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Smith urges swift action on G7, Pillar Two plan

At a House Ways and Means Subcommittee on Tax hearing on December 3, Chairman Jason Smith (R-Mo.) urged swift action to finalize a joint understanding reached this summer between the United States and other G7 countries that is intended to ensure that the Organization for Economic Cooperation and Development's (OECD) Pillar Two global minimum tax rules do not apply to US companies, allowing the United States to operate "side-by-side" with those rules. The framework is seen by some as important to preserving US tax sovereignty and preventing a competitive disadvantage for American businesses, while others worry it might give a competitive advantage globally to US firms compared to those domiciled in other countries who fully implement Pillar Two rules. Talks have been ongoing, yet a final deal has not been reached. (For prior coverage on President Trump's day one executive order on the OECD global tax deal, see *Tax News & Views*, Vol. 26, No. 3, January 21, 2025.)

"The time for action is now for those G7 countries," Smith said. "We expect to see the technical work that has been done in these negotiations move forward this week. We have been patient to allow for all negotiating parties to have the space they need to reach agreement, but they must reach agreement soon."

Chairman Smith referred to statements in a press release that he and Senate Finance Committee Chairman Mike Crapo (R-Idaho) issued this past summer in which they agreed to remove the proposed section 899 provision from the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). That decision followed the G7 countries' commitment to adopt a side-by-side system. Proposed section 899 was designed to increase tax rates on foreign persons subject to US taxes but who are domiciled in jurisdictions that are deemed to impose an unfair tax on US taxpayers, such as the undertaxed profits rule, a digital service tax (DST), and certain other taxes. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 28, June 27, 2025.)

Smith emphasized that Republicans remain firm in their position. Referencing a statement from June, he said that "[w]e are committed to restoring Americans' confidence in our representative government by putting America first. Congressional Republicans stand ready to take immediate action if the other parties walk away from this deal or slow-walk its implementation." He added – "[w]e meant it then, and…we mean it now."

Other Republicans agree

Other House Republican taxwriters agreed with Smith, including Rep. Ron Estes (R-Kan.), who reinforced the urgency, noting that with 28 days left in the year, he's concerned that other countries and certain tax officials have been "slow-walking the process." Failing to reach a swift resolution before the end of the year would "drive us to look at how we bring back those protectionary measures in order to protect the US tax base." Estes added that substance-based tax incentives have been one of the stumbling blocks to finalizing an agreement. He said that "non-refundable US tax credits must be treated equitably with other countries' refundable tax credits," warning that failure to do so would discourage inbound investment in the United States and hurt the US tax base.

Democrats take a different tack

Democratic taxwriters at the hearing were largely silent on proposed section 899; however they defended the Biden administration's efforts to align US policy with the OECD's global tax framework, emphasizing that these measures aim to reduce tax avoidance and base erosion. Rep. Don Breyer (D-Va.), a former US ambassador to Switzerland, noted that much of his diplomatic work focused on combatting tax avoidance. He underscored that the rationale behind Pillar Two "is to try to get away from tax havens and tax avoidance" and to minimize profit-shifting by multinational corporations.

Republicans say OBBBA builds on TCJA to drive economic growth, Democrats criticize tariffs for impeding it

Much of the remaining discussion focused on the hearing's central theme: global competitiveness for American businesses and workers. Most Republicans focused on tax policy, while Democrats largely addressed the administration's approach to tariffs. The debate explored whether current US tax rules and trade measures strengthen or undermine the ability of domestic companies to compete internationally, as well as their impact on the cost of consumer goods. Many Republican taxwriters argued that the Tax Cuts and Jobs Act (TCJA, P.L. 115-97), provided a strong foundation for economic growth and that the OBBBA built on that framework in ways they viewed as beneficial to the economy.

