Tax News & Views

In this issue:

Ways and Means Committee advances five tax-related bills

During a March 25 markup, the House Ways and Means Committee approved five bipartisan tax-related bills covering tax relief for victims of sexual assault, disaster tax relief, an early-childhood education deduction for teachers, and two tax administration bills.

(For additional information on each of the bills, including the Joint Committee on Taxation's description, see the committee markup page.)

Tax relief for victims of sexual assault

The Survivor Justice Tax Prevention Act (H.R. 2347) – introduced by Reps. Lloyd Smucker (R-Pa.) and Gwen Moore (D-Wis.) on March 25, 2025 – would exclude from gross income damages, other than punitive damages, received on account of any sexual abuse and unwanted or illegal sexual conduct, regardless of whether the injuries are physical. The Joint Committee on Taxation (JCT) estimated that the proposal would reduce fiscal year budget receipts by $89 million over fiscal years 2026-2036. The panel approved the bill by a vote of 41-0.

Smucker and Moore said that the legislation would bring parity to how the tax code treats individuals who experience physical injury. Under existing law, gross income does not include the amount of any damages, other than punitive damages, on account of personal physical injuries or physical sickness. Moore added that when she has discussed the bill publicly, "strangers were alarmed" at the disparity, and she described the proposal as a step toward greater "fairness, dignity, and justice" for survivors. In announcing the bill's introduction, Smucker said in a press release that it would provide "much-needed clarity and fairness to the tax code" by preventing survivors of sexual abuse from being taxed on settlements and face additional burdens after what he described as "unimaginable trauma."

Disaster tax relief

The Federal Disaster Tax Relief Act of 2025 (H.R. 5366) – renamed the Doug LaMalfa Federal Disaster Tax Relief Act – would extend the rules for personal casualty losses arising from major disasters and for the exclusion from gross income of compensation for losses or damages resulting from certain wildfires. The casualty loss provision is effective for losses incurred in taxable years beginning after December 31, 2024; while a "qualified disaster area," as defined in the bill, is limited to disasters with incident periods beginning on or after December 28, 2019, and before January 1, 2027. The wildfire-related exclusion is effective for payments received by an individual during taxable years beginning after December 31, 2025; while a "qualified wildfire disaster" as defined in the bill is limited to a declared disaster after December 31, 2014, and before January 1, 2027, as a result of any forest or range fire.

The JCT estimated that the personal casualty loss provision would reduce federal fiscal year budget receipts by $77 million over fiscal years 2026-2036, while the wildfire-related exclusion would reduce receipts by $331 million over the same period. This bill was introduced on September 15, 2025, by Reps. Gregory W. Steube (R-Fla.), Mike Thompson (D-Calif.), Jimmy Panetta (D-Calif.), and Doug LaMalfa (R-Calif.), who passed away in January 2026. The panel advanced the bill by a vote of 43-0.

Rep. Steube said the bill would provide important tax relief for individuals affected by disasters – including from hurricanes that have devastated parts of his home state of Florida – while also offering greater tax certainty for wildfire victims in western states. He then asked that a video of Rep. LaMalfa's floor remarks on the Federal Disaster Tax Relief Act be shown, and the clip was played during the hearing.

Rep. Thompson said that "when disasters strike, you show up and deliver relief," emphasizing that disasters affect everyone – not just Republicans or Democrats – and that the response should not be partisan. He added that the bill would make disaster-relief "forward looking," by ensuring recipients are not taxed on certain recovery payments, calling the measure "a step in the right direction."

Early-childhood education deduction for teachers

The Supporting Early-Childhood Educators' Deduction Act of 2025 (H.R. 5334) – introduced by Reps. Jimmy Panetta (D-Calif.) and Brian Fitzpatrick (R-Pa.) on September 11, 2025 – would allow early childhood educators, such as Pre-K teachers, to claim the educator expense deduction – a $350 'above-the-line' deduction available to educators for necessary classroom expenses. The amendments made by this section would apply to expenses paid or incurred in taxable years beginning after December 31, 2025. The JCT estimated that the proposal would reduce fiscal year budget receipts by $648 million over fiscal years 2026-2036. The panel advanced the bill by a vote of 43-0.

