Tax News & Views

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After House passage, Senate considers next steps on enhanced PTC

With the House's passage last week of a clean, three-year extension of the enhanced premium tax credit (PTC) (H.R. 1834) – a measure that reached the floor through a Democratic-led discharge petition, which allows members to force consideration of a bill without committee or leadership approval – attention this week turned to the Senate, which rejected the same proposal in December but where the senators are hopeful a compromise can emerge.

Behind the scenes, a bipartisan group of senators – including Sens. Bernie Moreno (R-Ohio), Jeanne Shaheen (D-N.H.), and Susan Collins (R-Maine) – has continued exploring a potential package intended to garner sufficient bipartisan support to clear the Senate; however, negotiations appear to be stalling as senators struggle to reach agreement on terms that would satisfy both parties. Any such agreement is likely going to need to find a narrow path that adds guardrails and other policy ideas, such as changes related to Health Savings Accounts (HSAs) supported by Republicans without modifying the credit so much as to make it unacceptable to Democrats. President Trump has promoted a healthcare framework favoring consumer-directed accounts, but has not weighed in forcefully on the merits of extending the now expired premium tax credit (PTC). (for more details on some of President Trump's health policy ideas, see later in this story)

An additional sticking point for the bipartisan group appears to be whether to include some form of "Hyde" language – the long-standing provision that bars federal funding for most abortions – in any agreement. Timing remains a challenge, too, as January 31 has been seen as an unofficial deadline to complete action. But with the Senate on recess the week of January 19, key policy details still under discussion, and no text having been released, there are serious questions about where the discussion goes from here. (For prior coverage of HSA-style arrangements, see *Tax News & Views*, Vol. 26, No. 48, Dec. 12, 2025.)

The PTC – originally enacted under the Affordable Care Act (ACA, P.L. 111-148) in 2010 and temporarily enhanced by two COVID-era statutes that were enacted during President Biden's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, which expired on December 31, 2025, were a primary point of contention during last year's government shutdown that closed most federal government offices; however, the agreement to reopen excluded the extension. The short-term funding package that was agreed upon in mid-November of last year is scheduled to expire on January 30, 2026. (for more details, see separate budget story later in this edition)

Thune pushes anti-fraud guardrails as Schumer calls for passage of the House-approved bill that extends the enhanced PTC

Against this backdrop, Sen. John Thune (R-S.D.), navigating competing pressures within his party, signaled this week that any extension of the PTCs would hinge on adding anti-fraud guardrails and broader program integrity reforms. In a floor speech on Tuesday, Thune raised concerns about waste, fraud, and abuse, contending that the ACA – including the enhanced PTC – is vulnerable absent additional safeguards. He noted that Democrats have voted "numerous times" to extend the enhanced subsidy "without a single reform," and argued that "these are just the beginning of the issues with Obamacare," indicating that robust anti-fraud provisions would likely be essential components of a Senate compromise bill.

Senate Minority Leader Chuck Schumer (D-N.Y.), for his part, has continued to push for a clean three-year extension of the enhanced PTC, arguing that an extension would lower healthcare costs for Americans. He called for the Senate to pass the House-approved bill and said it should be "immediately agreed to in the Senate"

"And so, [we must] rectify this injustice, to rectify the fact that families are deciding whether to even have health care or not, or to cut back on something else very important to pay for the increased costs of health care. Families are deciding that right now, every night: millions of American families are talking about what to do with this new health care bill that has come through, which has doubled or tripled what they have to pay each month, which will cut back in so many instances on the kind of health care they get, make them switch hospitals, switch doctors, not afford the prescription drug that is desperately needed by their child who has cancer," said Schumer in floor remarks on January 14.

Jeffries presses Senate on healthcare package, RSC releases policy framework

Following last week's Democratic-led floor action on extending the enhanced PTC – where the measure drew support from all House Democrats and 17 Republicans, many representing constituents in politically vulnerable districts – House Minority Leader Hakeem Jeffries (D N.Y.) turned his focus to the Senate, urging swift action and noting that the bill has the full backing of Senate Democrats as well as support from at least four Republicans who have previously supported a similar extension of the enhanced PTC. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 48, Dec. 12, 2025.)