Republicans, such as Tax Subcommittee Chairman Mike Kelly of Pennsylvania, said the OBBBA improved conditions for the economy, particularly by making permanent a number of provisions temporarily enacted in 2017 under the TCJA. "Eight years later, as these pro-growth, pro-America tax policies were set to expire, Ways and Means Republicans came together to strengthen and make permanent our work in 2017," said Kelly. He also pointed to the corporate tax rate reduction from 35 percent to 21 percent under the TCJA as a key driver of economic upside and a factor that made the United States a more attractive place to do business.

Several issues discussed during the hearing were noted as developments in international tax law, including:

GILTI: Rep. Estes cited changes to international tax rules, including the GILTI provisions – originally introduced by the TCJA and later refined by the OBBBA. The 2025 law modified the Global Intangible Low-Tax Income (GILTI) regime by removing the reduction related to a taxpayer's qualified business asset investment (QBAI). As part of this change, a taxpayer is required to include its net Controlled Foreign Corporation

(CFC) tested income – now referred to as NCTI (rather than GILTI). Further, the OBBBA lowered the percentage deductions related to a taxpayer's NCTI inclusion and related section 78 gross-up to 40 percent for taxable years beginning after December 31, 2025.

FDII: In discussing the Foreign Derived-Intangible Income (FDII) provision, Estes maintained that "[w]e could make beneficial changes to this provision that would further incentivize companies to build, service and maintain future intellectual property here in the United States." The OBBBA modified the FDII deduction to remove the impact of a corporation's qualified business asset investment, and generally allows a deduction of 33.34 percent of the corporation's entire foreign-derived deduction eligible income (FDDEI) (rather than FDII). This will generally result in an effective tax rate related to FDDEI of 14 percent.

BEAT: Rep. Nathaniel Moran (R-Texas) argued the Base Erosion and Anti-Abuse Tax (BEAT) has helped prevent companies from "shifting profits to lower tax jurisdictions." However, he noted that some businesses may be subject to BEAT even when they are not engaging in "wrongful profit shifting." The OBBBA increased the BEAT rate to 10.5 percent (11.5 percent for certain banks and securities dealers), up from the current 10 percent rate (11 percent for certain banks and securities dealers). These changes apply to taxable years beginning after December 31, 2025.

DST: In response to a question from Rep. Kevin Hern (R-Okla.), former House Ways and Means Committee Chairman Kevin Brady (R-Texas), who testified as a witness, called them "a horrible idea" and argued that such taxes are "discriminatory and clearly intended to target US companies." DSTs are taxes imposed by countries on the revenue of large firms, typically multinational enterprises, and have been criticized for disproportionately targeting US multinationals that provide digital products and services.

Most recently, a proposal to raise France's DST from three percent to six drew scrutiny from 16 Ways and Means Republicans, including Estes, who led a letter urging the Trump administration on November 25 to use trade tools to counter the French measure. Their letter followed an October statement from Smith and other Ways and Means leaders opposing the French proposal.

Democrats address Trump's tariff policy: Democrats, including Subcommittee Ranking Member Mike Thompson of California, Gwen Moore of Wisconsin, and Suzan DelBene of Washington, argued that Trump's tariffs have undermined tax cuts and increased costs for American consumers. "If Republicans want to seriously discuss global competitiveness, then they need to talk about the elephant in the room – the Trump administration's reckless and chaotic tariffs that are crushing small businesses and farmers," said Thompson. Additionally, several Democrats contended that the administration's tariff agenda has bypassed Congress's constitutional authority over taxation and expressed hope that the Supreme Court, which is currently considering a case on tariffs, will rule against the president. (White House Fact Sheet declaring a national emergency, April 2, 2025). (For prior coverage, see *Tax News & Views*, Vol. 26, No. 44, Nov. 7, 2025.)

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Enhanced healthcare tax credit expires in a few weeks

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With a few weeks remaining before the enhanced premium tax credit (PTC) is set to expire, there has been limited legislative progress amid a shrinking calendar and divided opinions among congressional Republicans over whether to extend them and, if so, with what modifications. However, some signs of movement briefly appeared last week when President Trump seemed poised to announce a framework on healthcare policy aimed at curbing an expected rise in health insurance premiums when the new coverage period begins on January 1, 2026. That effort stalled after pushback from members of his own party, and the announcement did not materialize.

