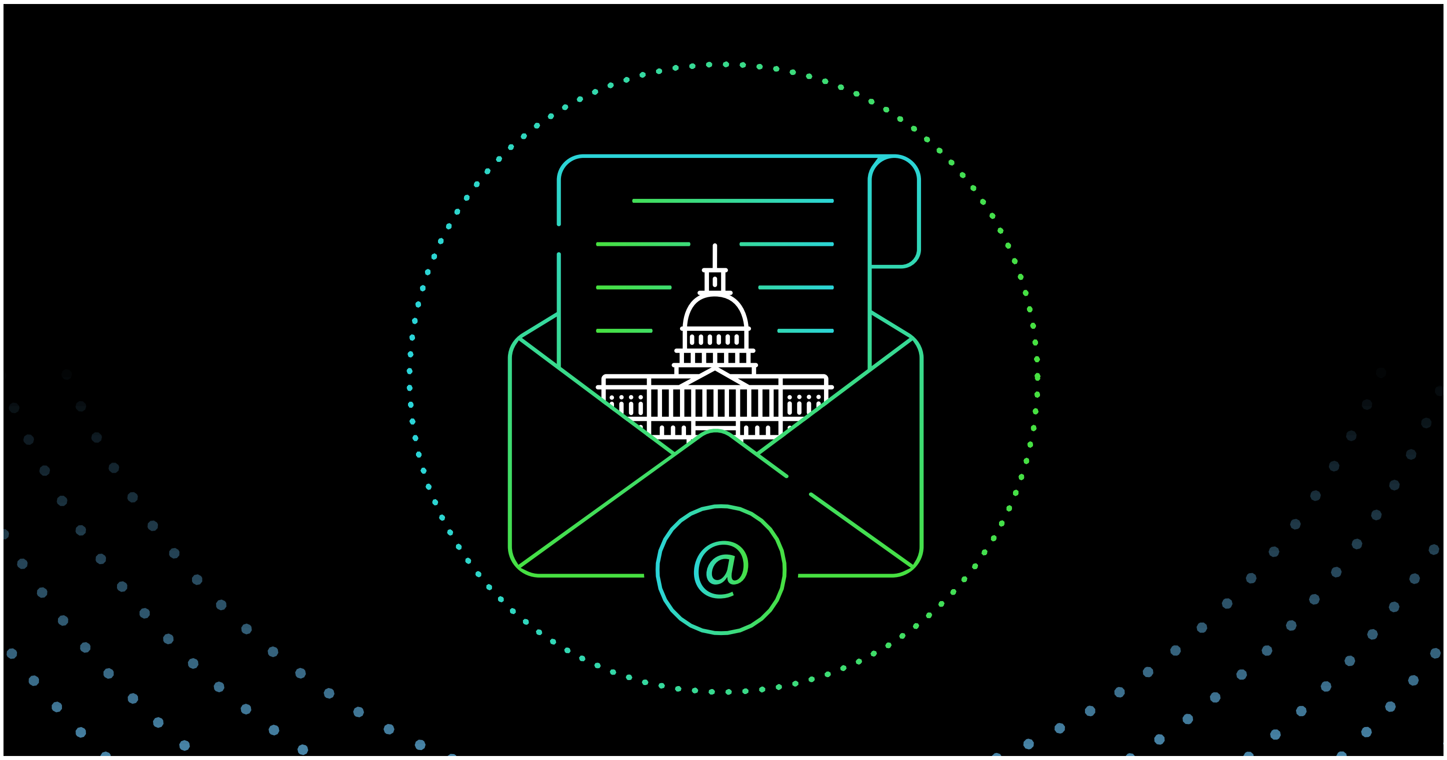

Tax News & Views

In this issue:

Senate passes stopgap funding measure, sets up House-Senate negotiations

With overwhelming bipartisan support and ahead of the chamber's scheduled five-week state work period, the Senate voted 90-6 to pass a short-term measure that would extend current funding levels through December 11. The legislation would prevent a lapse in funding for federal agencies, including the Treasury Department and the IRS, when current government funding expires on September 30, the end of fiscal year 2026.

Senate passage came after the House passed a separate stopgap measure (H.R. 9770) that would extend funding until December 4. With each chamber having approved a different version of the legislation, the chambers will need to reconcile those differences before a final measure can be cleared for the president's signature. Given the House has already departed for its previously scheduled district work period, future action would not be expected at least until the House returns the week of August 31. (For prior coverage of the House's legislative action on H.R. 9770, see *Tax News & Views*, Vol. 27, No. 27, July 24, 2026.)

