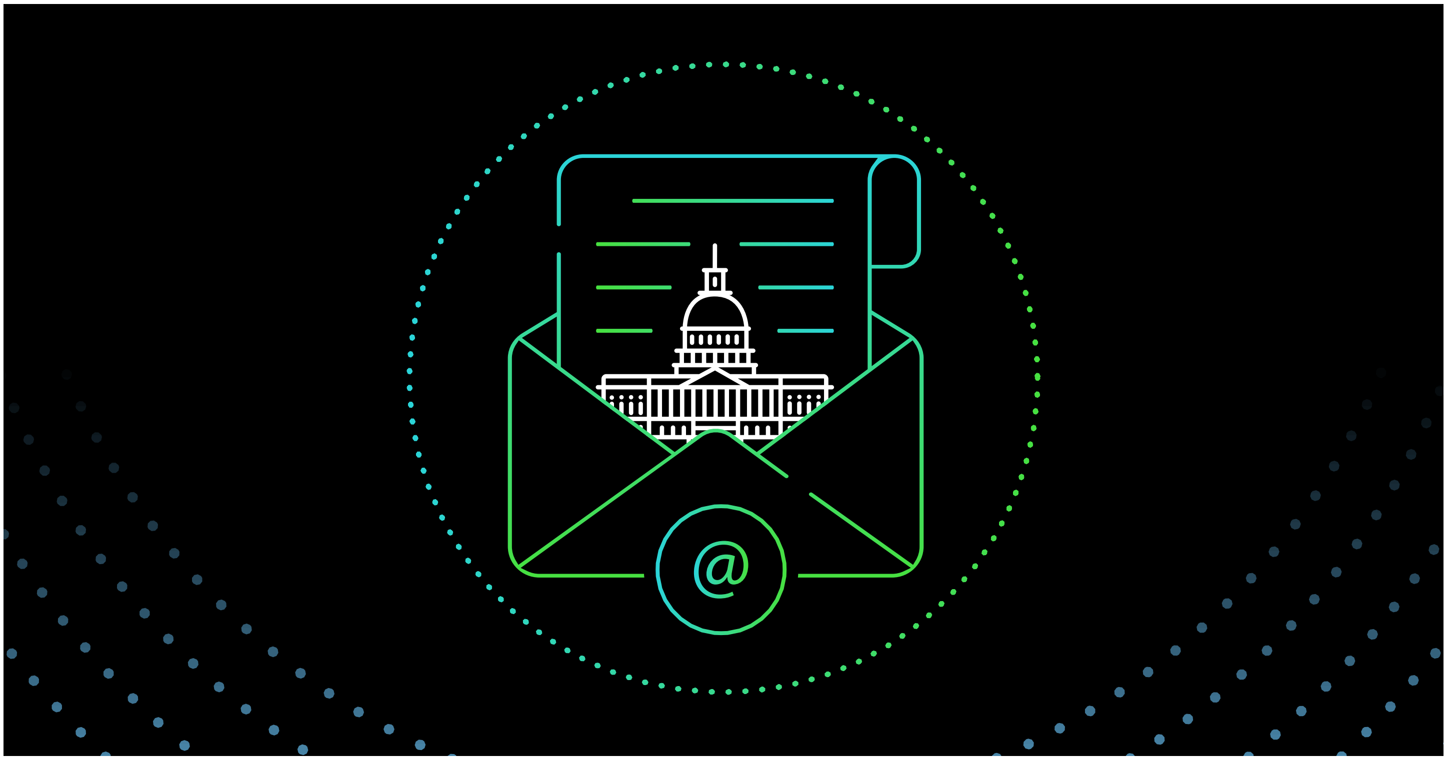
Tax News & Views
Capitol Hill briefing
September 4, 2026



Tax News & Views

In this issue:

President Trump signs short-term funding bill

This week, President Trump signed a continuing resolution (CR) funding the federal government through December 11, temporarily averting a possible government shutdown when federal fiscal year 2026 ends on September 30. The legislation – the Continuing Appropriations and Extensions Act (H.R. 6500) – cleared the House shortly after lawmakers returned from their August district work period. The House approved the Senate-passed measure by 370-48, with 19 Republicans and 29 Democrats opposed, under suspension of the rules, a fast-track procedure that allows for limited debate, no amendments, and passage upon an affirmative two-thirds vote. Passage in the House followed overwhelming bipartisan Senate approval last month. Although the measure drew support from both parties, some lawmakers continued to voice concerns about certain provisions in the bill, including language delaying a ban on certain hemp products. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 29, August 7, 2026.)

