every opportunity to keep their hard-earned income," said Sen. Cassidy. "If the IRS thinks someone made an honest mistake filing their taxes, the IRS should be clear about how to correct it."

Next steps: The bill previously passed the House back in March so it now heads to President Trump for his signature, marking a rare bipartisan achievement aimed at improving taxpayer communication and transparency, particularly amid heightened political tensions during the ongoing government shutdown.

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IRS limits operations amid ongoing shutdown

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Due to the ongoing government shutdown, IRS operations are limited and most tax refunds will not be paid while it continues – except for electronically filed, error-free Form 1040 tax returns that can be automatically processed and directly deposited – prompting officials to urge taxpayers to file electronically with direct deposits to avoid delays, according to an IRS [statement](#) on Oct. 21.

The agency is maintaining enforcement operations including criminal investigation work as well as compliance activity related to protecting statutes of limitations, but it will not process applications or determinations for tax-exempt status or pension plans. Many customer service functions are suspended, with limited live telephone customer service assistance available, while walk-in taxpayer assistance centers are closed and all appointments are cancelled during the shutdown; also cancelled are appointments at the Independent Office of Appeals and Taxpayer Advocate Service. In terms of taxpayer correspondence, the IRS will be able to receive mail and deposit tax payments received but generally will not respond to paper correspondence.



Even with limited operations, the IRS and Treasury Department will continue working on guidance to implement the law commonly known as the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)), as confirmed this week by Treasury Assistant Secretary for Tax Policy and IRS Acting Chief Counsel Kenneth Kies, who stated at a conference that implementation efforts remain active despite the shutdown. This work is supported by the Treasury's funding lapse [plan](#) (see more below), which specifically identifies the OBBBA as one of the activities that will continue during the shutdown. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 40, Oct. 10, 2025.)

Shrinking workforce

The Trump administration has proceeded with "Reductions-In-Force (RIFs)," which are essentially government-ordered layoffs resulting in involuntary dismissals of employees. Earlier this month, a lawsuit challenging these workforce reductions revealed that the RIFs affected 1,446 employees at the Treasury Department, approximately 1,300 of whom are IRS personnel. Administration officials have publicly stated that, absent a resolution from Congress, these workforce reductions may continue. "We're going to keep those RIFs rolling throughout this shutdown, because we think it's important to stay on offense for the American taxpayer," Office of Management and Budget (OMB) Director Russ Vought told the Charlie Kirk show last week – a day before the RIFs were temporarily put on hold. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 41, Oct. 17, 2025.)

By contrast, Democratic lawmakers have strongly objected to the RIFs, as twenty-one House Democrats, including House Ways and Means Committee Ranking Member Richard Neal, [sent](#) a letter to OMB Director Vought requesting information about the administration's RIFs and government-wide personnel reductions – describing the reductions as "illegal," writing that "[a]gencies that carry out illegal mass firings undermine the functioning of the federal government and violate the trust of the American people in their nation's institutions."

US Tax Courts: The Tax Court has [canceled](#) all in-person and remote trial sessions for this week and for the week of October 27, 2025, while the clerk's office remains open for e-filing and paper filing. Any decisions regarding future trial sessions will be announced on the Tax Court website no later than one week prior to the scheduled dates.

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Tax updates: OBBBA vehicle loans, ERCs & 1099-K FAQs, and outlook on possible second reconciliation bill

The Treasury Department and the IRS issued [Notice 2025-57](#), providing transitional relief for calendar year 2025 to lenders and other interest recipients subject to new reporting requirements under the law commonly known as the One Big Beautiful Bill Act (OBBBA, [P.L. 119-21](#)), specifically addressing compliance with section 6050AA, which mandates that businesses that receive \$600 or more in interest from an individual in a calendar year on a qualified passenger vehicle loan must file an information reporting return. (IRS press release [IR-2025-105](#))

For further analysis on the OBBBA, see: [A closer look: Inside the new tax law prepared](#) by Deloitte Tax LLP's specialists.

