Tax News & Views

In this issue:

House approves GOP-healthcare bill, amid Democratic-led discharge effort

On December 17, the House approved the Republican-drafted Lower Health Care Premiums for All Americans Act (H.R. 6703) by a vote of 216-211, with nearly all votes cast along party lines, except for Rep. Thomas Massie (R-Ky.), who was the sole House Republican to vote against the bill. Proponents argued that the proposal would lower healthcare premiums, increase access, and expand healthcare choices. Notably, however, the bill excludes an extension of the enhanced premium tax credit (PTC), which is set to expire after December 31, 2025. Despite the absence of this provision, several moderate Republicans who have advocated for extending the enhanced PTC, including Reps. Brian Fitzpatrick of Pennsylvania, Jennifer Kiggans of Virginia, and Mike Lawler of New York, ultimately voted in favor of the bill. According to estimates from the nonpartisan Congressional Budget Office and the Joint Committee on Taxation, enacting this proposal would reduce the deficit by $35.6 billion over the 2026-2035 period.

Speaker Mike Johnson (R-La.) highlighted several key provisions of the bill when he unveiled it last week, including transparency rules for Pharmacy Benefit Managers (PBMs), funding for cost sharing reduction payments, expanded access to association health plans, access to stop-loss insurance, and a framework for allowing employers to offer defined contributions for employees to purchase their own coverage – renamed as CHOICE arrangements – and permitting employees to pay premiums pre-tax. In remarks accompanying the bill's unveiling, Johnson criticized Democrats and simultaneously made the case for the Republican approach.

"While Democrats demand that taxpayers write bigger checks to insurance companies to hide the cost of their failed law [referring to the Affordable Care Act, ACA, P.L. 111-148], House Republicans are tackling the real drivers of health care costs to provide affordable care, increase access and choice, and restore integrity to our nation's health care system for all Americans," Johnson said.

The Democrats criticized the bill on a number of grounds, including by pointing out that it would lead to more Americans without health insurance and that the failure to extend the PTC would hurt struggling families. House Minority Leader Hakeem Jeffries (D-N.Y.) issued the following statement on the Republican-drafted proposal.

"House Republicans are not serious about ending the healthcare crisis they have unleashed in this country. After promising legislation for months, this 11th hour measure fails to extend the Affordable Care Act tax credits that tens of millions of Americans rely on to afford their healthcare. This so-called plan is the height of irresponsibility, with just five legislative days until premiums skyrocket by as much as $1,000 or $2,000 per month for working class Americans. The bill will cause millions of people to lose coverage, promotes junk health insurance plans and further limits the freedom of women to make their own reproductive healthcare decisions."

The PTC – originally enacted under the ACA in 2010 and temporarily enhanced by two COVID-era statutes that were enacted during President Biden's administration – the American Rescue Plan Act (P.L. 117-2) and the Inflation Reduction Act (P.L. 117-169) – 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. Efforts to extend the enhanced PTC beyond its year-end expiration were a primary point of contention during the recent 43-day government shutdown that shuttered most federal government offices; however, the final agreement to reopen excluded the extension despite some Democratic support.

Now that the GOP-drafted proposal has passed the House, it's prospects in the Senate appear dim. Even if all Republicans vote in favor of the measure, seven Democrats would still need to cross party lines and support the bill for passage – an unlikely scenario given the measure's lack of an ACA subsidy extension, a key priority for Democrats. This is underscored by last week's votes: all Senate Democrats (along with four Republicans) supported the Democratic-led healthcare package (S.3385), which would provide a clean three-year extension of the enhanced PTC, while no Democrats backed the Republican-drafted alternative (S.3386) which did not include an extension. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 48, Dec. 12, 2025.)

From Rules Committee roadblock to discharge petition: House GOP moderates seek enhanced PTC extension

House GOP moderates, including Reps. Fitzpatrick and Lawler, pressed for a floor vote on several amendments to the House-passed healthcare bill that would have expanded the bill to include an extension of the enhanced PTC during a Rules Committee hearing this week but were unsuccessful, making all but certain that the enhanced PTC will expire at year's end.