IRS funding: The continuing resolution (CR) through December 11 would generally maintain the IRS's FY2026 funding level of $11.2 billion, which is roughly nine percent below the prior fiscal year. By comparison, that funding level exceeds both the administration's FY2027 request of $9.8 billion and the approximately $10.2 billion provided in the House Appropriations Committee passed version of the FY2027 Financial Services and General Government bill, which funds the Treasury Department and the IRS. (For prior coverage of FY2026 and FY2027 IRS funding, see *Tax News & Views*, Vol. 27, No. 3 , Jan. 16, 2026; *Tax News & Views*, Vol. 27, No. 16, April 24, 2026.)

Relevant materials related to the Senate's short-term funding measure are available on the Senate Appropriations Committee's website. The nonpartisan Congressional Budget Office (CBO) also has released an estimate of discretionary spending under division A, which covers the continuing appropriations through December 11, as well as budgetary effects over the 2026-2036 period for divisions B through D, which include extensions of various expiring programs, expenditure authorities, and other authorizing provisions. (CBO's website)

Funding bill receives bipartisan support

Senate leaders and appropriators from both parties pointed to the measure as evidence that bipartisan negotiations on government funding remain possible despite broader disagreements over other fiscal policy matters.

Senate Majority Leader John Thune (R-S.D.) described the measure as a "strong, bipartisan piece of legislation" in a floor speech this week, and thanked Senate Appropriations Committee Chair Susan Collins (R-Maine) and Ranking Member Patty Murray (D-Wash.) for their work. Senate Minority Leader Chuck Schumer (D-N.Y.) similarly called the package a "[r]esponsible path forward that allows continued bipartisan negotiations on a budget that delivers for American families." (Majority Leader Thune statement, Minority Leader Schumer statement)

Chair Collins called the measure a "major step toward averting a damaging shutdown," noting that it would extend current funding levels through December 11 while including targeted adjustments for several programs, such as Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), national security, and disaster relief. (Majority press release)

Sen. Murray likewise pointed to the bipartisan negotiations that produced the measure, while emphasizing several Democratic priorities included in the package. She said the Senate package removed a provision in the House-passed bill that Democrats argued could allow additional funding transfers to US Customs and Border Protection (which received a dedicated, multi-year stream of funding in a budget reconciliation bill enacted earlier this year) and maintained authorizations for certain "health, veterans, and infrastructure" programs for the duration of the CR. Murray also noted that the measure would temporarily block implementation of a proposed Office of Management and Budget rule on federal grants that Democrats have criticized. (Minority press release)

Senate yet to advance individual FY2027 spending bills

While the House Appropriations Committee has completed action on all 12 FY2027 appropriations bills, including the Financial Services and General Government measure that funds the Treasury Department and the IRS, the Senate Appropriations Committee has not yet advanced any of its spending bills. The contrast underscores the amount of work that remains as lawmakers seek to negotiate full-year FY2027 funding levels while also considering a CR to extend government funding into December.

Next steps

The Senate's action shifts attention to the House, where lawmakers will need to decide whether to accept the Senate proposal or pursue an alternative approach to keep the federal government funded. Any final funding package must clear both the House and the Senate and be signed into law by the end of the fiscal year, and with both chambers spending most of August on recess, a resolution is still several weeks away.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Senate passes disaster relief bill

On August 7, the Senate passed by unanimous consent the Federal Disaster Tax Relief Act of 2025 (H.R. 5366) – renamed the Doug LaMalfa Federal Disaster Tax Relief Act – which 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. (For prior coverage of the measure in the House, see *Tax News & Views*, Vol. 27, No. 17, May 1, 2026.)

The casualty loss provision would apply to losses incurred in taxable years beginning after December 31, 2024, and generally would cover disasters with incident periods beginning between December 28, 2019, and January 1, 2027. The wildfire-related exclusion would apply to payments received in taxable years beginning after December 31, 2025, for federally declared disasters occurring after December 31, 2014, and before January 1, 2027.

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 in the House on September 15, 2025, by a bipartisan group of House lawmakers.