"The healthcare of tens of millions of Americans is otherwise at risk [if the Democratic-led, House-passed healthcare bill is not passed]," remarked Jeffries at a press conference this week. "Enough with the partisanship, enough with the gamesmanship, enough with the foolishness at this point in time. Pass the bill that we know currently in the Senate has majority support – every single Senate Democrat and at least four Senate Republicans [have] previously supported a three-year extension of the Affordable Care Act tax credits," he added.

Meanwhile, the conservative Republican Study Committee (RSC) released a policy framework – Making the American Dream Affordable Again – urging congressional Republicans to begin developing another reconciliation package, with healthcare among its priorities. Reconciliation is the procedural expedient that allowed the legislation commonly called the "One Big Beautiful Bill Act" to clear the Senate without the possibility of a filibuster. (for explanation, see the Deloitte publication, *A closer look: Inside the new tax law*) The RSC framework's healthcare policy proposals call for a new "parallel" marketplace aimed at offering comprehensive coverage with lower premiums, while restructuring the ACA so funds flow directly to patients through "Health Freedom Accounts" – an approach that aligns with recent comments from President Trump and the priorities reflected in his newly released healthcare plan, as well as proposals from several Republican lawmakers. (RSC press release) (For prior coverage, see *Tax News & Views*, Vol. 27, No. 2, January 9, 2025.)

"This blueprint cuts costs where families feel it most – housing, health care, and energy – slashes woke and wasteful spending, and locks in President Trump's deregulatory agenda through the only process Democrats can't block: reconciliation. We're focused on results – lower prices, more freedom, and a stronger future for American families. We have 11 months of guaranteed majorities. We're not wasting a single day," according to the RSC's press release.

President Trump announces healthcare plan

On January 15, President Trump announced his "Great Healthcare Plan," calling on Congress to act on it to help lower healthcare costs and asserting that the plan would lower drug prices, reduce insurance premiums, hold big insurance companies accountable, and maximize price transparency. The plan does not call for extending the enhanced PTC. Instead, it asserts that big insurance companies will no longer receive "billions in extra taxpayer-funded subsidy payments," and that those funds would instead be directed to "eligible Americans to allow them to buy the health insurance of their choice." Currently, advance payments from the ACA premium tax credit are sent directly to insurers on behalf of eligible individuals to reduce monthly premiums.

Trump has spoken several times recently about sending money directly to Americans to enable them to purchase the health coverage of their choice. He reiterated this message earlier this week at the Detroit Economic Club in Michigan, where he referred to the ACA as the "Unaffordable Care Act," arguing that the law primarily benefited health insurers at consumers' expense and had singled out the enhanced PTC as an example, asserting that it functions as an improper subsidy to insurers. Moreover, Trump again emphasized his view that affordability support should flow more directly to individuals, pointing to an arrangement like HSAs as a preferred mechanism for consumers to pay for healthcare.

(President Trump's healthcare plan is available on the White House website at the following links: The Great Healthcare Plan (link); Fact sheet (link); and Announcement (link).

Next steps

Next steps in the Senate hinge on whether lawmakers can finalize compromise text for a bipartisan healthcare proposal. If an agreement emerges, senators could either advance the package as a standalone bill or attach it to a must-pass legislative vehicle. Timing remains fluid as the Senate begins its recess for the week of January 19 and the January 30 funding deadline is fast approaching. Additionally, President Trump's release of the "Great Healthcare Plan" could add a new political dimension to the talks as lawmakers assess how the administration's preference for consumer-directed options fits into any potential Senate framework.

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House passes bill to set 9 percent IRS budget rollback

The IRS faces a $1.1 billion budget cut (roughly 9 percent below prior fiscal year levels) under legislation the House passed on January 14 by a vote of 341-79, following a bipartisan agreement reached days earlier. The vote marks a further step toward cementing a lower spending level for the agency for the current federal fiscal year, which runs through September 30, with a Senate vote still to come before the measure can receive President Trump's signature. Lawmakers, meanwhile, are still working to finalize several remaining appropriations bills before the current short-term funding patch expires on January 30.

(Documents related to H.R. 7006 for the FY 2026 budget are available on this landing page.)

