

Tax News & Views

Democrats take control of the 120th Congress, tax changes likely to hinge on negotiations with Trump

Democrats gained leverage in future tax policy debates after winning a majority in the US House and US Senate in the November 3rd midterm elections. However, with President Trump occupying the White House, any changes to the Internal Revenue Code will require negotiations between congressional Democrats and the administration in the upcoming 120th Congress, which convenes in January 2027 for the subsequent two years. Measures with the best chances for legislative success will likely be proposals that can attract bipartisan support or that can be attached to a small list of must-pass legislative vehicles over the next two years. Regardless, the new Democratic House and Senate majorities are still expected to advance tax legislative proposals as both parties position themselves for an open 2028 presidential race.

This special edition of ***Tax News & Views*** explores the tax policy implications of the elections for the 120th Congress based on the results available so far, as well as the legislative outlook during the upcoming lame-duck session.

Results at a glance

Based on the latest returns available at press time (as reported by C-SPAN using data from the Associated Press) Democrats will control at least 228 House seats in the 120th Congress – surpassing the 218 required for a majority – and Republicans will control at least 139. Those totals will further increase on both sides in the coming days as results are finalized in many of the House races that remain undecided. (The current party breakdown in the 119th Congress is 218 Republicans and 214 Democrats, with one independent who caucuses with the Republicans. Two seats are vacant.)

In the Senate, Democrats have a lock on 54 seats as of press time, compared to 44 for Republicans. (The Democratic headcount includes two Independents – Sens. Bernie Sanders of Vermont and Angus King of Maine – who caucus with the Democrats.) Two Senate races – Alaska and Mississippi – remain undecided as of press time. The results are still being tabulated. Democrats currently hold a narrow lead in Mississippi and trail in Alaska. But it's worth noting that even with a majority, Democrats would continue to fall short of the 60 votes required to overcome Senate procedural hurdles that can block passage of contentious legislation through use of the legislative filibuster.

Reshaping the taxwriting committees

As a result of Democrats taking control of the House and Senate, the 120th Congress will bring leadership changes to the House Ways and Means Committee and Senate Finance Committee as well as membership changes to both the House and Senate taxwriting committees following a series of previously announced departures and election defeats.

Ways and Means Committee

With a Democratic-controlled House, Rep. Richard Neal (D-Mass.), the current ranking member of the House Ways and Means Committee and former chairman of the panel during the 116th and 117th Congresses, is expected to take over as the chairman in the 120th Congress, while Rep. Jason Smith (R-Mo.) the current chairman, is expected to become the ranking member. The committee will also experience several membership changes.

It is currently uncertain whether Republicans will be able to retain all 120th Congress returning members on the committee, as the ratio of majority-to-minority members (26 to 19) could change in post-election committee organizational structuring. Ways and Means Committee Reps. Vern Buchanan of Florida and Jodey Arrington of Texas are retiring from Congress, while Reps. David Schweikert of Arizona and Randy Feenstra of Iowa were unsuccessful in their bids for Governor in their respective states and are also leaving Congress as a result. Rep. Kevin Hern of Oklahoma opted to successfully pursue a Senate seat rather than seek re-election to the House. In addition to those vacancies, election night brought several other changes to the GOP side of the dais. Reps. Max Miller and Mike Carey of Ohio and Rep. Brian Fitzpatrick of Pennsylvania lost, while Rep. Greg Murphy of North Carolina is locked in a tight contest.

Democrats will need to add a large number of members to their committee roster. Of their 19 current members, five are not returning for 2027, including Reps. Danny Davis of Illinois, Lloyd Doggett of Texas, and Dwight Evans of Pennsylvania, all three of whom chose not to seek re-election, while Rep. John Larson of Connecticut lost in a primary election earlier this year. In addition, Del. Stacey Plaskett (D-V.I.) was elected Governor of the Virgin Islands and is not returning to Congress next year. (Note that Del. Plaskett is a non-voting delegate to Congress, so her departure will create a vacancy on the Ways and Means Committee but will not impact overall ratios of Republicans to Democrats in the House as a whole.) If committee ratios of majority-to-minority members (26-19) remain unchanged, then Democrats would need to select twelve new members to join the panel in the 120th Congress kicking off next year that could rise if Mike Thompson of California, who is locked in a tight battle for re-election, comes up short when the votes are fully counted.