Congressional leaders in both parties welcomed the measure, arguing that it provides additional time to negotiate full-year appropriations bills while avoiding a government shutdown. House Appropriations Committee Chairman Tom Cole (R-Okla.) praised the CR as a "clean, straightforward measure" that would maintain government operations without partisan policy provisions. He said the bill would provide stability, protect critical services, and avoid manufactured shutdown fights, adding that House Republicans had chosen "responsible governance" in advancing the measure. (Press release)

Meanwhile, House Appropriations Committee Ranking Member Rosa DeLauro (D-Conn.) said after Senate passage that the CR incorporates several Democratic priorities, including provisions related to federal grantmaking and restrictions on certain Border Patrol funding transfers. While describing those provisions as "welcome improvements," she said appropriators should continue "to fully fund the government on a bipartisan basis." (Press release)

Path to passage

The legislation traces its roots to the Continuing Appropriations Act, 2027 (H.R. 9770), which the House approved along party lines in July ahead of its August recess. The measure was intended to extend current funding levels for federal departments and agencies, including the Treasury Department and the IRS, through December 4. House leaders brought the bill to the floor well ahead of the September 30 deadline, reflecting the limited number of legislative days remaining before the start of the new fiscal year. (For prior coverage of the House's legislative action on H.R. 9770, see *Tax News & Views*, Vol. 27, No. 27, July 24, 2026.)

The Senate later approved an amended version of the measure (H.R. 6500) by a 90-6 vote before leaving for its August state work period. Like the House-passed bill, the Senate measure would extend current funding levels for federal agencies and departments, including the Treasury Department and the IRS, but it would continue funding through December 11 rather than December 4 and incorporated several additional policy changes adopted by the Senate. Those revisions required the House to revisit the legislation upon returning to Washington this week. (The nonpartisan Congressional Budget Office released an estimate of The Continuing Appropriations and Extensions Act, 2027.)

IRS funding: As part of the government funding extension through December 11, the CR would shape the IRS's near-term funding outlook, generally maintaining the IRS's FY2026 funding level of $11.2 billion, which is roughly 9 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 (FSGG), 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.)

Additional provision: In addition, the CR extended federal surface transportation programs through December 11. Any surface transportation reauthorization bill could have tax implications because the excise taxes that fund the Highway Trust Fund fall within the jurisdiction of the congressional tax-writing committees and may require action by those panels. The legislation also extended African Growth and Opportunity Act (AGOA) and the Haiti Economic Lift Program for two years, continuing preferential trade treatment for most exports to the US from eligible countries in sub-Saharan Africa and for certain imports from Haiti. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 19, May 22, 2026; *Tax News & Views*, Vol. 27, No. 29, Aug. 7, 2026.)

Appropriations bills in the works

While the CR that President Trump signed provides additional time for negotiations, appropriators still face significant work to complete FY2027 funding legislation before the December 11 deadline. If Congress cannot reach agreement by then, lawmakers may need to pass another CR to avoid a government shutdown. So far, progress has been uneven between the chambers. The House Appropriations Committee has completed action on all 12 FY2027 appropriations bills, including the FSGG bill. However, the full House has adopted only three of the committee-approved appropriations bills. The Senate, meanwhile, has yet to advance any of its 12 appropriations bills, leaving lawmakers with a compressed timeline to negotiate and enact full-year funding legislation.