Next steps

Having passed the House in April and cleared the Senate August 7, the measure is expected to be sent to President Trump for his signature. If enacted, the measure would codify disaster-related tax relief provisions affecting certain casualty losses and wildfire relief payments.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Senate Finance panel explores Social Security trust fund options; Crapo, Wyden support extending section 48D

The Senate Finance Committee held a hearing on Wednesday, August 5 on Social Security's long-term financial outlook, following a session held earlier this summer by the panel's Subcommittee on Social Security, Pensions, and Family Policy. Actuaries predict that early in the next decade, the program will not be able to pay full promised benefits, an outcome that both political parties will find unpalatable, and which may serve as the catalyst for making policy changes needed to stave off that result. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 24, June 26, 2026.)

Social Security taxes under the Federal Insurance Contribution Act (FICA) are imposed at 6.2 percent for both the employer and the employee (12.4 percent total) on wages up to the annual, inflation-adjusted wage base, which is $184,600 for tax year 2026. (Publication 15 (Circular E), Employer's Tax Guide, for use in 2026)

i

During the hearing, Senate Finance Committee Chairman Mike Crapo (R-Idaho) emphasized the need to strengthen and protect Social Security for current and future beneficiaries, describing the program as the "cornerstone of retirement security." He said the hearing was intended to explore a range of proposals, draw lessons from past efforts, and move forward on a bipartisan basis. Crapo also discussed whether Congress should rely on an independent commission to develop recommendations or whether Congress should take the lead in crafting and advancing a legislative solution.

Ranking Member Ron Wyden (D-Ore.) likewise stressed the need for a bipartisan approach to address Social Security's long-term financing challenges but argued that any solution should require higher-income individuals to contribute more to the program, saying that "[a]ll we need to do is require billionaires, who have seen their wealth skyrocket to over $9 trillion this year while working people struggle with their grocery bills, to pay their fair share" through the payroll tax system, suggesting that his preferred route is to raise or otherwise modify that so-called "tax-max" level.

Although the hearing addressed several issues related to Social Security's long-term financial outlook, one recurring point of discussion was whether changes to the payroll tax system should be considered as part of a broader solvency package. While both Republican and Democratic panel members emphasized the importance of preserving the program and working toward a bipartisan solution, several Democratic members echoed Sen. Wyden's view and stressed that any solution should require higher-income taxpayers to contribute more through the Social Security payroll tax. They contended that some higher-income individuals pay a smaller share of their total income into the system than many lower-and middle-income workers.

While the hearing explored issues that will be front and center in Congress in the coming years, there is no indication that any bipartisan path forward currently exists to address this looming funding cliff.

Crapo, Wyden voice support to extend advanced manufacturing investment credit

Separately, in a statement posted on the Finance Committee's website, Chairman Crapo and Ranking Member Wyden reaffirmed their bipartisan support for extending the advanced manufacturing investment credit, arguing that the incentive has helped spur domestic semiconductor investment since its enactment in 2022 as part of the CHIPS and Science Act (P.L. 117-167).

"The Advanced Manufacturing Investment Credit is a critical tool for strengthening domestic semiconductor supply chains, creating good-paying jobs and advancing our national security interests," said Crapo and Wyden. "Since its enactment in 2022, the tax credit has spurred significant investments across the United States, including in Idaho and Oregon. As Chairman and Ranking Member of the Finance Committee, we are committed to working with our colleagues in the House and Senate to extend this vital incentive and ensure the US remains a global leader in semiconductor manufacturing."

The section 48D advanced manufacturing investment credit is currently scheduled to sunset for property whose construction begins after December 31, 2026. Chairman Crapo and Ranking Member Wyden argued that allowing the credit to expire would increase costs for domestic semiconductor manufacturers and weaken the country's ability to attract investment and chip production. The law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21) temporarily increased the credit rate from 25 percent to 35 percent for property placed in service after December 31, 2025, provided construction begins prior to the end of 2026.

Wyden releases white paper on tax treatment of data centers

While extolling the value of semi-conductor manufacturing, Ranking Member Wyden this week also released a white paper that outlines possible proposed changes to the tax treatment of data centers, arguing that their rapid expansion can strain local resources, increase energy costs, place additional pressure on water supplies, and contribute to economic disruption associated with artificial intelligence (AI).

