Tax News & Views

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Smith and Wyden talk OBBBA, bipartisanship at symposium; gas tax holiday debate emerges

House Ways and Means Committee Chairman Jason Smith (R-Mo.) and Senate Finance Committee Ranking Member Ron Wyden (D-Ore.) discussed the development and implications of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) during separate appearances at the Tax Council Policy Institute (TCPI) Symposium on May 14.

In his session, Chairman Smith provided background on how the new law came about, describing an extended process of exploring issues affecting working families, farmers, and those who he referred to as “real Americans.” He noted the importance of pursuing a single reconciliation package – rather than two separate bills, an approach he said was favored by the Senate and the White House early in 2025. The chairman also highlighted several noteworthy provisions, describing Trump Accounts as “transformational,” particularly for lower-income individuals in his district. At the same time, he acknowledged that several provisions in the OBBBA generated some controversy during the drafting process, including new deductions for tipped income, overtime pay, and the enhanced deduction for seniors, all of which can be taken regardless of whether the taxpayer itemizes.

He also discussed proposed tax code section 899, which was intended to give the president authority to counter what some have characterized as "unfair foreign taxes," and was originally included in the House-passed version of the bill, but was later dropped from the Senate version before final passage of the new law, following a shared understanding between the Treasury Department and the G7 countries that certain aspects of the OECD's Pillar Two global minimum tax rules would not be applied to US companies. Chairman Smith said that section 899 was used as leverage to push foreign governments "to come to the table and recognize our tax system." (For prior coverage, see *Tax News & Views*, Vol. 26, No. 43, Oct. 31, 2025.)

Ranking Member Wyden, for his part, said during his appearance, that the OBBBA primarily benefited taxpayers "at the top," arguing that tax policy should instead provide broader opportunities for all people to get ahead – an argument he has made in the past. Asked about his proposal to impose taxes on billionaires, which has more than 20 cosponsors, Wyden said wealthy taxpayers often seek to "defer and delay" their tax obligations and are paying significantly less than they should. He emphasized that his proposal is not a wealth tax and would not change statutory rates but rather aims to ensure that high-income taxpayers pay at least some level of tax. (Billionaires Income Tax Act, S.2845)

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

Bipartisanship?

Both taxwriters stressed the importance of bipartisanship and the potential for working together. Chairman Smith – offering specific praise for Ways and Means Committee Ranking Member Richard Neal (D-Mass.) and Rep. Terri Sewell (D-Ala.), also a Ways and Means Committee member – said there remains an opportunity for bipartisan agreement on healthcare, trade, and tax issues related to short-term tax priorities for the remainder of the calendar year, noting that "everything that we move forward in Ways and Means needs to be bipartisan."

The chairman said he attended earlier that day a bipartisan roundtable on tax policy to discuss digital asset issues, an area that continues to draw the attention of the Ways and Means Committee as lawmakers consider questions related to tax treatment, reporting standards, and the implications of a rapidly evolving marketplace.

Ranking Member Wyden similarly pointed to policy areas he said could draw bipartisan interest, emphasizing the importance of healthcare policy and what he described as "fresh incentives" related to long-term care he hopes Republicans will support. He also referenced a tax administration bill he introduced with Senate Finance Committee Chairman Mike Crapo (R-Idaho) – the Taxpayer Assistance and Service Act (TAS Act) – a broad package addressing IRS administration and procedure. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 9, Feb. 27, 2026.)

Gasoline tax holiday

Beyond the OBBBA, lawmakers are also weighing tax relief options aimed at easing consumer cost pressures, including a potential gasoline tax holiday that has drawn renewed attention following public support from President Trump earlier this week. The policy, however, appears to have only mixed support in Congress as a whole and would appear to require congressional action. Several Democrats introduced gas tax holiday legislation earlier this year, with several Republican lawmakers rolling out additional proposals this week. Senate Majority Leader John Thune (R-S.D.) struck a cautious tone on the issue, stating that views on the idea vary, but that he is aware some members support the idea and said he would "hear them out."