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Trump endorses data center development, entertainment tax incentive

Amid this week's focus on a short-term funding bill to avert a government shutdown, President Trump used social media to endorse what he sees as the economic benefits of data center development. In one post, he argued that communities that welcome such projects stand to gain jobs and lower taxes, while those that oppose them risk becoming "backwards and poor." The post also included a call to let "Data Reign." Trump has expressed similar views in the past. In a social media post earlier this summer, he described data centers as "one of the biggest driving forces in the future for jobs" and wrote that they can bring significant economic benefits to states and communities.

The president's comments come at a time of growing attention to the economic, energy, and tax policy implications of data center development as investment in artificial intelligence (AI) infrastructure accelerates. One example of the attention is a white paper released last month by Senate Finance Committee Ranking Member Ron Wyden (D-Ore.) outlining possible changes to the tax treatment of data centers, including limiting certain tax incentives and creating a new excise tax. Wyden cited concerns about the impact of data center expansion on local resources and infrastructure. More broadly, policymakers, local communities, and other stakeholders continue to debate the potential benefits and costs associated with the development of such centers. Although congressional action on a data center-related proposal appears unlikely this year, the issue is likely to remain part of a broader policy discussion related to investment in AI infrastructure. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 29, August 7, 2026.)

Trump advocates for entertainment production tax credit too

In a separate pair of social media posts this week, President Trump advocated for a new federal tax incentive aimed at boosting domestic film and television production. Following a meeting with actor Jon Voight, whom the president described as his "Hollywood Ambassador," he wrote that the US motion picture industry has lost substantial production activity to Canada and other countries and contended that Hollywood is receiving "very little work" despite its historic role in the industry. Trump wrote that industry representatives are urging the federal government to adopt tax incentives to encourage film and television projects to remain in the United States, asserting that any revenue lost through such incentives would be offset by economic activity and additional tax receipts. He called on Republican and Democratic lawmakers to work together to enact legislation creating a federal production incentive, describing the idea as a bipartisan opportunity to preserve entertainment-related jobs and strengthen domestic production.

In a follow-up post, President Trump wrote that a proposed incentive would be called the Motion Picture, Television, and Entertainment Revitalization Act and pledged that it would help bring the industry back to the United States. The president's remarks could be viewed as support for either reviving a recently expired federal incentive for film and television production or creating a new tax incentive aimed at strengthening domestic production for such work.

With the compressed congressional schedule ahead of the midterm elections, the outlook for action on such a proposal is decidedly uncertain.

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TIGTA reports on IRS approach to nonfilers and taxpayer compliance data as GAO assesses opportunity zones

The Treasury Inspector General for Tax Administration (TIGTA) released several reports this week, including one evaluating the Small Business/Self-Employed Division's current approach to addressing cases involving nonfilers – taxpayers who do not timely file required tax returns. TIGTA found that the IRS's high-income nonfiler initiative continues to face inventory management and case-processing challenges. According to the report, some high-priority cases remained in early stages of the collection process for extended periods, potentially delaying enforcement actions. TIGTA also identified instances in which taxpayers who had already filed returns were nevertheless included in the initiative, raising concerns about taxpayer service and administrative efficiency. In addition, the report suggested that a more coordinated agencywide approach, stronger executive oversight, and enhanced reporting could improve the IRS's ability to identify, track, and address nonfiler cases over time.

TIGTA reports on taxpayer compliance results

TIGTA also released a report this week highlighting how the IRS has focused its compliance efforts and the resulting impact on enforcement revenue and compliance over time. The report indicated that the IRS reached a "historic high" in enforcement revenue in FY2024 before declining in FY2025, which TIGTA attributed primarily to a drop in examination-related revenue, coinciding with a reduction in the IRS's Examination and Collection workforce after substantial hiring in prior years. At the same time, collection revenue increased from FY2023 to FY2025, partially offsetting declines in other enforcement categories. The growth was largely attributable to the resumption of automated collection notices, including approximately 3.2 million notices sent to individual nonfilers in FY2025 compared with none in FY2023. The report also noted decreases in examination activity in FY2025 compared to some earlier years. Unlike many TIGTA reviews, this report was issued for informational purposes and did not include recommendations.