Finance Committee

Sen. Ron Wyden (D-Ore.), the current ranking member who previously chaired the Finance Committee during the 113th, 117th, and 118th Congresses is expected to become the chairman when Democrats take control, while Sen. Mike Crapo (R-Idaho), the current chairman, is expected to become the ranking member of the committee. In addition, the panel will experience several membership changes.

Sen. Tina Smith (D-Minn.) is the only Democratic member of the panel who has announced plans to leave the Senate at the conclusion of the 119th Congress. With Democrats' taking control of the Senate and if committee ratios remain unchanged (14-13), Democrats will gain one additional seat on the tax panel while also replacing Smith, leaving two vacancies to fill. Note, Senate leadership can negotiate a change in the overall size or party ratios of the panel, which is not unheard of.

With several current Republican members of the panel not returning, the party may need to fill as many as four committee seats, if the committee retains its current 27-member structure under Democratic control. Republican taxwriters John Cornyn of Texas, Bill Cassidy of Louisiana, Steve Daines of Montana, and Thom Tillis of North Carolina, will not be returning to the panel, either because they are retiring from the Senate or were defeated in primary elections earlier this year. Another Republican taxwriter, Sen. Blackburn of Tennessee – was elected Governor of Tennessee and is expected to vacate her Senate seat before the expiration of her current term, allowing a temporary replacement to be appointed to the US Senate pending a special election.

Committee headcounts and party ratios: It remains unclear whether the membership ratios on the Senate Finance Committee will be adjusted to reflect what will be different party ratios in the Senate than exist today. It is likely that the House Ways and Means Committee majority-minority ratio changes in favor of the majority to better reflect the Democrats larger ratio in the House. The number of committee member slots is typically finalized after overall party headcounts are settled.

Tax policy implications for 2027 agenda

With Democrats controlling all of Congress, President Trump in the White House, and both parties having largely different visions for tax policy, prospects for the enactment of broad, substantial tax code changes appear dim over the coming two years. Nevertheless, bipartisan cooperation on select issues remains possible and, for certain must-pass bills, may prove necessary. Questions surrounding revenue offsets, deficits, and the cost of extending or expanding tax benefits will likely remain central to any tax legislation, making it important to track the potential for proposed tax increases on both corporations and individuals.

Democrats will also gain control of committee investigative powers, allowing for increased oversight of Treasury and IRS operations, implementation of the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), the administration's trade policy agenda, as well as oversight of tax strategies used by businesses and high-income taxpayers.

Affordability: Affordability is likely to remain a defining theme of the 2027 tax policy debate. With Democrats controlling both chambers, party leaders would have greater ability to advance their version of legislation focused on the role the tax code can play to address household cost-of-living pressures. While Democrats and Republicans are likely to differ on the appropriate policy response, both parties have increasingly framed tax policy discussions around the financial challenges facing workers and families.

Congressional Democrats nevertheless could seek to advance legislation through the House and Senate via budget reconciliation that reflects their tax policy objectives, including proposals aimed at improving affordability for working households such as health care, clean energy incentives, and revising provisions of the OBBBA that they view as disproportionately benefiting large business or higher-income taxpayers. Such legislation could help Democrats articulate policy priorities and draw contrasts with Republicans, even if the primary objective is to shape the policy debate by forcing a presidential veto rather than secure enactment

Under a House Ways and Means Committee led by Democrats, health care affordability and coverage is likely to emerge as a key component of a broader Democratic agenda, particularly as lawmakers look for ways to reduce insurance costs and expand access to coverage. Current Ranking Member Neal has repeatedly pointed to renewing or extending the Affordable Care Act's (ACA, P.L. 111-148) enhanced premium tax credit (PTC), which expired December 31, 2025, as a priority should Democrats regain control of the House and the Ways and Means Committee gavel. A House-passed three-year extension (H.R. 1834) advanced earlier this year through a Democratic-led discharge petition, with support from a handful of Republicans, suggesting some bipartisan interest in the issue. Still, even with a Democratic-controlled Senate, securing sufficient support in the upper chamber may prove difficult given its 60-vote procedural thresholds and the policy disagreements that derailed previous negotiations over an enhanced PTC extension in the 119th Congress. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 3, Jan. 16, 2026.)