Rep. Fitzpatrick said early childhood educators create safe, engaging learning environments and frequently "reach into their own pockets" to ensure young learners have the tools they need to succeed. He urged lawmakers to allow early childhood educators to claim the same above-the-line deduction already given to K-12 teachers. Rep. Panetta similarly described early childhood educators a "critical part of a child's development," noting that, while the current deduction may seem "modest," it would still provide meaningful support for educators who routinely spend their own money on classroom supplies.

Tax administration bills

The tax panel also advanced two bipartisan bills related to tax administration – the Taxpayer Experience Improvement Act (H.R. 7971) and the IRS Whistleblower Program Improvement Act (H.R. 7959).

Introduced by Reps. David Schweikert (R-Ariz.) and Donald Beyer (D-Va.) on March 18, 2026. H.R. 7971 would provide for modernization and technological improvements of services offered by the IRS, including establishing dashboards to inform taxpayers of backlogs and wait times, expansion of electronic access to information about returns and refunds, and expansion of callback technology and online accounts. The JCT estimated that the bill would have no effect on federal fiscal year budget receipts. The panel advanced the bill by a vote of 43-0.

Rep. Schweikert said he has heard the bill referred to as the "dashboard bill," but noted that the dashboard is only one component of a broader effort to "modernize" how the IRS interacts with the public, including through phone calls and other channels.

Introduced by Reps. Mike Kelly (R-Pa.) and Mike Thompson (D-Calif.) on March 17, 2026, H.R. 7959 would amend the Internal Revenue Code to strengthen the IRS whistleblower program. The proposal would revise the standard and scope of review of whistleblower award determinations, enhance privacy protections, and modify the rules regarding the limitation on the deductibility of attorney fees. The JCT estimated the proposal would reduce fiscal year budget receipts by $44 million over fiscal years 2026-2036. The panel advanced the bill by a vote of 41-0.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

CRA resolution on energy tax incentives voted down

The Senate voted 47-53 to reject a procedural motion on a resolution (S.J. Res. 107), introduced under the Congressional Review Act (CRA) by Senate taxwriter Catherine Cortez Masto (D-Nev.), Senate Minority Leader Chuck Schumer (D-N.Y.), and Senate Finance Committee Ranking Member Ron Wyden (D-Ore.), after it failed to secure the simple majority required for passage. The resolution would undo IRS Notice 2025-42, which provided new guidance on the beginning of construction (BOC) rules for purposes of determining if solar and wind facilities are subject to the credit termination provisions applicable to sections 45Y and 48E. (For prior coverage of Notice 2025-42, including a Deloitte Tax LLP alert, see *Tax News & Views*, Vol. 26, No. 36, Sept. 5, 2025.)

Sections 70512 and 70513 of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) added a credit termination provision to both the section 45Y production tax credit (PTC) and the section 48E investment tax credit (ITC). Under this provision, section 45Y PTC and section 48E ITC terminate for wind or solar qualified facilities that begin construction after July 4, 2026, and are not placed in service on or before December 31, 2027. This termination provision does not apply to wind or solar qualified facilities that begin construction on or before July 4, 2026.

For more extensive coverage of the OBBBA, see Deloitte Tax LLP's *A closer look: Inside the new tax law*.

