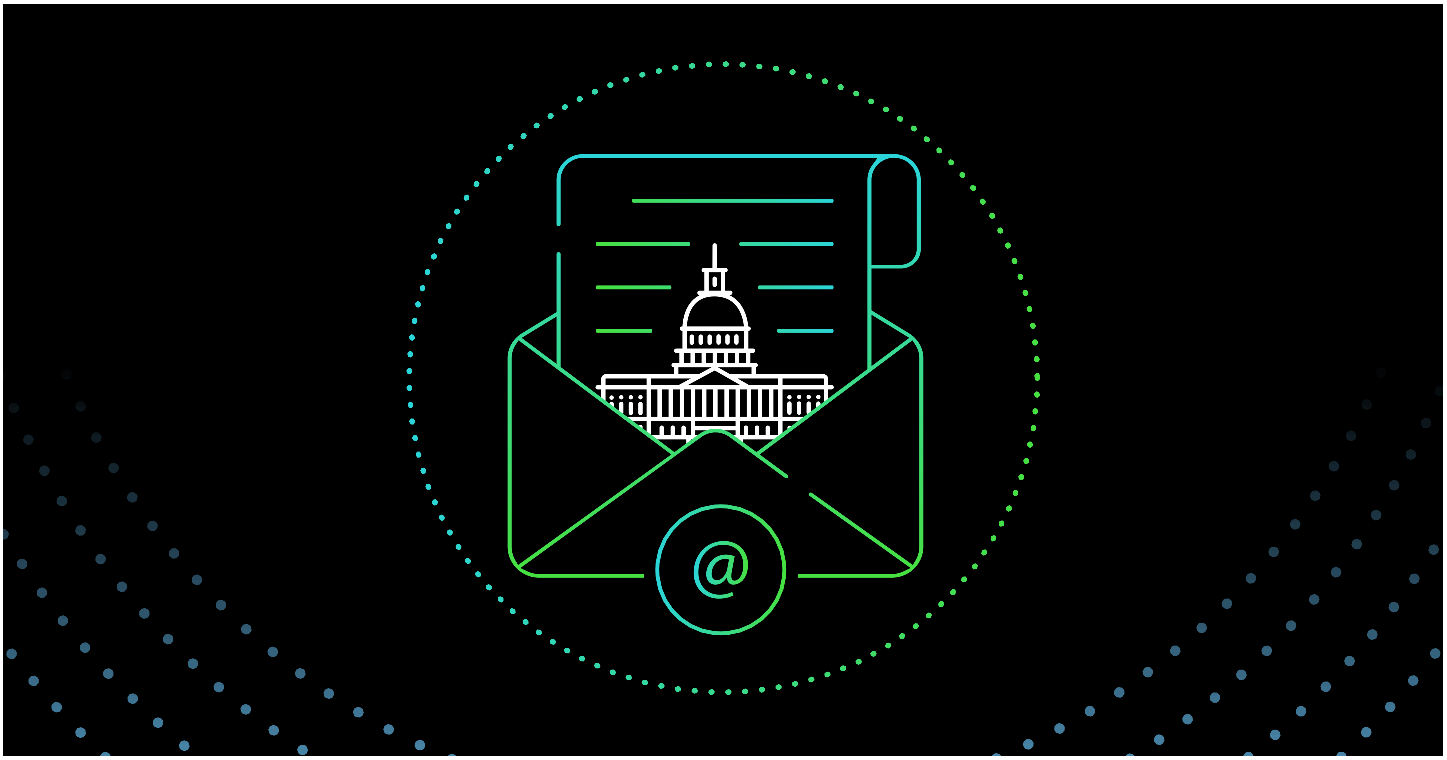

Tax News & Views

In this issue:

House taxwriters advance measures on tax-exempt organizations, foreign funding

During a July 22 markup, the House Ways and Means Committee approved four Republican-sponsored bills that would expand disclosure requirements for certain tax-exempt organizations, impose penalties for the use of foreign contributions in political activity, require additional reporting of fiscal sponsorship arrangements, and clarify the treatment of religious beliefs under section 501.