Many Republicans, by contrast, have argued that the ACA has only worsened health care affordability, calling for alternatives beyond extending the enhanced PTC. Additionally, the GOP has supported alternative approaches to the enhanced PTC that would provide assistance more directly to consumers, a concept that President Trump has also publicly endorsed. Health Savings Accounts (HSAs) are one example of a consumer-driven alternative Republicans have promoted in response to health care affordability concerns. That preference for consumer-directed assistance was also evident during budget negotiations in 2025, where debates over extending the enhanced PTC highlighted interest in alternatives to insurer-based subsidies. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 46, Nov. 22, 2025.)

As a result, while Democratic leaders could elevate the issue on the congressional agenda, significant policy differences between the parties may frustrate efforts to reinstate the enhanced PTC or pursue alternative approaches to reducing health care costs. However, the existence of a few must-pass laws in the 120th Congress, such as funding the government or potentially increasing the debt ceiling may provide moments where Democrats try to advance an extension.

Family and housing affordability as well as other low-income tax incentives could also emerge as part of the tax debate in 2027. Democrats have long supported using provisions such as the child tax credit, expanding the earned income tax credit, and consumer housing tax provisions to address those concerns. Even in the minority, Republicans could support efforts to address affordability through similar

pressures in the tax code, particularly policies that build on enhancements to the standard deduction or child tax credit in the OBBBA and the Tax Cuts and Jobs Act (TCJA, P.L. 115-97), as well as numerous bipartisan housing tax policy proposals. Those areas could provide some opportunities for bipartisan agreement, even as the parties differ over how such relief should be structured.

Meanwhile, policymakers may face increasing pressure to balance affordability concerns with efforts to encourage investment and technological development. Growing electricity demand associated with artificial intelligence (AI) and data center construction has already attracted attention in Washington. Sen. Wyden's recent draft legislative text, which builds on an earlier white paper, illustrates one possible approach by proposing limits on certain existing tax incentives and a new excise tax on data centers. (Wyden's press release, including technical summary) However, President Trump has championed AI development and the expansion of related infrastructure, saying that data centers promote economic growth, job creation, and lower taxes, implying that bipartisan consensus may be elusive. (Trump's social media post and post) (For prior coverage, see *Tax News & Views*, Vol. 27, No. 30, Sept. 4, 2026.)

House Democrats will likely continue supporting clean energy tax incentives, particularly those enacted in the Inflation Reduction Act (IRA, P.L. 117-169), while using committee hearings and oversight activities to explore the effects of OBBBA provisions that terminated, scaled back, or accelerated the phaseout of several energy credits, including production and investment tax credits. Democrats are likely to pay particular attention to the impact of those changes on wind and solar development, framing those efforts around energy affordability as well as the potential effects on investments and jobs. Doing so could attract support from select Republicans who have expressed similar concerns about the economic impact of those changes in their districts. However, without support from the administration, legislative changes may prove difficult to enact, and a number of Republicans who have been interested in promoting clean and renewable energy went down in defeat, potentially reducing the opportunities for cross-aisle cooperation.

Future of the OBBBA?: Tax panels led by Democrats will likely explore whether portions of the OBBBA should be revisited. However, significant changes to the law would require bipartisan support and could find it difficult to secure the president's signature on any congressionally passed legislation. As a result, Democrats may focus on committee hearings, oversight activities, and messaging legislation to frame the debate for future legislative efforts rather than in advancing substantial revisions to the OBBBA in the near term.