GAO releases report on opportunity zones

Meanwhile, the General Accountability Office (GAO) recently released a report exploring the Opportunity Zone (OZ) tax incentive created by the 2017 Tax Cuts and Jobs Act (TCJA, P.L. 115-97) and the changes made to the program under the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21). GAO reviewed the characteristics of previously designated OZs, assessed how OBBBA's revisions could influence future zone characteristics, and examined the experience of states, qualified opportunity funds, and other stakeholders under the original incentive. GAO also evaluated shareholders' understanding of the incentive's effects on local communities and analyzed whether OBBBA's modifications address challenges identified during the program's initial years.

Stakeholders reported that OZ investments have been concentrated primarily in real estate development, with the greatest levels of activity occurring in urban areas that have access to infrastructure and community support. While enhanced tax benefits for investments in newly designated rural OZs could drive investment in those areas, stakeholders were uncertain about the extent. The report also found that states lacked sufficient information to assess the incentive's broader effects on community outcomes, although roughly 20 percent of states cited increased job creation and housing development as notable effects. Finally, GAO found that several changes enacted under the OBBBA may address challenges that state officials and fund representatives associated with the original OZ incentive.

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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Treasury, IRS release wave of tax guidance

Over the past month, the Treasury Department and the IRS have released a series of guidance items, many of which were issued during August while both chambers were in recess. Several of the guidance items implement provisions of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21).

Several notable releases include final regulations (T.D. 10054) on the deduction of up to $10,000 of qualified passenger vehicle loan interest and establishing new information reporting requirements for certain businesses that receive $600 or more of interest from an individual on a specified passenger vehicle loan during a calendar year. The rules also clarify applicable penalties for failures to file required information returns or furnish payee statements. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 2, Jan. 9, 2026.)

The Treasury Department and the IRS released proposed regulations (REG-119986-25) that would update existing regulations to clarify that a private school is not eligible for federal tax-exempt status if it discriminates on the basis of race, color, or national or ethnic origin in its educational, admissions, scholarship, athletic, or other policies. The proposed rules would apply to schools beginning after May 31, 2027, following the anticipated publication of the final regulations. (Treasury press release, IRS press release)

Also, the Treasury Department and the IRS released proposed regulations (REG-119882-25) that would deny the refundable portions of certain tax credits to individuals who are not considered "qualified aliens" under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193). The proposed rule would affect the refundable portion of the adoption tax credit, American opportunity tax credit, child tax credit, and earned income tax credit. (IRS press release)

The following is a summary of the other guidance issued.

OBBBA-related guidance

01. Proposed regulations (REG-117130-25) on foreign-derived deduction eligible income.
02. Fact sheet (FS-2026-14) on the limitation on the deduction for business interest expense. (IRS press release)
03. Trump Accounts:
    A. Proposed regulations (CC-00349938-26) on eligible investments. (Treasury press release, IRS press release)
    B. Proposed regulations (REG-101355-26) on employer contributions and nondiscrimination rules for dependent care assistance program. (IRS press release).
04. Notice 2026-50 on the credit for carbon oxide sequestration.
05. Proposed regulations (REG-115646-25) on pro rata share of subpart F income, tested income, or tested loss of a controlled foreign corporation. (Deloitte Tax alert)

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

Other non-OBBBA guidance

06. Proposed regulations (REG-107855-25) on single-employer defined benefit plans.
07. Proposed regulations (REG-109082-25) on reporting requirements for certain trusts.
08. Proposed regulations (REG-103844-26) on foreign currency gain or loss of controlled foreign corporations.
09. Notice 2026-49 provides guidance under SECURE 2.0 Act P.L. 117-328 to standardize retirement rollovers. (IRS press release)
10. Final rule (RIN 1506-AB67) under the Corporate Transparency Act on beneficial ownership information reporting. (Treasury press release)

In addition to a series of guidance released by the Treasury Department and the IRS, Deloitte Tax LLP issued a special alert on proposed regulations (REG-115145-25) on a transition rule for allocating foreign taxes and on foreign tax credits. (The IRS released corrections to the proposed regulations (REG-115145-25).)