The CRA process allows Congress to review and disapprove certain rules issued by federal agencies. A disapproval resolution requires only a simple majority for passage in the Senate rather than the three-fifths majority – or 60 votes – typically needed to overcome procedural hurdles in that chamber. If a disapproval resolution reaches the White House and gains the president's signature, the underlying rule is treated as though it had never taken effect and cannot be reissued in a substantially similar form unless specifically authorized in a subsequent law.[i]

What they said…

Sen. Cortez Masto said on the Senate floor – in the context of the CRA to undo Notice 2025-42 – the administration seems intent on making it more difficult for working families to afford their energy bills. Citing Notice 2025-42, she argued that "it makes it more expensive to build America's clean energy future, makes it harder for the United States to meet the increased demand for electricity, and will lead to higher energy prices for working families." She added that the notice revokes the five percent safe harbor for what qualifies as beginning of construction for solar and wind, calling it a "harmful new rule" that "will potentially eliminate thousands of jobs."

Senate Finance Committee Chairman Mike Crapo (R-Idaho) spoke on the floor in opposition to the resolution, saying the notice is intended to "prevent the abuse" of certain energy projects, and argued that the effect of overturning the notice would be "exactly the opposite" of what Democrats claim on affordability. "Overturning this notice would create more uncertainty and unpredictability for current projects and discourage focus on more reliable and affordable energy sources," Crapo said.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

IRS shares filing reminders ahead of tax deadline

With the April 15 deadline approaching, the IRS is using a late-season push to steer taxpayers toward faster filing options – while also warning that some taxpayers risk forfeiting older refunds if they don't act quickly. Separately, House Democrats are pressing Treasury over paper-check refund delays tied to certain IRS notices, and the Treasury Inspector General for Tax Administration (TIGTA) is flagging longer-term challenges in the IRS' approach to examining large partnerships.

Electronic filing

In a recent press release, the agency urged taxpayers who still need to file their 2025 federal income tax returns to take advantage of free resources available at www.irs.gov, noting that electronic filing remains the fastest and most secure way to submit a return. The release highlights electronic preparation and filing through IRS Free File – a public-private partnership between the IRS and a coalition of tax preparation software companies – along with other free tools and filing tips.

"IRS Free File demonstrates the IRS's commitment to providing taxpayers an easy and secure way to prepare and file their federal tax return at no cost," said IRS Chief Executive Officer Frank J. Bisignano. "Free assistance and information are also available to taxpayers through other means as well…"

Unclaimed refunds

In a separate release, the IRS also reported that more than 1.3 million taxpayers nationwide have an estimated $1.2 billion in unclaimed refunds for tax year 2022 because they have not filed their Form 1040 federal income tax return for the 2022 tax year. Taxpayers must file by April 15, 2026, to claim a refund for tax year 2022. The IRS noted that, under federal law, taxpayers generally have three years to file and claim a refund, after which unclaimed amounts become the property of the US Treasury. The release also included state-by-state estimates of the number of potentially eligible taxpayers, along with median and total unclaimed refund amounts for each state.

Dems question delays

Two Democratic taxwriters – Danny Davis of Illinois and Terri Sewell of Alabama – pressed Treasury Secretary Scott Bessent in a March 25 letter about tax refund delays, citing a lack of a complete response to their earlier inquiry on the same issue by the requested deadline. They stated that the IRS has issued 1.4 million notices (IRS Notices CP53E) – 300,000 in the past week – warning that affected taxpayers who do not include bank account information on their return could wait more than 10 weeks to receive refunds by paper check. Davis and Sewell also raised these delays multiple times during a markup at the House Ways and Means Committee this week. (see story on the markup earlier in this edition) (For prior coverage of Davis and Sewell's previous letter, see *Tax News & Views*, Vol. 27, No. 11, March 13, 2026.)

"Additionally, the IRS has no publicly established process for taxpayers who lack an online account to request a timely check…By listing a telephone number [provided on the notice], the notice gives taxpayers a false impression that they have the option to request their refunds by phone," the signatories wrote this week.

At the beginning of the 2026 filing season, the IRS added six frequently asked questions and answers to the CP53E notice page on the IRS website.