Even in the minority, Republicans will likely continue promoting the tax framework established by the OBBBA, arguing that it prevented a significant tax increase on individuals and businesses and continues to provide targeted tax relief for working families. Republicans have consistently highlighted the OBBBA as a measure designed to strengthen workforce development, family formation, and economic growth. Those priorities are likely to shape upcoming debates over the scheduled expiration of several individual-side OBBBA provisions before the end of the 120th Congress, including the new deduction for tipped and overtime income, the additional deduction for seniors, the deduction for interest paid on certain automobile loans, alongside the expiration of federal government seed money contributed to eligible Trump Accounts. Deciding whether to extend them, either as enacted or with modifications, and whether/how to pay for those costs, will take significant time and energy in the next two years. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 31, Sept. 18, 2026.)

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

Side-by-side agreement: International tax issues could remain a point of focus in 2027 following the G-7's agreement that key elements of the US tax code could live side-by-side with the Organization for Economic Cooperation and Development's (OECD's) Pillar Two global minimum tax framework. The understanding was reached after the proposed "retaliatory tax" of section 899 was removed from the OBBBA, reducing the prospect of an immediate tax dispute between the United States and its trading partners. Even so, questions of competitiveness, implementation, and the treatment of US multinational businesses may draw congressional attention next year, especially if other countries continue to pursue various forms of Digital Service Taxes (DSTs). Certain reporting requirements with the international tax framework also could renew congressional scrutiny of multinational tax planning and compliance.

Possibilities for bipartisan consensus: Despite partisan disagreements over the OBBBA, tax administration could remain an area where bipartisan cooperation is achievable between a Democratic-controlled House and Senate and a Republican president. Numerous tax administration proposals have already attracted support from both parties during the current congressional session, including several individual House-passed measures and the Senate-passed Taxpayer Assistance and Service Act (TAS Act, H.R. 5349). Although the House and the Senate have pursued different legislative approaches, many of the underlying reforms overlap, with the Senate favoring a more comprehensive package and the House advancing a series of narrower bills. If these proposals are not enacted during the lame-duck session

of the 119th Congress, however, (see discussion below), they could provide an early foundation for bipartisan tax legislation in 2027. (For prior coverage of the TAS Act, see *Tax News & Views*, Vol. 27, No. 28, July 31, 2026.).

Another measure with bipartisan support is the House-passed United States-Taiwan Expedited Double-Tax Relief Act (H.R. 33), which would provide targeted relief from double taxation on cross-border investment between the United States and Taiwan, reflecting the absence of a formal tax treaty between the two jurisdictions. The measure could carryover as a priority for consideration in the 120th Congress if it is not enacted before year end.

Additionally, efforts to expand retirement plan participation could offer opportunities for bipartisan discussion. For example, as a principal advocate of SECURE 2.0 (P.L. 117-328), Rep. Neal welcomed a 2026 executive order issued by President Trump to expand retirement-plan access and promote participation in the law's Saver's Match program – a federal program that matches a portion of the money a taxpayer saves for retirement – suggesting at least some common ground on efforts to increase retirement savings among low- and moderate-income workers. Sen. Wyden has continued to highlight retirement security as a priority, calling for expanded opportunities for working Americans to save for retirement. In addition, targeted technical refinements to retirement savings provisions enacted under SECURE 2.0 could be addressed before year-end given their bipartisan support. If those changes are not enacted during the lame-duck session, they could potentially be folded into a larger bipartisan retirement measure next Congress.

Digital asset taxation is an area where interested parties will be hopeful that lawmakers can find common ground. The House Ways and Means Committee demonstrated that potential this fall when it approved the Digital Asset Tax Certainty Act (H.R. 10357) by a 38-5 vote. The legislation would establish rules on the treatment of ***de minimis*** digital asset fees, the charitable contribution of certain digital assets, and voluntary disclosure. Still, as Congress continues to debate digital asset policy, tax proposals could become caught up in broader political dynamics surrounding the issue, making bipartisan agreement potentially more difficult to sustain. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 39, Oct. 3, 2025; *Tax News & Views*, Vol. 27, No. 31, Sept. 18, 2026.)

In addition to digital asset taxation, another potential area for bipartisan agreement is the wagering loss deduction limit enacted in the OBBBA. Key lawmakers in both parties have supported legislation to restore the prior-law rule allowing taxpayers to deduct wagering losses up to the amount of their wagering gains, reversing a limitation enacted under the OBBBA. Support for restoring the full wagering loss deduction has already translated into legislative action, with the Ways and Means Committee approving the provision as part of the Digital Asset Tax Certainty Act (H.R. 10357).