The PTC was originally enacted under the Affordable Care Act (ACA, P.L. 111-148) and enhanced by the American Rescue Plan Act (P.L. 117-2) and the Inflation Reduction Act (P.L. 117-169). It expands eligibility and increases the subsidy benefit to help qualifying individuals and families afford health insurance through the Health Insurance Marketplace, commonly known as the exchanges. 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. Open enrollment began on November 1 for health insurance coverage starting on January 1, 2026. Because the enhanced PTC provision is set to expire at the end of 2025, unless extended, the premiums consumers see now reflect the full cost of plans without those subsidies.

Extending the enhanced PTC was a key sticking point in the funding impasse that led to the closure of many government functions for the entire month of October and the first half of November, with most Senate Democrats withholding their support for a plan to re-open the government in an effort to gain inclusion of an extension of the healthcare subsidies. An agreement was eventually reached when seven Democrats and one Independent, who caucuses with the Democrats, joined all Republicans – except Sen. Rand Paul of Kentucky – to craft an agreement to end the shutdown; however, the final deal notably excluded an extension of the enhanced PTC. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 45, Nov. 14, 2025.)

Will there be a bipartisan healthcare deal?

Despite the narrowing window for action, some moderate Republicans and Democrats in both chambers of Congress are continuing to work to build bipartisan support – through proposals and behind-the-scenes negotiations – for a healthcare affordability measure; however, navigating political dynamics and substantive policy details has proven difficult. On December 4, 35 House lawmakers from both parties announced a new framework – CommonGround 2025 – co-led by Reps. Josh Gottheimer (D-N.J.) and Jennifer Kiggans (R-Va.), who have previously introduced bipartisan legislation aimed at improving healthcare affordability. The current plan calls for a vote by December 18, 2025, on a one-year extension of the enhanced PTC, with targeted modifications, including new income caps and protections against fraud. In its second year, the framework aims to deliver continued health insurance premium savings through several options, including possible new HSA accounts. (text of letter sent to Republican and Democratic congressional leaders) (For prior coverage, see *Tax News & Views*, Vol. 26, No. 44, Nov. 7, 2025.)

Another recent effort is a proposal – introduced by Rep. Tom Suozzi (D-N.Y.), and co-sponsored by Reps. Don Bacon (R-Neb.), Josh Gottheimer, and Jeff Hurd (R-Colo.) – which would focus on extending the enhanced PTC for two years while introducing new income caps and fraud-prevention guardrails – provisions that some moderates from both parties can largely agree on. It would also lengthen the annual open enrollment period for the 2026 plan year until May 15, 2026. (Bipartisan Healthcare Optimization, Protection, and Extension (HOPE) Act, H.R. 6232, bill text). In a related development, Rep. Brian Fitzpatrick (R-Pa.) has also been reported to be working on a proposal to address healthcare affordability, which he is expected to introduce soon.

GOP faces hurdles in crafting a 'viable' healthcare affordability plan

Despite efforts by some in Congress, the path forward remains uncertain. Senate Majority Leader John Thune (R-S.D.) made a pledge during government shutdown negotiations to hold a vote on a Democratic healthcare proposal – now leaving only two weeks before the congressional holiday recess, with the vote likely to occur the week of December 8. However, Thune expressed skepticism early this week that a bipartisan deal could reach the 60 votes needed for passage in the Senate – whether it involves a Democratic plan or Republican counterproposal. At this stage, Republicans have yet to unite around an alternative plan, underscoring the significant challenges that remain.

"We'll see what the Dems want to put up," Thune said Monday as reported by Politico. "There's obviously something that we could put up as a side-by-side, neither of which would probably get 60 [votes to advance], but I think in the end you would like to see if there's a path forward on something that could merge."