To satisfy reporting obligations under section 6050AA(b), the information return must include the following information:

- Name and address of the individual from whom the interest was received;
- Amount of interest received for the calendar year;
- Amount of outstanding principal on the specified passenger vehicle loan as of the beginning of such calendar year;
- Date of origination of such loan;
- Year, make, model, and vehicle identification number of the applicable passenger which secures such loan; and
- Such other information as the Treasury secretary may prescribe.

Lenders required to make an information return with the IRS must also furnish a written statement to borrowers showing the total amount of interest received on qualified passenger vehicle loans and other information related to the loan by January 31 of the year following the calendar year for which the return is required.

Transitional relief for calendar year 2025

To allow time for IRS programming and form updates to implement the information reporting requirements – and to ensure individuals receive the necessary information to determine deductible interest – the IRS and Treasury have released transitional guidance. For calendar year 2025 (taxable years beginning after December 31, 2024, and ending on or before December 31, 2025), lenders may satisfy their reporting obligations under section 6050AA by providing a statement to the borrower by January 31, 2026, which must indicate the total interest received in 2025 on a specified loan and may be delivered via the following methods:

01. Online portal that the individual can easily access;
02. Regular monthly statement;
03. Annual statement that is provided to the individual; or
04. By other similar means designed to provide accurate information to the individual.

The IRS will not impose penalties under sections 6721 and 6722 on lenders and other interest recipients that have satisfied the reporting obligations as described in Notice 2025-57.

This relief is especially important because, under the OBBBA, taxpayers can claim an above-the-line deduction of up to \$10,000 on interest paid on qualified passenger vehicle loans – for vehicles of which final assembly occurs in the United States – from tax year 2025 through 2028, and accurate reporting ensures individuals can properly calculate and claim this deduction. Other guidance under the OBBBA that the Treasury Department and the IRS have issued includes proposed regulations on tipped income – commonly known as the “No tax on tips provision” – fulfilling a key campaign promise of President Trump. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 38, Sept. 19, 2025.)

FAQs on employee retention credits

The IRS [issued](#) eight frequently asked questions (FAQs) relating to the limitation on credits and refunds for employee retention credits (ERC) claimed for the third and fourth quarters of 2021 filed after January 31, 2024. The FAQs discuss the limitation in general terms, when a claim is considered to be timely filed, and the appeals rights available if an ERC claimed on a return is disallowed. The OBBBA introduced new enforcement provisions affecting the ERC, one of which prevents the IRS from allowing or refunding ERCs after July 4, 2025 for the third and fourth quarters of 2021 if those claims were filed after January 31, 2024, even if eligibility requirements were otherwise met, according to the FAQs. Other parts of the bill strengthen compliance enforcement by imposing penalties on certain promoters of the ERC who fail to meet due diligence requirements when assisting with certain credit claims.

FAQs on Form 1099-K

The IRS also [issued](#) FAQs on the dollar threshold for filing Form 1099-K – an information return used to report payments during the year from credit cards, debit cards, and payment applications. The FAQs provide general guidance on third party settlement organizations (TPSOs), payment card transactions, and common filing scenarios, while also covering what to do if a taxpayer receives a Form 1099-K, considerations for third-party filing, and whether an organization should be preparing, filing, and furnishing a Form 1099-K.

The OBBBA retroactively reinstated the reporting threshold that was in effect before the enactment of the American Rescue Plan Act ([P.L. 117-2](#)) so that TPSOs are not required to file Form 1099-K unless the gross amount of reportable payment transactions to a payee exceeds \$20,000 and the number of transactions exceeds 200 in a calendar year. While this federal threshold establishes the reporting requirement for TPSOs, they may still choose to issue a Form 1099-K to the taxpayer for payments below the threshold. A TPSO is the central entity contractually obligated to make payments to participating payees (generally, a merchant or business) for third party network transactions.

Second reconciliation bill prospects remain slim

While the IRS moved forward with implementing OBBBA guidance, President Trump signaled a shift in legislative priorities at the White House on Tuesday, appearing to diminish the possibility of a second reconciliation bill, telling Republican senators that the OBBBA – which was signed into law on July 4 – included everything he wanted and that no further legislation was needed.