Other bipartisan possibilities include an incentive for domestic film and television production and certain tax extenders, including the work opportunity tax credit and the advanced manufacturing investment credit, if they remain unresolved following the lame-duck session (see discussion below).

Trade and tariffs: Democrats' election night victories position the party to increase scrutiny of Trump's tariff policies, which Democrats have increasingly portrayed as undermining affordability through higher costs of imports for consumers and businesses. Taxwriting committees led by Democrats likely will use hearings and oversight activities to seek additional information about the administration's trade policies while also advancing House votes aimed at curtailing the president's tariff authorities. Even so, significant changes to the administration's trade authorities would require substantial Republican support, given the Senate filibuster and President Trump's veto authority.

Despite Democrats' concerns about the impact of higher tariffs on consumer prices, they are not expected to pursue the repeal of all tariffs. Instead, they would likely take a more targeted approach to determining which tariffs to seek to rescind and where to impose constraints on presidential tariff authority. That approach would be broadly consistent with the approaches taken during the Presidency of Joe Biden, when Democrats retained many of the tariffs on China imposed during President Trump's first term while also pursuing additional trade restrictions.

While tariff opposition has largely been led by Democrats, some Republican lawmakers have broken with the administration on specific trade actions. In February, a resolution from Reps. Gregory Meeks (D-N.Y.) and Greg Stanton (D-Ariz.) to terminate Trump's national emergency declaration and tariffs on Canadian imports passed 219 – 211, with support from a small number of Republicans. Similar dynamics emerged in the Senate in late 2025 when Democrats secured enough Republican support to approve three separate resolutions challenging Trump's tariffs. Although those measures were largely symbolic, they demonstrated bipartisan unease with some current tariff policies, though some of the Republicans who supported those measures will not be returning to Congress next year. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 43, Oct. 31, 2025; *Tax News & Views*, Vol. 27, No. 9, Feb. 27, 2026.)

Recent bipartisan action on targeted trade programs could provide a foundation for further cooperation in the 120th Congress. Extensions of the African Growth and Opportunity Act (AGOA) and the Haiti Economic Lift Program were approved on a bipartisan basis as part of the Continuing Appropriations and Extensions Act, 2027 (H.R. 6500). Looking ahead, Congress could also renew bipartisan efforts around expired trade preference programs, such as the Generalized System of Preferences.

Treasury and IRS regulatory actions remain important: The fact that Congress will be narrowly divided and unlikely to produce major tax legislation does not mean that federal action on tax policy will descend into a state of dormancy for the next two years. To the contrary, the Treasury Department and the IRS will remain active in issuing regulations, administrative guidance, and other interpretations that could have significant consequences for individuals and businesses. Although the Treasury Department can't administratively raise or lower tax rates, decisions around how to implement previously enacted laws, particularly the OBBBA, could have major implications for affected taxpayers. At the same time, Democrats control of the House and Senate could translate into heightened oversight of Treasury and IRS implementation of the law, including hearings and inquiries into how the agencies interpret certain provisions and administer associated tax benefits. As a result, some battles over tax policy in the 120th Congress may play out just as much through oversight of Treasury and IRS regulatory actions as through the legislative process. (The 2026-2027 Priority Guidance Plan indicates likely areas of future regulatory action.)

Oversight: With a Democratic majority in the House and Senate, they will likely use control of congressional committees to pursue a more active tax oversight agenda. That could include scrutiny of the implementation and effects of the OBBBA and other tax laws, along with hearings on IRS operations, administration, and enforcement. The oversight agenda could also provide Democrats an avenue to highlight areas where they believe changes to tax law are warranted, even where legislative action may be more difficult.

Will the lame-duck session be 'lame?'

More immediately, several weeks remain in the post-election lame-duck session that begins November 9th, providing lawmakers with an opportunity to reach agreement on possible tax-related provisions before the 119th Congress adjourns. Under the current legislative schedule, the House and Senate will remain in session through November 20th, adjourn the week of November 23rd for the Thanksgiving recess, then reconvene the week of November 30th and remain in session through at least mid-December.