Meanwhile, several Senate Republicans are discussing alternatives that give families more direct control over healthcare spending. For example, Health, Education, Labor & Pensions Committee Chairman Bill Cassidy (R-La.), also a member of the Finance Committee, has been putting together a GOP-alternative to a Democratic proposal and has suggested creating a pre-funded account – similar to a health savings account (HSA) – which would allow taxpayers to pay for healthcare directly, rather than channeling subsidies to insurance companies. Cassidy argued this approach would reduce healthcare costs for families, introduce meaningful insurance market reforms, and empower Americans to manage their own care through a federally-funded flexible spending account. Likewise, Sen. Rick Scott (R-Fla.) announced the More Affordable Care Act (bill text) that would create a health freedom waiver program, which he called an HSA-style account. This week, Sen. Josh Hawley (R-Mo.) announced the No Taxes on Healthcare Act, which he said would allow taxpayers to deduct all out-of-pocket medical expenses up to $25,000 per individual or dependent. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 45, Nov. 14, 2025.)

Across the Capitol, while a small group of GOP moderates have expressed an openness to extending the enhanced PTC, most House Republicans remain opposed – a stance that was reinforced by preliminary findings from a General Accountability Office report (GAO-26-108742) published on December 3, which suggested that fraud risks continue to persist under the credit. This week, Speaker Mike Johnson (R-La.) committed to putting forward a healthcare framework – which he referred to as a "Republican response" to the Democrats' healthcare proposal – but what the plan will include remains unclear, as does whether he can bridge the divide between moderates and conservatives within his party. On Thursday, he said that a plan would be unveiled "early next week." However, given the current dynamics in the House, even if Speaker Johnson brings a proposal to the floor, passage in the House is far from guaranteed.

House Majority Leader Steve Scalise (R-La), for his part, signaled that the GOP will need to rely on their own ranks to move legislation forward. While facing deep divisions and little bipartisan support, they're preparing to chart a path forward without Democratic votes. "To fix the problems that Democrats created, we're going to have to put up the votes on our own," Majority Leader Scalise told reporters. "Which means we're going to meet with all of our members, build a coalition and then bring a bill to the floor, and hopefully soon."

Democrats push legislative agenda amid long odds

Senate Minority Leader Chuck Schumer (D-N.Y.) announced that Senate Democrats will introduce a clean three-year extension of the enhanced PTC for a vote next week. In remarks on the Senate floor on December 4, Schumer said that the Democratic-drafted bill would lower healthcare costs for American families and emphasized that every Senate Democrat will support it. He framed the vote as a critical moment for Republicans, calling it their opportunity to act on reducing healthcare expenses.

"Democrats have made clear where we stand. Now that our proposal is out, Republicans have one week to pick a side – join us and prevent premiums from skyrocketing, or block our bill and condemn the American people to financial disaster. The choice is up to the Republicans here in the Senate."

On the other side of the Capitol, House Minority Leader Hakeem Jeffries of New York reiterated this week that Republicans' refusal to extend the enhanced PTC will lead to steep increases in healthcare costs for working families, emphasizing the broader need to fix the broken healthcare system. He has framed his argument to include the rising cost of consumer goods and the growing financial strain on American workers. In a dear colleague letter, he outlined House Democrats' strategy, including a discharge petition to force an up-or-down vote on a three-year extension of the credit. He also maintained that House Democrats will use every "legislative and advocacy tool" in an effort to bring down consumer costs and address what he called the "Republican healthcare crisis."

"To avert this crisis, House Democrats have introduced a discharge petition that will trigger an up-or-down vote on a three-year extension of the Affordable Care Act tax credits. We only need a handful of Republicans to join us in order to save the healthcare of tens of millions of Americans. It's time for the do-nothing Republican Congress to proceed with urgency," Jeffries said.

Similar to Minority Leader Jeffries' petition to extend the enhanced PTC for three years, Rep. Lauren Underwood (D-Ill.) recently announced a proposal (H.R. 6074) to continue the credit also for three years, emphasizing that it will give "families peace of mind and certainty that their coverage will remain affordable and within reach." She warned that time is running out and urged Congress to act immediately.