In his opening statement, Ways and Means Committee Chairman Jason Smith (R-Mo.) highlighted the growth of the tax-exempt sector, noting that approximately 1.6 million charitable organizations collectively hold $4.8 trillion in net assets, accounting for about 15 percent of the economy. He also argued that the sector can be vulnerable to foreign influence and said US elections should not be subject to interference by foreign nationals. Smith contended that the Committee has uncovered incidents of organizations abusing their tax-exempt status and said the bills under consideration would “rein in rogue actors in the tax-exempt space and redirect the sector’s focus on its primary charitable purpose.”

By contrast, Ranking Member Richard Neal (D-Mass.) devoted much of his opening statement to affordability concerns rather than the legislation being marked up. Neal argued that, with the House preparing to depart for more than a month-long recess, Republicans were failing to prioritize "bringing relief to families [who are] struggling." He pointed to what he described as rising costs for healthcare, groceries, and gasoline, noting that the price of gasoline has once again exceeded $4.00 per gallon.

Debate on the Republican-authored proposals largely fell along party lines.

(House Ways and Means Committee materials related to the markup are accessible on its website.)

Foreign funding and political activity

Two of the measures would address foreign contributions to tax-exempt organizations and their potential use in US political activity. (For prior coverage of predecessor legislation to H.R. 9772 and 9771, see *Tax News & Views*, Vol. 25, No. 18, May 17, 2025.)

Disclosure of foreign contributions to tax-exempt organizations: The Foreign Funding Transparency Act (H.R. 9772), sponsored by Ways and Means Oversight Subcommittee Chairman David Schweikert (R-Ariz.), would require certain tax-exempt organizations to disclose information about foreign contributions they receive in their annual return, generally a Form 990 series return.

Democrats, including Reps. Judy Chu (D-Calif.) and Danny Davis (D-Ill.), argued that the proposal would impose significant new administrative burdens on tax-exempt organizations. Chu said the measure could require organizations to determine the nationality of every donor before accepting a contribution, "even a $1worth" donation, resulting in additional paperwork and less time devoted to serving their communities. Rep. Davis similarly warned that the proposal could have a "chilling effect" on the ability of tax-exempt organizations to carry out their missions.

The proposal, which was approved 23-18, would require a "specified tax-exempt organization" to disclose: (1) the aggregate amount of contributions received from foreign nationals during the taxable year, and (2) the portion of those contributions attributable to each "foreign country of concern." The term is defined by reference to section 10612 of the Research and Development, Competition, and Innovation Act (P.L. 117-167), which includes the People's Republic of China, the Democratic People's Republic of Korea, the Russian Federation, the Islamic Republic of Iran, or any other country determined to be a country of concern by the Department of State.

The reporting requirement would apply to organizations with at least $200,000 in gross receipts during the preceding taxable year or at least $500,000 in assets at the close of that year.

The bill would apply to returns filed for taxable years beginning after the date that is one year after the enactment date. The Joint Committee on Taxation (JCT) (JCX-35-26) staff estimated that the measure would have a negligible effect on federal fiscal year budget receipts over the 2027-2036 budget window.

Foreign influence in elections: The Stopping Foreign Influence in Elections Act of 2026 (H.R. 9771), sponsored by taxwriter Nicole Malliotakis (R-N.Y.), would impose penalties on certain tax-exempt organizations that receive contributions from foreign nationals and subsequently transfer those contributions to political committees. As with H.R. 9772, the proposal would apply to section 501(c) organizations with at least $200,000 in gross receipts during the preceding taxable year or at least $500,000 in assets at the close of that year. Organizations may rely on a donor's representation regarding nationality unless the organization knew or should have known that the representation is false. The proposal cleared the panel by a party-line vote of 23-16.

Democrats, including Reps. Steven Horsford (D-Nev.), argued that the proposal targets tax-exempt organizations for political reasons. Rep. Horsford said the measure would disproportionately affect organizations such as labor unions and could have the effect of silencing the voices of working men and women.