Senate Minority Leader Chuck Schumer (D-N.Y.), by contrast, was more openly skeptical, arguing that gas prices have risen since the Iran war began and dismissed gasoline tax relief as insufficient, saying "[l]et's not pretend 18-cents of gas tax relief per gallon makes up for the damage Trump created with this war." Lawmakers would also need to consider the impact of a gas tax holiday on Highway Trust Fund revenues and potential options for how to address any resulting shortfall. (For a June 27, 2022, Congressional Research Service analysis of potential impacts of a federal gasoline tax moratorium, see link.)

Investor-owned housing

Against a broader affordability backdrop, President Trump has again pressed Congress to act on restrictions aimed at home ownership by large institutional investors. Following up on his State of the Union address earlier this year, the president – writing on social media – urged the House to pass the Senate-approved housing bill that would restrict certain purchases of single-family homes by large institutional investors. The Senate-passed package (21st Century ROAD to Housing Act, H.R. 6644, as amended) has been sent to the House where it has not been taken up yet. (For prior coverage of President Trump's State of the Union address, see *Tax News & Views*, Vol. 27, No. 9, Feb. 27, 2026.)

President Trump has previously addressed investor-owned housing through public statements and executive action, and the White House reiterated that stance in a Statement of Administrative Policy, saying it "strongly supports" the Senate package and that, if the Senate amendment to H.R. 6644 were presented to the president in its current form, his advisors would recommend that he sign it into law. (For prior coverage of the executive order, see *Tax News & Views*, Vol. 27, No. 5, Jan. 30, 2026.)

House Committee on Financial Services Chairman French Hill (R-Ark.) issued a statement this week announcing bipartisan agreement on an amended version of the legislation, which may come up for a House vote as soon as the week of May 18.

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IRS details time-limited settlement offers for conservation easement disputes; 2026 filing season update

The IRS has released details of a time-limited settlement opportunity for eligible taxpayers involved in conservation easements or historic preservation easement disputes with the agency. Under the program, eligible partnerships will receive individualized correspondence from the IRS – issued on a rolling basis – outlining their specific settlement terms. Once a settlement letter is issued, an eligible partnership will have 90 days to accept the offer, during which the following terms will apply.

- No charitable contribution deduction will be allowed;
- An "other deduction," in an amount determined by the IRS, generally equal to the partnership's approximate out-of-pocket costs (often based on cash-contributed amounts reflected on Schedule M-2), will be allowed;
- A gross valuation misstatement penalty will apply at a rate of 10 percent;
- Interest will accrue as required by law;
- The partnership will not be required to make payment at the time it elects into the initiative;
- Non-docketed Bipartisan Budget Act (P.L. 114-74) cases will be resolved by closing agreement or similar document;
- Docketed cases will be resolved by stipulated decision; and
- No extension of the 90-day period will be available.

Following the initial 90-day period, eligible partnerships will have an additional 45 days to settle on largely the same terms, though the gross valuation misstatement penalty will apply at a rate of 20 percent. No extension of the 45-day period will be available. The IRS has said the initiative reflects longstanding concerns over misuse of the conservation easement deduction, citing instances in which taxpayers – often encouraged by promoters relying on inflated appraisals – claimed excessive or improper charitable contribution deductions, including cases in which no deduction was permitted under applicable laws and regulations.

Speaking separately at the Tax Council Policy Institute (TCPI) Symposium on May 14, Treasury Department's Assistant Secretary for Tax Policy Kenneth Kies said that he hopes roughly 50 percent of eligible taxpayers will opt into the settlement initiative. He warned that the risk for taxpayers goes beyond the loss of tax deductions, noting they could also face penalties. Kies added that the government's enforcement actions will not stop with easement cases and said officials intend to pursue other transactions as well.

Taxpayers can learn more about the proposed resolution of conservation easement disputes on the IRS website.