President Trump

Largely absent from the debate so far has been President Trump, whose involvement is seen by many as critical to helping Republicans reach an internal consensus on how to proceed. As noted, it was reported that, at the start of the week, he was contemplating embracing a short-term extension of the credit, though no details were provided as to the length of any extension and what reforms, if any, it would be paired with. That trial balloon was not warmly received by congressional Republicans on Capitol Hill, and since then, there has been little indication that the President was engaging with Republican leaders or rank and file Members to steer their discussion.

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Senate Appropriations Committee Republicans release funding bill for Treasury, IRS

Senate Appropriations Committee Republicans released the bill text and accompanying report language for the Financial Services and General Government Act, 2026, which proposes funding for the Department of the Treasury – including the Internal Revenue Service – and other federal agencies for the remainder of FY2026. The following section outlines how the IRS' discretionary budget under that bill, as proposed by Senate Appropriations Committee Chair Susan Collins (R-Maine), would map to the agency's program areas, and compares these proposed allocations to the levels in effect for FY2025, the amount that the House Committee on Appropriations approved for the upcoming fiscal year, and the amount that the White House requested for the FY2026 year:

- **Enforcement:** $5.4 billion
(FY2025: $5.4 billion, House Appropriations Committee: $3 billion, White House request: $3.6 billion);
- **Taxpayer Services:** $3.2 billion
(FY2025: $2.8 billion, House Appropriations Committee: $2.8 billion, White House request: $3.6 billion); and
- **Technology and Operations Support:** $3.2 billion
(FY2025: $4.2 billion, House Appropriations Committee: $3.75 billion, White House request: $2.6 billion).

The committee's overall recommendation of $11.8 billion – without the support of Senate Appropriations Committee Vice Chair Patty Murray (D-Wash.) – represents a roughly 4 percent decrease from the IRS's FY2025 funding level. Murray criticized Senate Republicans for releasing what she called "a partisan bill." While acknowledging that the bill funds essential government functions, she expressed disappointment that it fails to address other critical issues. Murray reaffirmed her commitment to negotiating a bipartisan agreement and pledged to continue advocating for working families throughout the process.

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IRS clarifies Trump accounts and international rules under OBBBA

The IRS released Notice 2025-68, announcing that, together with the Treasury Department, it intends to issue proposed regulations related to section 530A Trump accounts, as established under the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). The notice offers a general overview of how the Trump accounts function and addresses many initial questions, providing guidance intended to align with the upcoming regulations.

For further analysis on the OBBBA, see: *A closer look: Inside the new tax law* prepared by Deloitte Tax LLP's professionals.

A Trump account is a new type of tax-preferred savings vehicle that is in some ways similar to a traditional individual retirement account (IRA) available to US citizens (referred to as account beneficiary). Under the OBBBA, a pilot program provides for a one-time government-funded credit of $1,000 to beneficiaries born after December 31, 2024, and before January 1, 2029. In addition, the program allows for annual non-deductible cash contributions up to $5,000 (indexed for inflation) before the calendar year in which the beneficiary reaches age 18. It also allows for a tax-preferred employer contribution of up to $2,500 (indexed for inflation) per employee or his or her dependent. Contributions to Trump accounts cannot be made before July 4, 2026.

During the period before the beneficiary reaches age 18, funds in a Trump account can be invested only in eligible investments, and the account has a separate contribution limit from other individual retirements arrangements. In addition, distributions are generally prohibited before age 18, and no deduction is allowed under section 219 for any contribution made to a Trump account. After the beneficiary reaches age 18, most of these special rules cease to apply and the rules under section 408 governing traditional IRAs generally apply.

This notice provides a series of questions and answers on topics, such as procedures for establishing a Trump account, the pilot program, contributions, eligible investments, distributions, reporting requirements, and the coordination with IRA rules. Comments on the notice should be submitted on or before February 20, 2026.

The IRS also released draft Form 4547, ***Trump Account Elections(s)***, along with draft Instructions. This form is used to elect the establishment of an initial Trump account for the exclusive benefit of an eligible child. It also allows taxpayers to elect a $1,000 pilot program contribution from the Treasury to the child's Trump account.