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Deloitte launches Pillar Two compliance podcast, crypto article

The first Pillar Two compliance year is behind us, but the work is far from over. In this episode of Pillar Two: From First Year Challenges to 2026 Readiness, host Carrie Falkenhayn was joined by Deloitte specialists Chad Hungerford and Beth Mueller to reflect on the biggest challenges taxpayers faced and what those experiences revealed. They discuss how organizations can sharpen their approach for year two, including early preparation for tax year 2026.

The episode is featured at the top of the *Tax News & Views* podcast landing page, which is available here. Furthermore, an article titled 'The CFO's Agenda for Pillar Two Execution in 2026' is also available here.

New article examines IRS's likely focus on cryptocurrency compliance

As the use of digital assets expands in the US, the IRS likely will need to focus additional attention on these ever-evolving asset types. While there has been some guidance issued by the Treasury Department and the IRS on the taxation of cryptocurrency and Congress continues considering the issues, many industry participants contend additional guidance is needed for a range of common transactions. This article titled 'How IRS Exam Trends May Reshape Crypto Compliance' offers perspectives, based on Deloitte's experience, that include likely areas of focus, practical insights, best practices, recommendations, and what to expect going forward – as related to cryptocurrency IRS exams.

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Trade corner

US raises tariffs on Canadian imports, Canada responds

The US set a 50 percent additional tariff rate on certain goods from Canada effective August 22, following through on three White House proclamations President Trump signed July 20. A day before the new tariff rate was initially scheduled to take effect on August 19, Trump announced a three-day reprieve to allow for further negotiations, however, those talks subsequently ended without an agreement. The new duties are based on section 338 of the Tariff Act of 1930 and are being issued in response to findings by the Trump administration that Canada's trade policies have discriminated against the US automotive, alcohol and dairy industries. In response, Canada announced tariffs on the US set to take effect September 8. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 27, July 24, 2026.)

President Trump and Canada's leader, Prime Minister Mark Carney, have since traded blame for the breakdown in negotiations.

The US tariffs apply to a range of goods from Canada including agricultural products, alcohol, cosmetics, chemicals, textiles, equipment, consumer goods, wood and paper, and sports equipment. Goods qualified as originating under the US-Mexico-Canada Agreement (USMCA) are not eligible for an exemption from the new tariffs, which differs from the treatment of USMCA-qualifying goods for tariffs under section 301 of the Trade Act of 1974 that began on July 24, as well as prior tariffs under section 122 of the Trade Act of 1974 and the International Emergency Economic Powers Act that were subsequently struck down by the Supreme Court. 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, are exempt from the new tariffs. The White House also specifically noted energy, potash, fish and critical minerals as excluded categories.

Effective September 8, Canada will impose counter-tariffs of 15 percent, 25 percent and 50 percent on steel, dairy, appliances, agricultural equipment, pulp and paper and electronics products matching those affected by the US section 338 and section 232 tariffs, with the rate for each product matching the corresponding US rate.

Trump later vowed in an August 24 social media post that tariffs would be increased to 50 percent on all cars, trucks, auto parts, and steel, beginning January 1, 2027.

New tariffs on drones, drone components tied to national security justification

New tariffs took effect September 3 on certain imported drones and drone components, pursuant to a presidential proclamation issued August 13. For certain other drones (also referred to as unmanned aircraft systems or UAS) and drone components, the new tariffs will take effect on February 9, 2027. Tariff rates are set to vary based on a range of factors, including product weight and capabilities, as well as nation or jurisdiction of origin. The tariffs are based on conclusions of a Commerce Department investigation under Section 232 of the Trade Expansion Act of 1962 that said that imported drones and drone components are a threat to US national security.

The proclamation imposed a 100 percent ad valorem duty rate on imported drones with a maximum take-off weight of more than 25 kilograms, as well as those that integrate thermal imagers, have docking stations and certain drone components, as identified in Annex I to the proclamation. In addition, it imposes a 25 percent ad valorem duty rate on imported drones with a maximum take-off weight of 25 kilograms or less, as identified in Annex II, and except as otherwise provided. Other imported drones and drone components as identified in Annex III face a 25 percent ad valorem duty rate beginning 180 days after the proclamation, a delayed start date meant to motivate production onshoring.