Notably, the outcome of the midterm elections will likely affect what lawmakers are able, and willing, to accomplish during the lame-duck session. With Democrats poised to take control of the House and Senate in the 120th Congress and President Trump entering the final two years of his term, congressional Democrats may see advantages in postponing action on certain issues until 2027 if they believe their leverage will improve in the next Congress. On the other hand, lawmakers could conclude that addressing unresolved matters during the lame-luck session is preferable to carrying them into a new Congress with its own competing priorities. Whether leaders choose to strike deals or defer decisions will ultimately shape the fate of any possible year-end legislative package, and the mood of lawmakers will not come into focus until they return to Washington and talk amongst themselves as they plot strategy for both the coming two months as well as the two years that follow.

Those dynamics may be especially important for Democratic leaders who are expected to take control of Congress in January. Part of the calculus for House Democratic Leader Hakeem Jeffries of New York is that, to become Speaker, he needs the affirmative vote of 218 of his colleagues on the House floor when the new Congress convenes on January 3rd. With several of the incoming members having already expressed concerns about whether Jeffries aligns with their more progressive views, he may approach negotiations with Republicans during the lame duck more cautiously as he positions himself for a potential Speaker bid, though the size of the incoming majority is expected to be large enough to overcome any internal dissent on his path to the Speaker's Rostrum. On the other side of the Capitol, Sen. Chuck Schumer (D-N.Y.), the current minority leader, likely to become majority leader in the 120th Congress, could conclude that deferring action on certain issues until 2027 would allow them to set the Senate agenda, control committee priorities, and approach negotiations from a stronger position. Those political considerations could weigh on Democratic leaders as they decide whether unresolved issues are best addressed during the lame-duck session or deferred to the next Congress.

Similar calculations will be occurring among Republicans in the House, who will face difficult questions about their leadership going forward. Without the speakership, Republicans will lose one leadership position, setting in motion potentially contentious jockeying among both current and aspiring members of leadership for the available positions. That will occupy substantial time and energy in the coming weeks and could shape how House Republicans approach pending legislative business.

Moreover, with control of the Senate set to change hands next year, it is expected that Republican Leader John Thune of South Dakota will devote substantial floor time and energy during the remainder of 2026 to confirming nominees for a variety of judicial and executive positions, as Democratic control will make it difficult for President Trump's nominees to be confirmed during his last two years in office. The focus on confirmations in the next two months will take substantial time and energy and could narrow the band-width available for legislating.

Wrapping up the 119th Congress: Topping the lame-duck legislative agenda will be funding federal government operations, an issue that will require bipartisan cooperation. Although Congress prevented a government shutdown by approving a short-term continuing resolution (CR) that extends current funding levels through December 11, lawmakers have yet to reach agreement on all full-year FY2027 appropriations. As a result, funding for federal agencies, including the Treasury Department and the IRS, remains unresolved beyond the stopgap measure. Congress may ultimately opt for another CR extending into calendar year 2027. Republicans in the Senate, however, will need Democratic votes to finalize a funding measure, setting up potentially difficult negotiations over both duration and funding levels. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 30, Sept. 4, 2026.)

Reconciliation?: Knowing they are losing unified Republican control of government at the start of 2027, GOP leaders could explore whether another reconciliation package is achievable during the lame duck, potentially addressing issues such as the debt ceiling – which appears headed for another deadline in 2027 – and additional funding for the Department of War. The path forward, however, could prove challenging. Post-election attendance issues, competing member priorities, and the difficulty of identifying acceptable spending offsets for deficit-minded members could complicate efforts to assemble a package capable of securing sufficient support within the GOP conference, where even a handful of absences or defections could affect leadership's ability to advance legislation. As a result, prospects for enacting another reconciliation measure in the lame duck may be limited. Still, it is possible that Republican congressional leaders and President Trump will push for that outcome rather than leaving the federal debt limit to next year when Democrats will have greater leverage in a Democratic-controlled Congress to seek other policy changes as part of a debate over raising or suspending it.