Wyden suggested raising revenue through two primary mechanisms: (1) limiting the availability of certain tax incentives for data center investments, and (2) creating a new "Data Center Public Investment" excise tax. The white paper suggests that the first category could include restricting the use of opportunity zone funds for data center projects, denying 100 percent bonus depreciation for certain assets used to build and equip new data centers, and limiting certain real estate investment trust (REIT) tax benefits associated with new facilities. The white paper also suggests it could apply to the gross receipts of non-US data centers serving the US market. The Finance Committee is accepting comments on the white paper through August 31.

Wyden's white paper comes as the Trump administration has pursued a separate approach through its "Ratepayer Protection Pledge," under which data center developers and AI companies commit to paying the costs associated with the power generation and infrastructure needed to support their data center facilities rather than passing those costs on to households and businesses. ("Ratepayer Protection Pledge" website and full pledge)

Although Sen. Wyden did not release proposed statutory language and action on such a proposal is not likely this year, the white paper is an important marker for discussions and should be carefully noted and analyzed by interested individuals and entities.

Senate confirms Brooke as Treasury deputy secretary in noms. package

On August 7, the Senate voted 51-47 to confirm an ***en bloc*** package of more than 70 nominations, including Francis Brooke to serve as deputy secretary of the Treasury Department. As Treasury's second-ranking official, Brooke will play a key role in managing and overseeing implementation of the administration's economic priorities, including ongoing work related to the OBBBA. The ***en bloc*** package of nominations also includes 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. (For prior coverage, *Tax News & Views*, Vol. 27, No. 28, July 31, 2026.)

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

TIGTA issues reports on levies, improper reporting payments; GAO releases report on carbon capture

The Treasury Inspector General for Tax Administration (TIGTA) released several reports over the last week assessing the IRS's compliance with statutory and administrative requirements, including reviews of levy procedures and improper payment reporting.

Levies

TIGTA found that, although the IRS has substantially complied with legal and administrative requirements for issuing levies, certain instances of noncompliance resulted in violations of taxpayer rights. These included levies issued while a collection due process (CDP) hearing was pending as well as failures to provide taxpayers with a CDP notice after a new tax assessment was made. TIGTA recommended that the IRS remind all Campus Collection employees, who handle certain collection activities through the agency's centralized processing sites, to promptly reroute CDP hearing requests to the correct address, consider implementing a systematic process to prevent unlawful levy issuances, and cancel any improper levies until systematic changers are implemented. IRS management agreed with all recommendations.

Section 6330 requires the IRS to notify taxpayers with written notice of their right to a CDP hearing at least 30 days before issuing the first levy for a particular tax period. (TIGTA report)

Payment reporting requirements

TIGTA also reported that the IRS did not comply with all Payment Integrity Information Act of 2019 (P.L. 116-117) requirements for FY2025, as improper payment rates for four refundable tax credit programs were not reduced below 10 percent and the agency's overall improper payment rate rose to 26.5 percent in FY2025 from 21.9 percent the year earlier. The report attributed the problem in part to the IRS's limited ability to verify taxpayer eligibility before issuing refunds and a significant decline in pre-refund examinations of refundable tax credit claims. The report indicated that, without legislative action, the agency's improper payment rate is likely to remain above the 10 percent threshold. TIGTA made several recommendations to the IRS including working with Treasury's Office of Tax Policy and Congress to request legislative changes to refundable credit eligibility, increasing correctable error authority, creating data-sharing agreements with external partners to systemically verify refundable credit eligibility, and improving its social media strategies. IRS agreed with all recommendations.

The IRS's four tax credits that have been deemed susceptible to improper payments include the Additional Child Tax Credit, (ACTC) the American Opportunity Tax Credit (AOTC), the Earned Income Tax Credit (EITC), and the Net Premium Tax Credit (Net PTC). In FY2025, the improper payment rates for these four programs ranged from 13.6 percent for the ACTC to 32.7 percent for the EITC. (TIGTA report)

GAO releases report on carbon capture

The Government Accountability Office (GAO) also weighed in on tax administration issues this week, releasing a report on oversight and administration of the section 45Q carbon capture credit. GAO recommended steps Congress, the IRS, and the Department of Energy (DOE) could take to strengthen oversight and administration of the incentive. While GAO found that the IRS has implemented measures to administer the credit and address compliance risks, the report noted that taxpayers seeking to claim the credit for carbon utilization projects continue to face administrative challenges and uncertainty. The report also suggested that improving data collection and evaluation efforts could help better assess the effectiveness of the credit and inform future administration of the incentive.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Treasury, IRS release guidance on employer credit for paid family and medical leave; int'l tax; backup withholding