Rep. Fitzpatrick underscored what he sees as the urgency of extending the enhanced PTC, remarking that "[t]he only thing worse than a clean extension without any income limits and any reforms…would be expiration." Similarly Rep. Lawler delivered an impassioned House floor speech criticizing both Republican and Democratic leaders for failing to address the time sensitive issue of the looming expiration of the enhanced PTC, accusing both parties of playing politics instead of solving the problem, calling the situation "idiotic and shameful."

Frustrated after their efforts to secure a floor vote to extend the enhanced PTC were blocked, four Republican lawmakers – Reps. Fitzpatrick and Lawler, along with Reps. Robert Bresnahan and Ryan Mackenzie of Pennsylvania – signed onto the Democratic-led discharge petition, which already included signatures from 214 Democratic members. With the petition having reached the required 218, the measure – calling for a clean three-year extension – is poised for an up-or-down vote, likely in January.

Should the extension of the enhanced PTC pass in the House, it would intensify pressure on Senate Majority Leader John Thune (R-S.D.), given the political dynamics and the bill's status as a clean extension of the ACA subsidy without guardrails. Notably, Thune has not indicated yet whether he would bring the proposal to the Senate for a vote if it passed, though he noted that the Senate had a vote on a similar bill last week. That vote, S.3385 (the Democratic-led healthcare proposal discussed earlier) fell short of the 60-vote threshold, securing the support of only four Republicans alongside all Democrats, and was widely seen as more of a messaging exercise than a substantive legislative effort. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 47, Dec. 5, 2025.)

Thune says no healthcare bill before end of year, senators forge ahead with bipartisan healthcare talks

Majority Leader Thune acknowledged during a press conference this week that "[w]e won't pass anything before the end of the week [when Congress adjourns for its holiday recess]" on healthcare. However, he indicated that there could be a "potential pathway in January" if Democrats are willing to come to the table with proposals that will reduce healthcare costs. That said, Thune acknowledged the parties' differing visions, emphasizing that Republicans want to give Americans more control over their healthcare.

Meanwhile, Senate Minority Leader Chuck Schumer (D-N.Y.) continued to blame the Republicans for the healthcare crisis and argued on the Senate floor this week that "they are the ones in charge and have the majority," warning that, in just a few days, Americans will face significantly higher healthcare costs. "At this point, the toothpaste is out of the tube, and once January 1st comes and people are locked into their new, more expensive plans – or frozen out of their plans because they can't afford them – [there is] no putting the toothpaste back in."

Despite the lack of agreement on competing healthcare proposals in the Senate, bipartisan negotiations remain underway. This week, a group of senators reportedly continued working on a framework for a bipartisan deal that could include an enhanced PTC extension along with an income eligibility cap, and fraud prevention guardrails. However, the emerging proposal is not expected to be introduced until next year – after the current enhanced PTC expires and new healthcare coverage begins on January 1, at rates that no longer reflect the enhancements.

President Trump chimes in

While President Trump did not delve into the specifics of the healthcare debate unfolding on Capitol Hill, his televised address to the nation Wednesday night centered on the broader issue of affordability, including on healthcare. He emphasized his commitment to challenging what he called the "gigantic health insurance companies" that have profited significantly from the current system. Trump argued that directing funds "to the people" – by enabling individuals to pay for their own healthcare – would provide "far better benefits" while reducing overall costs. He also placed responsibility for steep increases in premiums on Democrats, contending that their policies have contributed to higher costs for American families.

Next steps

Both the Senate and the House have adjourned for the holiday recess and are not anticipated to reconvene until the week of January 5, when discussions on healthcare will resume, with lawmakers in the House expected to address the Democratic-led discharge petition and negotiations in both chambers continue on a path forward.

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Bessent talks funding for OBBBA's Trump accounts; OBBBA expands section 4960 "covered employee" definition

On December 17, Treasury Secretary Scott Bessent delivered remarks at a press conference, focusing on ways to facilitate funding for Trump accounts – 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 (account beneficiaries). (Trump account website)

Bessent said that there are four ways in which Trump accounts can be funded:

- Initial $1,000 contribution from the federal government for children born between December 31, 2024, and before January 1, 2029;
- Donations by parents, friends, and employers who will be able to contribute up to $5,000 to each Trump account yearly;
- Donations by philanthropists and charitable organizations; and
- Donations from state governments.