Even if Republicans pursue another reconciliation package during the lame-duck session, tax provisions are not likely to be a focus. Notably, the GOP's reconciliation efforts this year have not included instructions to the taxwriting committees. While that does not preclude future Republican-backed tax legislation in reconciliation, the omission suggests little appetite among Republican leaders for pursuing another near-term tax package along party lines. With Democrats poised to control both chambers in the 120th Congress, opportunities for Republicans to advance additional tax legislation are expected to depend more on bipartisan negotiations rather than a Republican-led reconciliation effort in the closing days of 2026. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 22, June 12, 2026.)

Tax in the mix?: Less certain are the prospects in the post-election lame-duck session for several tax priorities that remain of interest to the tax community and have traditionally generated bipartisan support in Congress.

- **Tax administration:** One potential candidate for year-end action is the Taxpayer Assistance and Service Act, bipartisan tax administration legislation that the Senate passed by unanimous consent before the congressional recess started in October. With Senate action complete, attention now shifts to the House which has previously approved multiple tax administration bills containing provisions that are identical, or similar, to those included in the TAS Act, suggesting a potential foundation for bipartisan agreement.
- **Taiwan double tax:** The House passed the United States-Taiwan Expedited Double-Tax Relief Act (H.R. 33) by a 423 – 1 vote. In general, the measure would provide targeted relief from double taxation on cross-border investment between the United States and Taiwan, reflecting the absence of a formal tax treaty between the United States and Taiwan. With House passage, attention has shifted to the Senate, where the bill enjoys strong bipartisan support but has yet to find a path to the Senate floor.
- **SECURE 2.0 technical corrections:** Targeted technical refinements to retirement savings provisions enacted under SECURE 2.0 (P.L. 117-328) could also garner attention in the lame-duck session, particularly as part of a broader bipartisan legislative package.
- **Digital asset tax treatment:** Digital asset tax issues could receive attention before year end, as lawmakers from both parties have expressed interest in clarifying tax and reporting rules for these assets. One potential vehicle is the bipartisan Digital Asset Tax Certainty Act, which the Ways and Means Committee has already cleared. However, as noted above, digital asset tax proposals could get caught up in broader political dynamics around the issue.
- **Tax extenders:** A group of so-called tax extenders – targeted tax incentives that were not included in the OBBBA and that generally expired after 2025, including the Work Opportunity Tax Credit – could be a subject of negotiation between the two parties. Also, the advanced manufacturing investment credit under section 48D, which expires after 2026, could be extended. Supporters of extending

the section 48D tax credit are likely to argue that it remains important for encouraging domestic semiconductor manufacturing and strengthening supply chains. However, the overall cost and other policy priorities could complicate finding consensus on such a package to resolve before the end of the year. (A complete list of expired and expiring federal tax provisions (2025-2035) is available from the Joint Committee on Taxation staff.)

- **Film and television tax incentive:** An incentive aimed at boosting domestic film and television production is backed by a bipartisan group of lawmakers and publicly endorsed by President Trump, thereby giving it greater attention in the past several months, though it is unclear the breadth of support the proposal enjoys among rank-and-file members.
- **Wagering loss deduction:** The House could revisit the wagering loss deduction limit written into the OBBBA under which wagering losses are deductible only to the extent of 90 percent of the losses incurred during the taxable year. A proposal, which was cleared by the Ways and Means Committee as part of the Digital Asset Tax Certainty Act this fall, would restore the prior law, allowing taxpayers to deduct wagering losses up to the full amount of their wagering gains.
- **IRS and Tax Court nominations:** The Senate Finance Committee recently approved the nominations of James Gadwood to serve as IRS chief counsel and an assistant general counsel in the Treasury Department as well as Andrew De Mello to be a judge on the US Tax Court. Floor action on the nominations is likely to be among the Senate's remaining tax-related priorities before the end of the 119th Congress.

Surface transportation legislation may also bear watching. The CR, which provided federal funding through December 11, extended federal surface transportation programs, and any authorization package could involve the tax-writing committees because excise taxes that fund the Highway Trust Fund fall within their jurisdiction. (For prior coverage, see *Tax News & Views*, Vol. 27, No. 30, Sept. 4, 2026.)

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