The Treasury Department and the IRS released Notice 2026-28, providing guidance on the employer credit for paid family and medical leave under section 45S, as amended by section 70304 of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), which made the credit permanent, alongside additional modifications. Treasury and the IRS stated that they intend to incorporate the guidance in the notice into forthcoming proposed regulations. (Treasury press release)

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

Treasury, IRS release proposed regs on section 898(c) transition rule and section 960(d)(4) FTC disallowance
The Treasury Department and the IRS released proposed regulations (REG-115145-25) addressing the allocation of foreign taxes of foreign corporations affected by the repeal of the one-month deferral election and the disallowance of foreign tax credits (FTCs) on certain distributions of previously taxed earnings and profits. These proposed regulations implement sections 898(c) and 960(d), as amended by the OBBBA.

Treasury, IRS release guidance on backup withholding on third-party network transactions
The Treasury Department and the IRS released final regulations (T.D. 10053) governing backup withholding requirements for reportable payments made through third-party network transactions. The regulations reflect changes to section 3406 enacted by section 70432 of the OBBBA that affect third-party settlement organizations. (Proposed regulations (REG-1182829-25))

Treasury, IRS release guidance on saver's match contributions
The Treasury Department and the IRS issued Notice 2026-48, announcing an intent to propose regulations regarding the federal Saver's Match program. For tax years beginning after December 31, 2026, section 6433 allows certain low- and moderate-income individuals who make qualified retirement savings contributions to receive matching contributions of up to $1,000 (Saver's Match contributions) paid by the Treasury Department to applicable retirement savings vehicles.

(For prior coverage of Executive order – Promoting Retirement-Savings Access for American Workers by Establishing TrumpIRA.gov, see *Tax News & Views*, Vol. 27, No. 17, May 1, 2026.) (IRS press release)

Tax News & Views webcast: Pillar Two reporting
Please join us for a webcast reviewing the first year of Pillar Two, key findings from the initial compliance cycle, and a strategic discussion of what multinationals may need to prepare for the next year. We'll discuss: (1) takeaways from the first-year Global Anti-Base Erosion (GloBE) return, (2) challenges, upcoming deadlines, and potential changes in the second year, and (3) future Pillar Two considerations, including preparing for tax year 2026. Join us on August 25, 2026, 2:00 p.m. EST.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Trade corner

Senate passes sanctions, tariffs bill
The Senate on August 7 voted 86-11 to pass legislation to broaden Russia sanctions that includes expanded tariff powers for the executive branch, all aimed at hindering Russia's ability to continue fighting Ukraine. Support came from both sides of the aisle for the measure, titled the Lindsey O. Graham Sanctioning Russia Act of 2026, which required 60 votes to pass. "My late brother Lindsey was a foreign policy and national security expert. He was also a peacemaker who was determined to bring an end to the conflict in Ukraine," Sen. Darline Graham (R-S.C.) said on the Senate floor before passage, just after floor remarks from Sen. Jeanne Shaheen (D-N.H.) praising the bill for cutting Russia's ability to finance the war through energy exports.

Provisions include tariffs of up to 500 percent on Russia and up to 100 percent on the top five countries importing Russian crude oil or natural gas or who are among the top five facilitators of Russian oil sanctions evasion, with an exception for countries importing less than 15 percent of Russia's natural gas exports so long as they are taking "significant steps" towards reducing those imports. The bill also includes a requirement for the US Trade Representative to reassess the top five importing countries in each category every 180 days and alter rates or which countries are covered based on purchasing behavior changes. An extra provision would also extend sanctions on Iran. The summary includes further details.

The measure passed following defeat by a vote of 32 to 64 of an amendment from Sen. Rand Paul (R-Ky.) that would have eliminated the tariff authority included in the legislation. House consideration awaits after the August recess where its outlook is not yet clear. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 26, July 17, 2026.)