2026 filing season update

Kies also discussed the 2026 filing season, noting that, by the week of April 17, more than 60 million taxpayers had claimed tax provisions outlined on Schedule 1-A, reporting deductions for tipped income, overtime pay, interest on certain car loans, and/or the enhanced deduction for seniors, all of which may be claimed regardless of whether a taxpayer itemizes. He said roughly 32 million seniors claimed the senior deduction this year. Kies also highlighted the popularity of Trump Accounts and Form 4547, Trump Account Election(s), which taxpayers must file to open an account. (For prior coverage of IRS Chief Executive Officer Frank J. Bisignano's testimony on filing season, see *Tax News & Views*, Vol. 27, No. 15, April 17, 2026.)

One of the "most remarkable" aspects of the filing season, according to Kies, has been the agency's technology performance. He noted that www.irs.gov recorded roughly 300 million visits last year, compared with about 500 million visits so far this year – an increase he described as a "huge success." Kies added that the agency is already preparing for next year's filing season. (IRS filing season statistics for individual income tax returns comparing statistics through May 2 of last year as compared to the period ending May 1 of this year can be accessed here.)

Upcoming guidance

Speaking at the same TCPI Symposium on May 14, Treasury Department's Deputy Assistant Secretary for Tax Policy Kevin Salinger said that the department is planning to release guidance by the end of this year on numerous provisions enacted as part of the OBBBA, including the university endowment tax, the section 199A passthrough deduction, and the many changes to the tax code's international provisions, among others. He also discussed this year's 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. He said Treasury took a slightly more targeted approach this year, limiting the plan to projects that, given the department's available resources, could realistically be completed within the year. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 13, March 27, 2026.)

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Budget reconciliation details emerge as Senate committees release text

Lawmakers have begun to flesh out the second reconciliation package of the 119th Congress, with the process now moving from budget resolution instructions to legislative detail. Last week, Senate Republicans released text from the two relevant Senate committees, reflecting policy priorities for the filibuster-proof package and accounting for roughly $72 billion of spending authorized by the resolution. The Senate Homeland Security and Governmental Affairs Committee (HSGAC) released legislative text providing approximately $32.6 billion for Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). The Senate Judiciary Committee also released legislation providing about $39.1 billion in total, including about $34.1 billion for ICE and CBP – nearly $31 billion is designated for ICE – with smaller amounts allocated to other components. The nonpartisan Congressional Budget Office has released detailed budgetary estimates for the reconciliation package. Further, lawmakers in both parties – including Senate Minority Leader Chuck Schumer (D-N.Y.) and Senate Appropriations Committee Chair Susan Collins (R-Maine) – have already begun scrutinizing specific funding items included in the package, such as a Secret Service provision that could fund parts of the White House ballroom project. (For prior coverage of the House Republicans' passage of the FY2026 Senate-passed budget resolution (S. Con. Res. 33), see *Tax News & Views*, Vol. 27, No. 17, May 1, 2026.)

In tandem with the release of the legislative text, Senate Republicans and Democrats traded contrasting messages on the proposal. Senate HSGAC Chairman Rand Paul (R-Ky.) and Judiciary Committee Chairman Chuck Grassley (R-Iowa) argued that Democrats remain unwilling to fund border security and immigration enforcement. In response, Senate Budget Committee Ranking Member Jeff Merkley (D-Ore.) criticized the proposals as prioritizing additional funding for ICE and CBP over the economic pressures facing working- and middle-class families, framing the bill as a politically vulnerable Republican choice at a time of rising consumer costs.

At the time of publication, the Senate parliamentarian was reviewing the proposed language for strict compliance with budgetary rules governing reconciliation and had already required portions to be redrafted, potentially complicating President Trump's June 1 deadline to have the reconciliation package passed by Congress and on his desk for signature.

The Senate HSGAC reconciliation text, including a section-by-section summary, is available in a May 4 press release from Chairman Rand Paul (R-Ky.), while the Senate Judiciary Committee's portion is available in a May 4 press release from Chairman Chuck Grassley (R-Iowa).

Reconciliation 3.0?

Although some Republicans have pointed to the possibility of pursuing a third reconciliation package later this year that could include tax items, others caution that it may be premature to focus on a follow-up bill before the current reconciliation package is enacted.