Partnership enforcement

Shifting from filing season to enforcement, TIGTA recently released a report titled – "The IRS Has Yet to Develop a Successful Strategy for Examining Large Partnership Returns." TIGTA conducted its review using information obtained from the IRS between December 2023 and February 2025. The report made two recommendations, suggesting that the IRS: (1) ensure that future projects involving complex returns eliminate duplicative steps and account for the statute of limitations so there is sufficient time to take compliance actions, and (2) develop procedures to ensure all large partnership returns filed throughout the year are considered for risk assessment. The IRS agreed with both recommendations and indicated that it plans to implement them by September 30, 2027.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Treasury, IRS invite recommendations on upcoming guidance plan

In Notice 2026-23, the Treasury Department and the IRS invited the public to submit recommendations for items to be included in the 2026-2027 Priority Guidance Plan, which is used each year to identify and prioritize the tax issues that should be addressed through regulations, revenue rulings, revenue procedures, notices, and other published administrative guidance. The 2026-2027 Priority Guidance Plan will identify guidance projects that the Treasury Department and the IRS intend to actively work on as priorities during the period from July 1, 2026, through June 30, 2027.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Senate Finance Committee expects to hear from Bisignano

The Senate Finance Committee is expected to hold a hearing on April 15 – the filing deadline for 2025 individual income tax returns. IRS Chief Executive Officer (CEO) Frank J. Bisignano, who also serves as the commissioner of the Social Security Administration, is expected to appear as the only witness and testify in his capacity as IRS CEO.

Because the IRS CEO is a newly created position and does not require Senate confirmation, the Finance Committee has not previously had a formal opportunity to explore his vision for the agency. This hearing would give senators a chance to question Bisignano on his priorities for the IRS and assess what he has done since taking office, including the agency's handling of the filing season.

Bisignano testified at the House Ways and Means Committee last month where he highlighted the IRS's handling of the 2026 filing season to date and its implementation of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). Democrats used the hearing to address other concerns, including pressing Bisignano over the agency's sharing of taxpayer data with the Department of Homeland Security. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 10, March 6, 2026.)

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Trade corner: US reiterates WTO reforms ahead of 14th ministerial

The United States recommended myriad reforms to the World Trade Organization (WTO) in a new report issued just before the WTO's 14th Ministerial Conference in Cameroon, commonly called MC14, which runs from March 26 to 29. "The WTO needs to change if it intends to have any relevance as the international trading system transitions to focus on reciprocity and balance," United States Trade Representative Ambassador Jamieson Greer said in a statement about the report.

Its suggestions include notification reform, objective criteria for countries to receive special and differential treatment (SDT), developing a path for plurilateral agreements, rethinking the unconditional most-favored nation (MFN) principle, a more transparent and neutral Secretariat with oversight, and protecting security interests. "We intend to be constructive and cooperative as Members prepare for a new and more Member-driven phase of the reform effort," said the report, which follows a previous report on WTO reform issued in December. In addition to the two US reports on WTO reforms, other countries have issued their own versions.

The new report's release followed a House Ways and Means Trade Subcommittee hearing on March 17, which covered many of the same issues ahead of MC14. Members of the panel at the hearing generally agreed that reforms would ensure the WTO's long-term durability and relevance in the global trading system, though views diverged on how and where such reforms should occur, in addition to raising some specific causes such as a permanent ban on customs duties on electronic transmissions or e-commerce. While they acknowledged likely limits to possible outcomes emerging from MC14, several said they hoped the conference would help continue reform conversations.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

A note on our publication schedule

The House and Senate are expected to be out of session for the weeks of March 30 and April 6. As of press time, however, the House has not yet voted on the Department of Homeland Security funding bill that the Senate passed earlier in the day, though some form of House action on DHS funding is anticipated before the chamber departs for its two-week recess. Absent any unexpected tax policy developments, we do not plan to publish an edition of ***Tax News & Views*** until the week of April 13 when Congress is scheduled to return.

Anna Taylor
Managing Principal, Tax Policy
Deloitte Tax LLP