US adjusts imported polysilicon and derivatives

A presidential proclamation issued August 6 set tariff rates and minimum pricing on imported polysilicon and polysilicon derivatives, which are used in semiconductors and solar power products, based on findings from a Commerce Department investigation under section 232 of the Trade Expansion Act of 1962. In general, imports of polysilicon ingots and polysilicon derivatives will face an additional 15 percent ad valorem rate of duty beginning December 4, with exceptions for some countries that already have established trade deals with the US at 10 percent and 15 percent. In addition, applicable minimum import prices for imported polysilicon and polysilicon derivatives will be set at $21 per kilogram for polysilicon; $100 per kilogram for polysilicon ingots and wafers; $0.22 per watt for solar cells; and $0.38 per watt for solar modules. Such actions to adjust imported polysilicon and polysilicon derivatives "are necessary and appropriate" so they "will not threaten to impair the national security of the United States," the presidential proclamation said. Lastly, the presidential proclamation authorized the Commerce Department to offer incentives for companies investing in US production of polysilicon and polysilicon derivatives.

White House designates certain critical minerals as necessary for national defense

Recoverable critical minerals and materials (CMMs) are "industrial resources necessary to promote the national defense," according to a presidential determination issued July 30 by the White House under section 101 of the Defense Production Act of 1950. The Presidential Memorandum (PM) also directed the Commerce Department to prioritize and secure the domestic supply including by issuing regulations, rules, guidance, and procedures, though it specified no immediate actions.

Recoverable critical minerals and materials include black mass, end-of-life, rare-earth permanent magnets or other goods that have fully completed the manufacturing process, according to the PM. The term also includes bits and shavings that remain after certain manufacturing processes and other waste and scrap containing critical minerals and materials but does not include copper scrap.

"It is imperative that the United States takes immediate action to secure the supply of recoverable CMMs," according to the PM, echoing related actions that are part of a broader Trump administration effort to shore up critical minerals supplies in the US, including Executive Order 14241 from March 20, 2025, federal funding to buy into minerals companies and a stockpiling program.

Proposal would make 14 more derivative articles subject to steel, aluminum, and copper tariffs

The Trump administration announced more products that will potentially face tariffs on steel, aluminum and copper of 25 percent in most cases under section 232 of the Trade Expansion Act of 1962, according to a Commerce Department proposal published August 6. They include aluminum powder of a non-lamellar structure; brass-wind musical instruments and parts and accessories thereof; welding machines parts and apparatus; electric conductor cables; certain free-standing floor safes; fire extinguishers; parts of heat exchange units; and more. Tariff rates could differ in some other cases, including 15 percent in general for self-loading or self-unloading trailers and semi-trailers for agricultural purposes, and 50 percent in general for steel containers and related items (on the value of the metal container) for those filled with liquefied propane, oxygen and propene. Public comments to this proposal are due August 27.

CBP reports $100 billion in tariff refunds

US Customs and Border Protection (CBP) has completed about $100 billion in tariff refunds via the first two phases of its refund process as of July 31, according to an August 4 status report filed with the Court of International Trade (CIT). The refund sum, which includes repaid duties plus interest, is part of about $128.7 billion in total to date that CBP has accepted for processing in Phases 1 and 2 through its Consolidated Administration and Processing of Entries (CAPE) portal, which the agency has been developing in phases to manage refunding IEEPA tariffs. CBP is currently developing CAPE functionality for Phase 3, which is expected to cover certain types of liquidated entries and has yet to be launched. CIT Judge Richard Eaton, who's handling the case, estimated $166 billion in total refunds are due on tariffs imposed under the

International Emergency Economic Powers Act (IEEPA) that the Supreme Court invalidated in February. CBP has provided periodic updates on its progress since the refunds were ordered.

CR includes preferential trade bills for dozens of African countries, Haiti

Legislation to fund the federal government through December 11 also includes the African Growth and Opportunity Act (AGOA) Extension Act, which the House passed 340-54 early this year. The Senate is using that bill, H.R. 6500, as its legislative vehicle for the continuing resolution (CR) to fund the government beyond September 30, the end of the current federal fiscal year. (The current status of the CR is discussed above in this edition.) The AGOA provision extends 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. Also included is the Haiti Economic Lift Program Extension Act, H.R. 6504, which the House passed 345-45. It extends 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. A section-by-section summary lists the trade preference provisions. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 3, January 16, 2026.)

Aaron Lorenzo
Tax Policy Group
Deloitte Tax LLP

A note on our publication schedule

The Senate has adjourned until the week of September 14. The House is currently on a district work period and is scheduled to be back in session the week of August 31. Barring any unexpected developments on the tax policy front, the next edition of ***Tax News & Views*** will be published the week of August 31.

Anna Taylor
Managing Principal, Tax Policy
Deloitte Tax LLP