Under the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), a Trump account 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.

Referring to the establishment of these accounts as "the merger of main street with Wall Street," Bessent said that "[t]hrough Trump Accounts, our president is creating an ownership economy where all citizens become shareholders in America's wealth. Today, 38% of American adults do not own stocks. But with Trump accounts, over time, we can get that number down to zero."

OBBBA expands section 4960 "covered employee" definition

Separately, and unrelated to Bessent's remarks, the OBBBA also expanded the section 4960 definition of "covered employee" includable in the excise tax on excess compensation. Under the OBBBA, the definition of "covered employee" includes any employee, or former employee, of an ATEO (applicable tax-exempt organization), or any predecessor of the ATEO who is paid more than $1 million by the ATEO and all related taxpayers. The expanded definition of covered employee applies to all tax years beginning after December 31, 2025. Deloitte Tax LLP has issued an alert highlighting key observations – including on the final regulations under section 4960, effective January 21, 2021, (T.D. 9938) – and the implications of this expanded definition.

Treasury, IRS issue safe harbor for taxpayers claiming section 45Q credit

The Treasury Department and the IRS issued Notice 2026-01, providing interim guidance relating to a safe harbor for the credit for carbon oxide sequestration under section 45Q for qualified carbon oxide disposed of in secure geological storage during calendar year 2025. Treasury and the IRS expect that the forthcoming proposed regulations will propose updated requirements for taxpayers claiming the credit for secure geological storage after the 2025 calendar year. Section 45Q was amended most recently by section 70522 of the OBBBA.

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Treasury, IRS issue final and proposed guidance relating to the tax exemption in section 892 for foreign governments

On December 15, 2025, the Treasury Department and the IRS published final (TD 10042) and proposed (90 Fed. Reg. 57928 (Dec. 15, 2025)) regulations that provide guidance under section 892 on the characterization of certain commercial activities and the taxation of the income with respect to foreign governments. The Treasury Decision finalizes (with modifications based on public comments) previous proposed rules that were published in 2011 (76 Fed. Reg. 68119 (Nov. 3, 2011) and 2022 (87 Fed. Reg. 80097 (Dec. 29, 2022)) regarding commercial activities of foreign governments, including for purposes of determining whether an entity is a controlled commercial entity (CCE). The final regulations generally apply to taxable years beginning on or after December 15, 2025, with exceptions for taxpayers that choose to apply the final regulations to open taxable years, subject to consistency requirements.

The proposed regulations offer guidance for determining when an acquisition of debt by a foreign government is considered investment or commercial activity, and when a foreign government has effective control of an entity engaged in commercial activities. While the guidance pertaining to debt acquisitions is limited to section 892, it may be of interest to the private credit industry beyond foreign sovereign investors because it reflects factors that are taken into account for determining whether a foreign investor is treated as engaged in a US trade or business. The proposed regulations generally would be effective for taxable years beginning on or after the date they become final. Deloitte Tax LLP professionals have issued an alert with further details on the 2025 final and proposed section 892 regulations.

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Senate confirms Theurer as Treasury's legislative liaison

On December 18, the Senate confirmed Derek Theurer to serve as the Treasury Department's deputy undersecretary for legislative affairs as part of a vote on dozens of administration nominees at once, following multiple procedural votes leading up to the final tally. The final confirmation vote of 53-43 also included Jonathan Greenstein as Treasury's deputy undersecretary for international finance.
The legislative affairs position amounts to a liaison role between the department and Congress on key policy issues, including in the development of regulations necessitated by the passage of the recently enacted law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) as well as on future legislative initiatives. Theurer also serves as acting Treasury deputy secretary – a role previously held by Michael Faulkender who left the position in August less than five months after Senate confirmation.

Note: TNV regrets having incorrectly reported one of last week's procedural votes as the final step in the confirmation process.

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A note on our publication schedule

The House and Senate are adjourned until after the holiday recess. Both chambers will be back in session the week of January 5.

Barring any unexpected developments on the tax policy front, the next edition of *Tax News & Views* will be published the week of January 5. However, as we go to press, we await the release of guidance finalizing a side-by-side agreement for the Pillar Two global minimum tax, expected before year-end, and we will provide details as events warrant in a special edition of *Tax News & Views*.

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