Rep. Lloyd Doggett (D-Texas) raised separate concerns about how the proposal would be applied in practice. He argued that the proposal could unfairly target tax-exempt organizations that are not attempting to influence elections. Although Rep. Doggett agreed with Republican taxwriters that foreign money should not be used to influence US elections, he said the bill would do little to address that concern and instead create a "trap" for law-abiding organizations. He argued that if a nonprofit receives "even a single gift" from a noncitizen within a two-year window, a later contribution by the organization could be treated as disqualified and subject to escalating penalties.

The bill would be effective for contributions made after the date that is one year after the enactment date. The JCT (JCX-36-26) staff estimated that the measure would increase federal fiscal year budget receipts by less than $500,000 over the 2027-2036 budget window.

Fiscal sponsorship arrangements

The Fiscal Sponsorship Transparency Act (H.R. 9721), sponsored by taxwriter Lloyd Smucker (R-Pa.), would require reporting by certain charitable organizations that engage in fiscal sponsorship arrangements. Under the proposal, organizations would be required to report information on each fiscal sponsorship arrangement, including the parties to the arrangement, aggregated amounts provided, a description of the sponsored activities, the principal officer managing the arrangement, and its beginning and ending dates.

The proposal codifies the definition of fiscal sponsorship arrangement. Under such an arrangement, a tax-exempt organization agrees to collect and manage the funds for a nonexempt person or a specific project, while retaining discretion and control to ensure the funds are used in furtherance of the organization's exempt purpose(s). The arrangement may involve administering funds on behalf of another entity or sponsoring a particular project for which donations are solicited and the amounts are made available for the organization.

Democratic members raised concerns about the proposal's potential impact on nonprofit organizations. Rep. Mike Thompson (D-Calif.) argued that, rather than fostering charitable innovation, the proposal would create uncertainty for the tax-exempt sector. It would impose new reporting requirements, establish new taxes on the organization and the manager, and leave key terms to be defined through future regulations. Rep. Thompson contended that existing fiscal sponsorships already comply with current law and cautioned against creating a "chilling effect" on nonprofits.

The proposal applies to taxable years beginning after December 31, 2027; it is estimated to have a negligible effect on federal fiscal year budget receipts over the 2027-2036 budget window, according to the JCT (JCX-37-26). The committee cleared the proposal by a 23-15 vote.

The committee's action comes amid broader administration efforts to increase transparency around fiscal sponsorship arrangements. In an April 23 press release, Treasury announced that the IRS plans to revise Form 990 to require clearer reporting of such arrangements. Treasury said the changes are intended to address concerns that some arrangements can obscure "who is operating a project, who controls project funds, and how those funds are being used."

Religious beliefs

Also, during the markup, the committee voted 23-16 to approve the Fair Treatment of Religious Organizations Act of 2026 (H.R. 9722), sponsored by taxwriter Blake Moore (R-Utah). The proposal would amend section 501 to provide that a religious belief or practice concerning marriage, sexuality, or gender identity is not treated as inconsistent with law or public policy. Under the bill, a belief shall not fail to be treated as a religious belief merely because such belief is not compelled by, or central to, a system of religion.

Rep. Gwen Moore (D-Wis.) focused her criticism on the bill's scope, arguing that the bill's language is overly broad and could have unintended consequences by sweeping in a wide range of circumstances beyond its stated purpose.

The proposal is effective for taxable years beginning after December 31, 2025. The JCT (JCX-38-26) staff estimated the bill to have no effect on federal fiscal year budget receipts over the 2027-2036 budget window.

i

Next steps uncertain

It is unclear when or if any of the committee-approved bills will receive House floor consideration. Even if approved by the House, the bills would still face an uncertain path in the Senate. As a result, it remains possible that individual provisions could ultimately advance as part of a broader legislative package later in the year rather than as stand-alone measures. The committee's action marks its second tax-exempt legislative effort this summer. Earlier this month, the proposal, which advanced on a party-line vote, would expand reporting requirements on tax-exempt hospitals. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 25, July 2, 2026.)