"We don't need to pass any more bills," he told the gathering. "We got everything in that bill," including "the largest tax cuts in history. We got the extension of the Trump tax cuts. We got all of these things," said President Trump.

The OBBBA advanced core elements of the GOP's economic agenda and includes provisions to extend key components of the Tax Cuts and Jobs Act ([P.L. 115-97](#)), introduced additional tax relief for individuals and businesses, and advanced Republican priorities on energy production, border security, and federal spending reform – partially offsetting its cost through the inclusion of revenue raising provisions, such as the rollback or scaling back of the clean energy provisions enacted or expanded in the Inflation Reduction Act ([P.L. 117-169](#)). President Trump played a decisive role in securing passage of the OBBBA, personally lobbying reluctant Republican lawmakers and rallying support for the sweeping reconciliation package. (For prior coverage of the tie-breaking vote in the Senate, see [Tax News & Views](#), Vol. 26, No. 31, July 3, 2025.)

Tax provisions: In the event a new reconciliation bill were to move forward, it could include revisions previously dropped during Senate negotiations of the OBBBA, alongside proposals such as updates to the wagering loss deduction – made permanent, but more limited under the OBBBA. There has also been some discussion around establishing a framework for the taxation of crypto currency and other digital assets. Ways and Means Committee Member Rep. Max Miller (R-Ohio) shared this summer that he is leading efforts to develop a comprehensive tax framework for digital assets, while Sen. Cynthia Lummis (R-Wyo.) introduced a bill to reform the treatment of digital assets, [S.2207](#), which has been referred to the Senate Finance Committee. (For prior coverage, see [Tax News & Views](#), Vol. 26, No. 33, July 18, 2025.)

Alternative legislative options?: While reconciliation may not be a viable path for advancing a second tax bill – at least for now – there remains the possibility that Republicans and Democrats could coalesce around a bipartisan package and move it through regular order. However, with the ongoing funding impasse and heightened partisan tensions, the likelihood of meaningful legislative progress is at best uncertain.

Polymaking to oversight

As implementation of the OBBBA proceeds and momentum for additional tax legislation appears to stall, congressional attention has shifted toward oversight of the IRS. House Ways and Means Committee Democratic members sent a [letter](#) to the Treasury Inspector General for Tax Administration, calling for an investigation into issues raised in an Oct. 15, 2025 Wall Street Journal article titled, "[Trump Team Plans IRS Overhaul to Enable Pursuit of Left-Leaning Groups](#)," which reported on proposed changes to the IRS that could more easily facilitate inquiries into progressive organizations. They also [wrote](#) to Committee Chairman Jason Smith (R-Mo.), urging him to call a special meeting with Treasury Secretary and IRS Acting Commissioner Scott Bessent to address employee furloughs and issues raised in the article. Additionally, Senate Finance Committee Democrats and Minority Leader Chuck Schumer (D-N.Y.) [wrote](#) to Secretary Bessent and the IRS Criminal Investigation Division Deputy Chief, seeking further answers regarding the Journal report. Meanwhile, Senate Finance Committee Chairman Mike Crapo (R-Idaho), responding to questions about the Journal article, was quoted by [Politico](#) on Oct. 23 as saying that he was unaware of agency plans and added – "I don't want it to happen" and "I wouldn't support it if it were done."

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Treasury, IRS reverse course for testing domestically controlled QIEs under FIRPTA

The Treasury Department and the IRS released on October 20, 2025, proposed regulations ([REG-109742-25](#)) for public inspection that make a significant change in how a qualified investment entity (QIE) determines whether it is domestically controlled. The proposed regulations remove a "look-through" requirement for domestic C corporations and would treat a domestic C corporation as a domestic "non-look-through person" for purposes of applying the domestically controlled QIE exemption, regardless of whether the domestic C corporation has foreign shareholders. For more details on the proposed regulations, see Deloitte Tax LLP's new [alert](#).

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