At the same time, discussion of a potential third reconciliation bill continues to shape intraparty dynamics around the second package, which is focused on immigration and border security funding. While last summer's mega bill – the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) – did not foreclose additional tax changes, it did enact many of the GOP's top priorities. Those included making permanent the individual tax-rate structure, temporarily increasing the cap on the state and local tax deduction (SALT), and creating new deductions for tipped income, overtime pay, and interest on certain car loans.

A third reconciliation bill could include a range of items not enacted in the OBBBA. Some lawmakers have suggested that any follow-on package should focus on affordability measures, while fiscal hawks continue to press for deficit reduction. The balance between these competing priorities could shape the contours of any future package.

Advancing another reconciliation package by the end of the year, however, would first require both chambers to adopt an identical budget resolution establishing the bill's broad outlines, a process that could take time and come with difficult political tradeoffs. As a result, that leaves a key question for any potential "Reconciliation 3.0" effort – whether enough congressional Republicans can coalesce around a narrower set of priorities that fits within the fiscal and political constraints of what can pass in a narrowly divided House and Senate, particularly as the midterm elections draw closer.

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New rules for fertility benefits, significant issue ruling program, tipped income deduction

A series of guidance was issued relevant to the current tax landscape, including rules on fertility benefits, the significant issue ruling program for corporate transactions, and a new deduction for tipped income.

Treasury, IRS, and other government agencies release proposed rules on fertility benefits

The Treasury Department, the IRS, and other government bodies, released proposed rules (REG-118484-25) that would establish certain fertility benefits as a new category of limited excepted benefits. Such benefits are generally exempt from market requirements added by the Health Insurance Portability and Accountability Act, the Patient Protection and Affordable Care Act, the No Surprises Act, and certain other Federal laws specifically related to group health plans and group and individual health insurance coverage.

IRS reinstates significant issue ruling program for corporate transactions

On May 5, 2026, the IRS published Rev. Proc. 2026-21, which reinstated a significant issue ruling program for certain corporate transactions under the jurisdiction of the Associate Chief Counsel (Corporate). As a result, in addition to transactional rulings, the IRS will now issue letter rulings on one or more legal issues rather than the entire transaction (or a portion thereof) where those issues: (i) are solely under the jurisdiction of the Associate Chief Counsel (Corporate), (ii) are "significant" as defined in Rev. Proc. 2026-21, and (iii) involve the tax consequences or characterization of a transaction (or part of a transaction) described in sections 332, 351, 355, 368, or 1036.

Rev. Proc. 2026-21 modifies and amplifies Rev. Proc. 2026-1 and Rev. Proc. 2026-3 and is effective for ruling requests postmarked or received after May 5, 2026. (Both Rev. Procs. 2026-1 and 2026-3 are published in Internal Revenue Bulletin No. 2026-1.) A new alert from Deloitte Tax LLP professionals provides additional details on the revenue procedure.

Deloitte offers details on final regulations on new deduction for tipped income

On April 13, 2026, the IRS and the Treasury Department published final regulations (T.D. 10044) under section 224 (the "Final Regulations"), related to the income tax deduction for qualified tips. The Final Regulations finalize, largely without major changes but with some clarifications, proposed regulations (the "Proposed Regulations", REG-110032-25) published in the Federal Register on September 22, 2025. Section 224 was added to the Internal Revenue Code by section 70201 of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21).

A new alert from Deloitte Tax LLP professionals provides additional details on the Final Regulations, including a list of occupations that receive tips, the definition of qualified tips, details on the specified service trade or business exclusion, deduction limits and mechanics, and information reporting requirements. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 15, April 17, 2026.)

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

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Ways and Means Subcommittee explores impact of OBBBA

The House Ways and Means Committee's Tax Subcommittee is scheduled to hold a hearing Tuesday, May 20, at 10:00 a.m. EST, exploring the impact of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) – which some Republicans refer to as the Working Families Tax Cuts – on workers' income and take-home pay. As of press time, the committee has not released a witness list.

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