House panel advances bill requiring congressional approval of D.C. tax and fee increases

In other House action, the Committee on Oversight and Government Reform advanced the D.C. Taxing Authority Review Act (H.R. 9720) to the full House by a 23-18 vote. Sponsored by Chairman James Comer (R-Ky.) and 21 Republican cosponsors, the bill would require congressional approval of District of Columbia acts that impose or increase a tax or fee. The bill would also establish expedited procedures for congressional consideration of those measures.

This proposal comes several months after Congress took action under the D.C. Home Rule Act in response to a D.C. law that decoupled its tax code from more than a dozen provisions of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), including the tax treatment of tipped income, overtime pay, and certain business incentives (H.J. Res. 142). President Trump signed H.J. Res. 142, a joint resolution disapproving the D.C. Council's tax conformity legislation, although D.C. officials have disputed whether Congress acted within the applicable Home Rule Act review period. Further, the dispute highlighted long-standing tensions between congressional oversight of the District and its authority to make its own tax policy decisions. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 7, Feb. 13, 2026.)

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Brooke nomination advances to full Senate; Salinger replaces Kies

Two key administration positions saw developments this week, as a Senate panel advanced Francis Brooke's nomination for Treasury deputy secretary, while Treasury turned to Kevin Salinger to fill the tax policy leadership vacancy created by Kenneth Kies' departure.

Treasury's deputy secretary position

In the Senate, Francis Brooke, President Trump's nominee to serve as the Treasury Department's deputy secretary, cleared the Finance Committee on July 23 when it voted 14-13 to recommend his confirmation. If confirmed by the full Senate, he will become the department's second-ranking official and play a key role in overseeing Treasury's operations and implementing the administration's economic agenda.

At last week's nomination hearing, Brooke outlined three priorities for the role: fostering economic growth by reducing government spending, incentivizing savings, and cutting regulatory burdens; reforming the international economic system; and strengthening economic security, which he described as a component of national security. He also emphasized the importance of implementing President Trump's economic agenda, arguing that sound economic policy is critical to the country's success. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 26, July 17, 2026.)

Meanwhile, Senate Finance Committee Chairman Mike Crapo (R-Idaho) endorsed Brooke's nomination at last week's hearing and highlighted his experience, saying it would position him to support Treasury Secretary Scott Bessent as the department continues implementing the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), which many Republicans refer to as the Working Families Tax Cuts Act. Ranking Member Ron Wyden (D-Ore.), by contrast, said Brooke had failed to provide Congress with "straight answers" on issues involving the president and questioned whether he possessed the independence necessary to serve as Treasury's second-ranking official.

In addition, the committee also voted favorably on the nominations of Erin Browne to serve as Treasury undersecretary for international affairs, and Sriprakash Kothari and George McMaster, to serve as assistant secretaries of the Treasury for economic policy and financial markets, respectively.

Salinger replaces Kies, Treasury's top tax policy advisor

Kevin Salinger is serving as acting assistant secretary for tax policy following the departure of Kenneth Kies. Prior to the announcement, Salinger was serving as Kies' deputy. Kies served in the position for roughly a year, joining Treasury as Congress considered legislation that ultimately became the OBBBA and oversaw much of the department's initial implementation work. Salinger now leads the office responsible for developing, recommending, and implementing federal tax policy on behalf of the department. (Treasury's Office of Tax Policy website, including key personnel)

Salinger will also assume Kies' second role as acting IRS chief counsel, a position that has lacked a Senate-confirmed person since Marjorie Rollinson retired on January 17, 2025. He will serve in that capacity pending Senate confirmation of President Trump's nomination of Jim Gadwood. (For prior coverage, see *Tax News & Views*, Vo. 27, No. 24, June 26, 2026.)