Covered products imported from the UK face a rate no higher than 10 percent, consistent with terms of the agreement known as the United States-United Kingdom Economic Prosperity Deal, and those from Japan, the Republic of Korea, Taiwan, Switzerland, Liechtenstein and the European Union face a rate no higher than 15 percent.

CBP delays IEEPA tariff refund process for finally liquidated entries

US Customs and Border Protection (CBP) delayed deployment of its system to process refunds on tariffs collected under the International Emergency Economic Powers Act (IEEPA) for finally liquidated entries, according to a recent filing to the Court of International Trade (CIT). CBP also said that it had completed about $106.6 billion in refunds of duties plus interest as of August 21. About $132.5 billion in both potential and certified refunds have been accepted for processing in the refund system, called the Consolidated Administration and Processing of Entries (CAPE). CBP began developing CAPE after the CIT ordered refunds following the Supreme Court decision in February invalidating IEEPA tariffs. CBP indicated its delay in rolling out the third phase of CAPE was temporary.

"This delay is necessary for CBP to build new validations that ensure no other duty adjustments are made to finally liquidated entries outside of the IEEPA duty refunds," the filing noted. "Importantly, these new validations will also account for improper reporting of IEEPA duties by the trade community on the original entries. This temporary delay applies only to the forthcoming CAPE Phase 3 and will allow CBP to ensure it complies fully with the Court's orders to reliquidate impacted entries."

Trade enforcement bill unanimously passes House

On August 31, the House passed bipartisan legislation to strengthen the Justice Department's enforcement and prosecution of US trade laws. The measure (H.R. 1869), titled the Protecting American Industry and Labor from International Trade Crimes Act, passed by voice vote – meaning no roll call vote was taken. It requires the DOJ to set up a task force, program or other similar structure within its criminal division to increase investigations and prosecutions of trade-related crimes, with a focus on various types of fraud, smuggling, filing false information, forced labor and duty evasion, among other violations. "My bill will give the DOJ real tools to stop these blatant violations and ensure that penalties are meaningfully enforced," Rep. Ashley Hinson (R-Iowa) said on the House floor just before passage. She cosponsored the bill with Rep. Raja Krishnamoorthi (D-Ill.). No companion Senate bill yet exists in the current Congress, though that chamber could choose to simply take up the House-passed measure.

Ways and Means explores improved access to critical minerals

Improved trade with Uzbekistan, Kazakhstan, Mongolia and many African nations would help the US pivot away from overreliance on China for critical minerals, House Ways and Means Committee Chairman Jason Smith (R-Mo.) said September 2 at a hearing on supply chains. Smith said the extension of the African Growth and Opportunity Act through 2028, enacted as part of federal funding legislation (H.R. 6500), should help advance those efforts. In addition, the hearing included discussions of easing commercial access to Uzbekistan and Kazakhstan by permanently ending trade limits under a provision of the Trade Act of 1974, a Cold War-era trade barrier known as the Jackson-Vanik amendment, that continues to affect those two former Soviet Union republics and other former and current nonmarket economies. Chairman Smith, who recently led a congressional delegation to Uzbekistan, Kazakhstan and Mongolia, also urged better exploration of domestic sources of critical minerals, noting that his own southeast Missouri district holds one of the few known cobalt deposits in the continental US. Across the aisle, Rep. Linda Sanchez (D-Calif.) expressed support for improving supply chains in general but also questioned conflicts of interest in mining opportunities beyond China, raising concerns that close contacts of key Trump administration members may be motivated by profit incentives. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 3, Jan. 16, 2026.)

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A note on our publication schedule

The House has adjourned until the week of September 14. The Senate is currently on a state work period and is also scheduled to be back in session the week of September 14. Barring any unexpected developments on the tax policy front, the next edition of ***Tax News & Views*** will be published on September 18.

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