IRS releases OBBBA international guidance

The IRS released four Notices over the past two weeks addressing international tax issues under the OBBBA: Notices 2025-72, 2025-75, 2025-77, and 2025-78. Write-ups for Notices 2025-72, 75 and 78 will be included in next week's TNV edition.

In Notice 2025-77, the IRS announced, together with the Treasury Department, that it intends to issue proposed regulations regarding section 960(d)(4) – as added by the OBBBA – which disallows a foreign tax credit for 10 percent of any foreign income taxes paid or accrued (or deemed paid under section 960(b)(1)) with respect to any amount excluded from gross income under section 959(a) by reason of an inclusion in gross income under section 951A(a). The rules would apply provided that the inclusion is in a taxable year of the US shareholder ending after June 28, 2025. The proposed regulations will cover the application of section 960(d)(4) as well as an example illustrating its operation. (Deloitte Tax LLP professionals prepared an alert that summarizes key aspects of the notice.)

Energy credit allocation program

This week, the IRS released two announcements – 2025-22 and 2025-23 – disclosing sets of certifications resulting from Rounds one and two allocations under the qualifying advanced energy project credit provided by section 48C(e).

- Announcement 2025-22 discloses certifications from the period beginning March 29, 2024, through September 30, 2025, (Round one allocation); and
- Announcement 2025-23 discloses certifications from the period beginning January 10, 2025, through September 30, 2025 (Round two allocation).

The OBBBA amended section 48C(e) to limit the availability of previously allocated credits that were subsequently revoked, ensuring those amounts cannot be used in future program allocations.

Partnership related-party "basis shifting" transactions

The withdrawal of final regulations under section 6011 (T.D. 10028) – which identify certain partnership related-party "basis shifting" transactions and substantially similar transactions as transactions of interest ("TOI"s), a type of reportable transaction – is under review by the Office of Information and Regulatory Affairs (OIRA), following receipt on December 4. The Final Regulations were effective January 14, 2025, the date of publication in the Federal Register. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 11, March 14, 2025.)

Thanksgiving tax roundup

During Thanksgiving week, there were several guidance developments, including those related to car loan interest, PTINs, fees, and scholarship-granting organizations.

Car loan interest: Proposed rules on the new car loan interest deduction are currently under review by OIRA, which received them on November 25. These rules implement section 70203 of the OBBBA, which provided an above the-line deduction of up to $10,000 for qualified passenger vehicle loan interest during a given taxable year, with the deduction beginning to be phased out when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 for joint filers). This deduction is available for interest paid from tax year 2025 through 2028.

PTINs and Fees: The Treasury Department and the IRS withdrew proposed rules (REG-124791-11) regarding which tax return preparers are eligible to obtain a preparer tax identification number. As of November 28, 2025, the notice of proposed rulemaking that was published in the Federal Register on February 15, 2012 was withdrawn (77 FR 8753).

Treasury and the IRS also issued final regulations (T.D. 10038) imposing a user fee on authorized persons requesting IRS letter 627, also known as an estate tax closing letter. These final regulations adopt, without change, the interim rule and proposed regulations that reduced the user fee imposed on a request from $67 to $56.

Scholarship-granting organization: Notice 2025-70 states that the Treasury Department and the IRS intend to issue proposed regulations to implement section 25F, as added by the OBBBA, which provides a new credit for an individual's qualified contribution to a scholarship granting organization that offers qualified elementary and secondary scholarships. The credit is limited to $1,700 per year per taxpayer and is reduced by the credit allowed on any state tax return for qualified contributions made during the taxable year. Comments should be submitted on or before December 26, 2025.

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Tax administration and court reform bills advance, one signed into law

This week saw legislative activity in the tax administration space, with several bills focused on administrative and judicial reforms advancing through Congress. Notably, one measure was signed into law, marking a significant step in efforts to streamline tax administration and improve taxpayer protections. These developments come amid broader debates on healthcare and appropriations, signaling some momentum on targeted reforms even as other legislative priorities remain unresolved.