Kies' departure has drawn scrutiny from Senate Democrats. Ranking Member Wyden, Senate Minority Leader Chuck Schumer (D-N.Y.), and 11 Democratic members of the Senate Finance Committee, sent a letter to Acting Inspector General for Tax Administration Heather Hill requesting an investigation into the circumstances surrounding Kies' departure from Treasury and the IRS. The lawmakers also asked Hill to provide Congress with a report on its findings. (Ranking Member Wyden's press release)

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

House adopts short-term funding measure, FY2027 budget resolution

Largely along party lines, House Republicans adopted a short-term funding measure (H.R. 9770) by a vote of 220-205 that would keep the federal government, including the Treasury Department and the IRS, funded at current levels through December 4, roughly one month after the midterm elections. The House acted several months ahead of the September 30 deadline to provide funding for the federal government at the start of fiscal year 2027, reflecting the limited scheduled legislative time remaining before the end of the fiscal year.

Attention now turns to the Senate. On Tuesday, Senate Majority Leader John Thune (R-S.D.) said that Senate Appropriations Committee Chair Susan Collins (R-Maine) is working with Democratics on that committee "to find a path forward" on a bipartisan funding measure that would keep the government open until after the midterm elections and avoid a shutdown. Thune said he "intends to bring [such a measure] to the floor for a vote before the August break," which the Senate is scheduled to begin in two weeks. He also signaled that his immediate focus remains on government funding, while consideration of a budget resolution to unlock a third reconciliation bill in this Congress could wait until later in the year. The House advanced its version of a FY2027 budget resolution the following day.

Separately, the House Appropriations Committee has approved all 12 annual appropriations bills, including the Financial Services and General Government (FSGG) measure that funds the Treasury Department and the IRS. Even as House leaders have advanced a short-term continuing resolution (CR) to avert a lapse in government funding at the end of the fiscal year, committee approval of the annual spending bills lays the groundwork for broader FY2027 funding negotiations.

House adopts FY2027 budget resolution, unclear path in the Senate

On July 22, for the sole purpose of trying to enact another party-line budget reconciliation bill, the House adopted the fiscal year 2027 budget resolution (the Concurrent Resolution on the Budget for Fiscal Year 2027, H. Con. Res. 113) by a 216-214 vote, despite concerns from some House Republican lawmakers that the fiscal blueprint does not contain offsets for its proposed reconciliation spending increases. The vote followed a July 16 markup in which the House Budget Committee approved the budget resolution, which includes instructions to several committees to report back legislation to increase spending by $95 billion. The measure passed the full House with the support of nearly all Republican lawmakers, with only Reps. Thomas Massie (R-Ky.) and Warren Davidson (R-Ohio), along with Rep. Kevin Kiley (I-Calif.), an independent who caucuses with the Republicans, opposing it.

Although the House has now adopted a FY2027 fiscal blueprint that opens the door to yet another reconciliation bill, the path forward in the Senate remains unclear. Majority Leader Thune has signaled that reaching an agreement to fund the government beyond September 30 remains his most immediate priority, leaving questions unanswered about whether Senate Republicans will pursue a reconciliation effort this Congress, and if so, when they intend to begin the process.

During a White House press briefing this week, Press Secretary Karoline Leavitt described the SAVE America Act (H.R. 7296) (a measure largely focused on election integrity) as a top priority for President Trump and said he wants to see as much of the legislation enacted as possible before the August recess. "The House did its job, the Senate needs to do its job," she said, pointing to the House's adoption of a FY2027 budget resolution, which House Republicans have characterized as a vehicle for advancing certain election-integrity priorities aligned with the SAVE America Act. She also said that Trump's "patience is running out," as the administration presses the Senate to act on the legislation. Thune, however, suggested that those urging Senate action should focus on securing the necessary support for the bill.

The reconciliation instructions in the House-adopted budget resolution direct four House committees to report legislation that would increase the deficit by a combined $95 billion over the FY2027-FY2036 budget window. Specifically, it provides reconciliation instructions of $60 billion in deficit spending by the Armed Services Committee, $13 billion by the Permanent Select Committee on Intelligence, $12 billion by the Committee on Agriculture, and $10 billion by the Committee on House Administration. Thus, the funding is intended to support funding of defense activities related to the war with Iran, farm assistance, and election-security initiatives. However, the resolution does not provide reconciliation instructions to the Ways and Means Committee, suggesting House leaders are not currently planning to use this reconciliation vehicle for additional tax legislation.