Impact on program allocations

The bill (H.R. 7006) would reduce overall spending for the IRS to roughly $11.2 billion for fiscal year 2026, down from $12.3 billion enacted last fiscal year. This appropriations bill is made up of two parts: the Financial Services and General Government (FSGG) portion, which includes money for the IRS under the Treasury Department funding, and the National Security, Department of State and Related Programs component. (The nonpartisan Congressional Budget Office on January 14 supplied a cost estimate for H.R. 7006.)

Among the major IRS funding categories for FY 2026 are tax enforcement, allocated $5 billion – down from $5.4 billion in FY 2025; technology and operations support, which would receive nearly $3.2 billion – down from $4.1 billion in the last fiscal year; and taxpayer services, funded at roughly $3 billion – up from roughly $2.8 billion.

Senate appropriators also released a FY2026 spending proposal that maintains the same $11.2 billion for the IRS – allocating $5 billion for enforcement, $3.2 billion for technology and operations support, and $3 billion for taxpayer services – and includes a provision allowing the IRS to shift up to five percent of its appropriated funds among internal accounts with prior approval from the House and Senate Appropriations Committees.

(Senate appropriators released documents related to the FSGG bill – Chair Collins (press release) and Senate Appropriations Committee Vice Chair Patty Murray (D-Wash.) (press release)

(For prior coverage of earlier IRS and Treasury funding proposals for FY2026, see *Tax News & Views*, Vol. 26, No. 47, Dec. 5, 2025; *Tax News & Views*, Vol. 26, No. 36, Sept. 5, 2025; and *Tax News & Views*, Vol. 26, No. 34, July 25, 2025.)

The White House: A reduction to the IRS funding budget was also recommended by the White House; the administration floated a 20 percent – or $2.5 billion – reduction from FY2025, which would have brought the agency's FY2026 budget to about $9.8 billion, according to details released in support of the Trump administration's spending blueprint. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 23, June 6, 2025.)

In other budget news: Progress on some full-year appropriations packages continues across both chambers as the Senate passed by a vote of 82-15 a three-bill funding package previously approved by the House, sending the measure to President Trump for his signature. The package – which includes the Commerce-Justice-Science, Interior-Environment and Energy-Water measures (H.R. 6938) – signals bipartisan momentum to advance several spending measures while broader negotiations over the remaining bills continue.

When the Senate returns from its recess the week of January 26, it is likely that it will take up the House-passed FSGG-State Department measure before the short-term funding bill expires. Further, with the short-term measure set to expire on January 30, another stopgap may be needed if the remaining appropriations bills are not completed in time. Those awaiting action, including funding for the military, education and healthcare, and homeland security, are among the largest and most politically difficult of the annual spending bills.

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Ways and Means advances bipartisan tax administration bill

This week, the House Ways and Means Committee advanced a tax administration bill during a January 14 markup that addresses the scanning and digitization of tax returns. The panel also approved three additional bills – two related to Social Security and a third related to a workforce support program.

(For additional information on the bills under consideration, see the committee's markup page.)

Scanning and digitization of tax returns

Reps. Rudy Yakym (R-Ind.) and Bradley Schneider (D-Ill.) introduced the Barcode Automation for Revenue Collection to Organize Disbursement and Enhance Efficiency Act (BARCODE Efficiency Act) (H.R. 6956) – which would require electronically prepared tax returns to include scannable code when submitted on paper, and to require the use of optical character recognition (OCR) technology for paper documents received by the IRS. An exception applies if the Treasury Secretary determines that the scannable code or the OCR technology is slower or less reliable that the process of manually transcribing the returns or correspondence received in paper form.

Rep. Yakym acknowledged that, although roughly 93 percent of taxpayers file electronically, there are times when a paper return is necessary, citing his own experience of preparing an electronic return but having to submit a paper return to the IRS. He said that, when paper returns are filed, the IRS manually converts the information into electronic format – a time consuming process – and maintained that the BARCODE Efficiency Act "will make tax return processing more accurate and more efficient."

Rep. Schneider, for his part, said that manual data entry can increase transcription errors and delay refunds, describing the measure as a "customer service" proposal that – echoing Rep. Yakym – would "improve speed and accuracy" of processing paper returns. At the same time, Schneider emphasized that lasting customer service improvements will also require "sustained funding" for the agency and a "sustained expert workforce" to help taxpayers resolve questions as they arise.

The proposal would take effect for individual income tax returns received on or after January 1 of the first calendar year beginning more than 180 days after date of enactment. Tom Barthold, the chief of staff for the Joint Committee on Taxation, provided a technical explanation of the bill, noting that, if the bill is enacted before July 2026, the requirement would apply to returns filed on or after January 1, 2027 – covering taxpayers' 2026 individual income tax returns. The bill was approved by a vote of 42-0. (Sens. Todd Young (R-Ind.) and Raphael Warnock (D-Ga.) introduced a Senate companion bill in 2025, the BARCODE Efficiency Act, (S.452).)

Two House committees to hold health insurance company hearings on affordability

Ways and Means Committee Chairman Jason Smith (R-Mo.) and Energy and Commerce Committee Chairman Brett Guthrie (R-Ky.) announced (House Energy and Commerce Committee announcement) they will hold hearings on January 22, 2026, with five of the largest health insurance company chief executive officers (CEOs) appearing to answer questions on issues around the cost of healthcare and health insurance. The CEOs will appear before the House Committee on Energy and Commerce's Subcommittee on Health, and afterwards, they will appear before the full House Committee on Ways and Means. (*Tax News & Views* covered the announcements by Chairmen Smith and Guthrie in *Tax News & Views*, Vol. 27, No. 2, Jan. 9, 2026, where more details of the upcoming hearings are available.)

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IRS notice addresses 168(k); JCT issues list of expiring tax provisions

The IRS and the Joint Committee on Taxation (JCT) released new materials relevant to the current tax landscape, including IRS Notice 2026-11 on the depreciation deduction under section168(k) and the JCT's latest compilation of expired and expiring federal tax provisions.

Notice 2026-11 previews proposed regs under section 168(k)

Notice 2026-11 provides that the Treasury Department and the IRS intend to issue proposed regulations that would implement the additional first year depreciation deduction under section 168(k) – commonly known as "bonus depreciation" – as amended by sections 70301 and 70434(g) of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), as well as proposed regulations that would modify section 1.168(k)-2 to include applicable qualified sound recording productions commencing in taxable years ending after July 4, 2025. (IRS press release, IR 2026-06)

For further analysis of the OBBBA, see: *A closer look: Inside the new tax law* prepared by Deloitte Tax LLP's professionals. A further alert on theses proposed rules will be published by Deloitte Tax, and a link to them will appear in the next edition of *Tax News & Views*.

JCT issues list of expired, and expiring, tax provisions

The staff of the Joint Committee on Taxation has compiled a list of federal tax provisions that expired in 2025 as well as provisions scheduled to expire in years through December 31, 2035. The list spans a range of items, including energy tax credits, excise taxes (such as those relating to the Highway Trust Fund and the Airport and Airway Trust Fund), and the premium assistance credit enhancements under section 36B. It also includes various provisions enacted as part of the OBBBA – including deductions for tipped income and overtime compensation – which are scheduled to expire on December 31, 2028.

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Trade corner: House overwhelmingly passes preferential trade bills for dozens of African countries, Haiti

The House of Representatives on January 12 passed two trade preference bills – one for sub-Saharan African nations and the other for Haiti – to provide roughly three-year extensions for programs that expired last year. Their renewal still hinges on Senate passage, after which they would need to be signed by President Trump.

The African Growth and Opportunity Act (AGOA) Extension Act, H.R. 6500, which was introduced by Ways and Means Committee Chairman Jason Smith (R-Mo.), would extend preferential duty treatment for most exports to the US market from more than two dozen eligible countries in sub-Saharan Africa until December 31, 2028. Meanwhile, the Haiti Economic Lift Program Extension Act, H.R. 6504, which was introduced by Rep. Greg Murphy (R-N.C.). would extend preferential duty treatment for various apparel products imported from Haiti, including a limited amount of certain apparel products assembled in, and imported from, Haiti, until December 31, 2028. If enacted, both bills would apply retroactively to their prior expiration date of September 30, 2025.

Both bills passed the House by more than two-thirds majority, with votes of 340-54 (H.R. 6500) and 345-45 (H.R. 6504), under an expedited procedure known as suspension of the rules, which allows for limited debate, no amendments, and passage upon an affirmative two-thirds vote. The bills advanced from a Ways and Means Committee markup last month by wide, bipartisan margins.

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