Trump signs bill addressing IRS math and clerical error notices

President Trump signed a tax administration bill into law – the Internal Revenue Service Math and Taxpayer Help Act (H.R. 998) – which is a bipartisan measure introduced by Reps. Randy Feenstra (R-Iowa) and co-sponsored by Brad Schneider (D-Ill.). It requires the IRS to explain any mathematical or clerical errors in the notice, issue notifications regarding the abatement of taxes assessed due to such errors, and provide procedures for requesting an abatement. It also directs the agency to inform taxpayers that they have 60 days from the date of the notice to dispute the math error adjustment before it becomes final. A pilot program is established to send a statistically significant, trial number of notices containing mathematical or clerical errors, by certified or registered mail, and report to Congress on the findings. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 13, April 4, 2025 and *Tax News & Views*, Vol. 26, No. 42, Oct. 24, 2025.)

“President Trump is ensuring taxpayers get the fair treatment they deserve. Americans must show the math on their tax return, and now the IRS has to as well. Instead of having to take the word of the federal government’s most feared agency, taxpayers will have the information to successfully challenge the IRS,” said House Ways and Means Committee Chairman Jason Smith (R-Mo.).

The bill unanimously cleared the House Ways and Means Committee before passing the House by voice vote in March, and then by unanimous consent in the Senate in October. President Trump signed the bill into law last week.

IRS supervisory approval requirements: The House passed the Fair and Accountable IRS Reviews Act (H.R. 5346) by voice vote on Monday – a bill that would clarify the timeliness of supervisory approval for penalties under section 6751(b)(1). Under the proposed bill, an immediate supervisor’s approval of certain federal tax penalties must be obtained (in writing) before any written communication related to such penalties is sent to the taxpayer. The bill defines the term “immediate supervisor” for purposes of section 6751(b) to be the person to whom the IRS employee making the determination reports.

Rep. Glenn Grothman (R-Wis.) introduced the bill two days ahead of a September 17 markup at the House Ways and Means Committee, where it passed unanimously with a 44-0 vote, with taxwriter Adrian Smith (R-Neb.) serving as the sole cosponsor. On Tuesday, the bill was received in the Senate and referred to the Finance Committee. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 38, Sept. 19, 2025.)

Tax court reform: Republican Rep. Nathaniel Moran of Texas, along with lead Democratic cosponsor Terri Sewell of Alabama, introduced the Tax Court Improvement Act (H.R. 5349), which would allow the Tax Court to issue subpoenas compelling the production of documents and other items from a litigant or witness for evidentiary or discovery purposes, whether or not it is in connection with a scheduled hearing. Under current law, Tax Court subpoenas are limited only to compel the attendance and testimony of witnesses and the production of evidence at a scheduled hearing or deposition. The bill would also extend some deadlines for taxpayer challenges, expand the type of Tax Court proceedings for which special trial judges may be appointed, authorize Tax Court special trial judges to impose fines up to $5,000 and up to 30 days in jail for contempt, and require Tax Court judges and special trial judges to recuse themselves in certain circumstances.

The bill unanimously cleared the House Ways and Means Committee on September 17 before passing the House by voice vote this week. It was sent to the Senate and referred to the Finance Committee.

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IRS, Treasury release final regulations on corporate stock buyback excise tax

On November 21, 2025, the Treasury Department and the IRS released final Treasury regulations (T.D. 10037) (the "final regulations") providing guidance regarding the application of the excise tax on stock buybacks. The final regulations modify aspects of previous proposed regulations (the "proposed regulations"), which were published on April 9, 2024. As background, the Inflation Reduction Act of 2022 (P.L. 117-169) included section 4501, which imposed an excise tax of one percent on repurchases of stock by certain publicly traded corporations (the "excise tax") beginning after December 31, 2022. A Deloitte Tax LLP alert provides an overview of the final regulations and notes that a more detailed analysis will follow in a future article. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 46, Nov. 22, 2025.)

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