Notably, the budget resolution neither directs any committee to identify offsets to pay for the new spending nor provides instructions to Senate committees. The House and Senate would still need to adopt a budget resolution in identical form before the budget reconciliation process is unlocked.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

OIRA reviews guidance related to FDDEI; tax alert on QOZs

The Office of Information and Regulatory Affairs (OIRA) (RIN:1545-BR85) this week received for review proposed regulations implementing amendments made to section 250 by section 70322 of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) for determining a US corporation's foreign derived deduction eligible income (FDDEI). The review comes after the Treasury Department and the IRS released Notice 2025-78 which announced their intention to issue regulations addressing the scope of new exclusions from deduction eligible income for certain sales or dispositions of property. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 48, Dec. 12, 2025.)

Deloitte issues tax alert on qualified opportunity zones, Notice 2026-40

Deloitte Tax LLP issued a new tax alert on Notice 2026-40, which provides transitional guidance and announces the Treasury Department and the IRS's intent to issue similar proposed regulations on the qualified opportunity zone (QOZ) program under sections 1400Z-1 and 1400Z-2 to reflect amendments to that program by the OBBBA. The notice clarifies several aspects of the ongoing QOZ designation process and the upcoming gain inclusions for current investors, as well as providing several exceptions and safe harbors for existing qualified opportunity funds (QOFs) and qualified opportunity zone businesses (QOZBs) to continuously comply with the program requirements after 2026. Notice 2026-40 also indicates that the forthcoming proposed regulations will include similar rules and safe harbors described in this notice.

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

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Trade corner

USTR finalizes forced labor-related tariffs under section 301

The United States Trade Representative on July 23 announced final action under section 301 of the Trade Act of 1974 to impose new tariffs of 10 percent and 12.5 percent on 60 economies after determining they failed to impose and/or enforce a prohibition on goods produced with forced labor, giving them advantages over US competition. The final decision is based on findings from investigations detailed in a report issued last month. The section 301 tariffs took effect July 24, the same day that temporary global 10 percent tariffs imposed under section 122 of the Trade Act of 1974 expired. The section 122 tariffs were put in place after other global tariffs imposed under the International Emergency Economic Powers Act were invalidated by the Supreme Court in February. "Today's action will begin to correct what is both a human rights abuse and distortive trade practice to improve the welfare of workers everywhere," US Trade Representative Jamieson Greer said in a statement on the section 301 tariffs. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 22, June 12, 2026.)

USTR said 10 percent is the appropriate rate for Argentina, Bangladesh, Cambodia, Canada, Ecuador, El Salvador, Guatemala, Honduras, India, Indonesia, Jordan, Malaysia, Mexico, Pakistan, Sri Lanka, Trinidad and Tobago and the United Kingdom. In addition, 10 percent or 12.5

percent, net of the applicable "most-favored-nation" rate, is appropriate for certain products of the European Union, Taiwan, Japan, Korea and Switzerland, according to USTR, and 12.5 percent is the appropriate rate for all other investigated economies including China. Exemptions are available for goods subject to tariffs under section 232 of the Trade Expansion Act of 1962, eligible goods under the Agreement on Trade in Civil Aircraft, goods originating under the US-Mexico-Canada Agreement (USMCA), certain natural resources and specific goods negotiated with countries with Agreements on Reciprocal Trade, among others. USTR will also establish a tariff-rate quota for certain textiles and apparel from select countries.

US gives 30 days' notice that it will ratchet up tariffs on Canada

The US announced a 50 percent additional tariff rate on certain goods from Canada, set to take hold next month, according to three White House proclamations President Donald Trump signed on July 20. The new duties are based on section 338 of the Tariff Act of 1930, and are being issued in response to findings by the administration that Canada's trade policies have discriminated against the US automotive, alcohol and dairy industries.

The new tariffs, which by law require 30-days' notice prior to becoming effective, are scheduled to take effect August 19. They will apply to 554 tariff classifications representing a wide range of agricultural products, alcohol, cosmetics, chemicals, textiles, equipment, consumer goods, wood and paper, and ice hockey and field hockey equipment made in Canada. The section 338 tariffs will apply to the identified list of goods with certain exemptions. Goods qualified as originating under the USMCA will not be eligible for an exemption from the new tariffs, which differs from the current treatment of USMCA qualifying goods for tariffs under section 122 (which expired on July 24). Only goods subject to tariffs under section 232 of the Trade Expansion Act of 1962, as well as eligible goods under the Agreement on Trade in Civil Aircraft, will be exempt from the new tariffs.

Greer has repeatedly pointed out that Canada is one of only two US trading partners, along with China, to take retaliatory measures against US goods while the US has been negotiating reciprocal trade deals during Trump's second term. "Today, President Trump took decisive action to hold Canada accountable for its retaliation and discrimination, delivering on his promise to correct trade imbalances and ensure fairness for American workers, farmers, and businesses," Greer said in a statement on the section 338 tariffs. [The White House also specifically noted energy, potash, fish, and critical minerals as excluded categories.]

USTR testifies in Congress

Greer explained the section 338 tariffs during testimony before the Senate Finance Committee July 22, noting that the vast majority of Canada's exports to the US have received preferential treatment up to this point in Trump's second term. He described the new tariffs as tailored against tariff rate quota caps on US cars, provincial bans on US alcohol, and tariff rate quota caps on US dairy such as cheese, reflecting administration policy to try to strike a balance between liberal trade in North America and protecting US industries.

Questioned by Ranking Member Ron Wyden (D-Ore.) on how new tariffs on Canada compare to tariffs on China, Greer said they aren't equal. "China is by far much higher than Canada overall," Greer said. Other lawmakers from both parties raised concerns about the status of USMCA extension negotiations, and specifically about US agriculture losing market access to Canada and Mexico. Greer said the US is keeping market access in both countries' markets, and when Chairman Mike Crapo (R-Idaho) asked how long the USMCA negotiations would take, Greer said "we're moving with all due speed on this" and added that he's hopeful to have options for Trump and Mexico and Canada's leaders to consider by year's end. "I would love to have between now and the end of the year at least some arrangements – one with Canada, one with Mexico," Greer said. He added that discussions would run into next year on some issues like rules of origin, and enforcing labor and environment standards. Greer said that he was scheduled to travel to Mexico after the hearing.

Greer also fielded questions about fertilizer and rare earth minerals supply chains during the hearing, and in both cases said the US would continue negotiating with China while also emphasizing domestic production.

Trump floats generic drug tariff timeline

In a social media post July 21, Trump wrote that generic pharmaceuticals would continue to be imported tariff-free for two more years but then face a 100 percent tariff rate beginning August 1, 2028, followed by 200 percent starting a year after that. "This is done in order to RESHORE Generic Pharmaceutical Production into America, with a penalty to those Companies that decide not to build Plant and Equipment within the stated period of time given to them," Trump wrote. His announcement follows a proclamation issued under section 232 earlier this year indicating tariffs of up to 100 percent on certain patented pharmaceuticals and associated active pharmaceutical ingredients (API) starting at multiple points this year. (The Truth Social post has not been followed by any formal action.) (For prior coverage, see *Tax News & Views*, Vol. 26, No. 15, April 17, 2026.)

Aluminum tariff adjustment program announced

A company with a government-approved plan to build, refurbish or expand a US facility that will produce primary aluminum could qualify for a discounted tariff rate on imported primary aluminum, according to terms of a White House proclamation issued July 20. In it, Trump called for the Commerce Department to set up an incentive program to encourage companies to build new factories, expand their facilities or refurbish outdated ones to boost domestic production of primary aluminum. If the department accepts a company's onshoring plan, which needs to include a commitment to start construction by January 20, 2029, the company could annually import primary aluminum of a quantity that corresponds to the domestic facility's reasonably expected annual output of primary aluminum when the onshoring project is completed, at half the tariff rate in effect under section 232.

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP