

Tax News & Views

In this issue:

Leadership changes dominate as lawmakers return for lame-duck session 1

Finance Committee holds hearing for nomination of Treasury general counsel 5

What's happening at Treasury, IRS 6

Leadership changes dominate as lawmakers return for lame-duck session

Preparations for the 120th Congress, including orientation for incoming members, dominated the opening week of the post-election lame-duck session. With Democrats gearing up to assume control of both chambers and Republicans preparing to move into the minority, lawmakers turned to leadership elections and planning for the new Congress. (For prior coverage of the November 3 midterm elections and the implications for federal tax policy, see *Tax News & Views*, Vol. 27, No. 34, Nov. 4, 2026.)

US House developments

Recent race calls have brought greater clarity to the size and composition of the incoming Democratic majority, changes within the Republican conference, and how both parties will organize for the next Congress. As of press time, Democrats have won 255 of the chamber's 435 seats, Republicans have won 169, while 11 races remain undecided, according to results reported by C-SPAN using data from the Associated Press. Those outstanding races will determine the final size of the Democratic majority, which has already surpassed the 218-seat threshold needed for control. (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.)

Leader Jeffries running for Speaker: The shift in party control put current Democratic House Minority Leader Hakeem Jeffries of New York on a path toward the speakership in the 120th Congress. On November 4, Jeffries formally announced his candidacy for Speaker in a letter to Democratic colleagues, asking for their support and pledging that House Democrats will "deliver the dramatic change the American people are demanding in the majority."

To become his party's nominee, Jeffries will need to secure the support of a majority of the Democratic caucus. He then will face a vote of the full House of Representatives when the new Congress convenes early next year. To win the gavel, he must receive a majority of all members present and voting, a threshold that is typically 218 when all 435 House seats are filled and all members vote for a candidate. As the current Democratic leader, Jeffries is well positioned to secure the speakership, with no challenger having emerged so far, broad support within the caucus, and Democrats' sizable incoming majority providing some cushion against potential internal dissent. Still, some incoming Democratic members have withheld support, indicating they want to hear more about the party's agenda before committing their vote.

In a press conference on Monday, Rep. Jeffries spoke to affordability as a central priority for House Democrats in the next Congress, pointing to the cost of everyday necessities and health care. "Millions of Americans are drowning in this failed Republican economy and have voted for a Congress to focus on driving down the high cost of living in all of the areas, including groceries, gas, housing and, of course, fighting to make healthcare affordable for every single American," he said, adding that "[H]ouse Democrats are going to focus on affordability, accountability and a return to American values."

Other Democratic leadership positions will be determined next week as the Democrats continue to organize for the 120th Congress. Rep. Katherine Clark of Massachusetts, who currently serves as Democratic whip, launched her bid to become the majority leader. Likewise, Rep. Peter Aguilar of California, the current chair of the House Democratic Caucus, launched his bid to become the majority whip. Neither has faced opposition so far.

New GOP minority leader: Across the aisle, Speaker Mike Johnson (R-La.), who has led the Republican majority in the House since October 2023, has decided not to seek the minority leader position in the next Congress. On November 10, House Judiciary Committee Chair Jim Jordan (R-Ohio) defeated current House Majority Leader Steve Scalise (R-La.) by a 106-73 vote in the conference election to serve as House Republican leader in the 120th Congress.

Ahead of the leadership election, Jordan made his oversight experience a central part of his pitch to Republican colleagues, writing in a November 4 letter: "I am battle-tested on the oversight front, and I know the Democrats' playbook. I know what it will take to lead our Conference in the minority, to stay unified, and to coordinate and calibrate our response to the Democrats' tactics." After winning the minority leader position, Jordan told reporters that "[f]or the next two years, House Republicans will fight for American families," adding that "[w]hen Democrats offer more government, we will offer more freedom. We will bring that fight in committee, on the floor and on the stump every single day."

At a press conference following the leadership elections, Speaker Johnson praised Rep. Jordan's work during the 119th Congress and said he would do an "extraordinary job" leading House Republicans in the minority in the 120th Congress. Incoming Minority Whip Tom Emmer (R-Minn.) and Conference Chair Lisa McClain (R-Mich.) won their respective re-elections to House Republican leadership and appeared alongside Jordan. They struck a forward-looking tone, stressing the need to quickly regain the "trust and confidence" of the American people as Republicans seek to reclaim the House majority in 2028.

US Senate developments

The midterm elections also gave Democrats control of the Senate, with 55 seats to Republicans' 44, while the race for Alaksa's remaining seat was still undecided as of press time. There, Democratic challenger Mary Peltola currently leads Republican incumbent Sen. Dan S. Sullivan, with 86 percent of the vote reporting. (The current party breakdown in the 119th Congress is 53 Republicans and 47 Democrats, including two Independents – Sens. Bernie Sanders of Vermont and Angus King of Maine – who caucus with the Democrats.)

Calls for change emerge as Schumer faces challenge: Senate Democrats are scheduled to hold their leadership elections after the Thanksgiving break, with current Minority Leader Chuck Schumer of New York favored to return as majority leader in the 120th Congress. Still, some current and incoming Democratic senators have called for a broader discussion about the party's leadership, strategy, and direction. On Thursday, Sen. Chris Van Hollen (D-Md.) formally entered the race, announcing that he would challenge Sen. Schumer for the top Senate Democratic post.

Sen. Van Hollen, who described himself as an underdog, framed his bid as a call for change from President Trump's policies and the status quo, arguing that Senate Democrats need new leadership to meet that demand. "It's now on us to meet this moment, and to do that we need new leadership. This is not about any one person – it's about answering the call of the American people. That is why I'm running for Senate Majority Leader."

Sen. Schumer, for his part, expressed confidence earlier this week that he will continue to lead the conference. Speaking to reporters, he said he was "confident that [he] will be elected the majority leader" and pointed to what he described as unity among Democrats around certain priorities, including "bringing down costs, ending the corruption, ending the chaos, and ending the war." Sens. Kirsten Gillibrand (D-N.Y.), Sheldon Whitehouse (D-R.I.), and Ruben Galego (D-Ariz.) also appeared with Sen. Schumer at the weekly Democratic leadership press conference.

Still, calls for a change have emerged within the caucus. Sen. Elissa Slotkin (D-Mich.), appearing at a joint briefing with Sen. Bernie Sanders (I-Vt.) on November 10, called for a new approach to Democratic leadership. "Whoever wants to run this caucus should come forward with a plan as to how they are going to govern differently, what they are going to do in the first 100 days to put money in people's pockets, and particularly how they're going to communicate differently," Slotkin said, adding that the Democrats need a "new generation of leadership." Sen. Sanders, meanwhile, has backed Sen. Van Hollen to lead Senate Democrats, citing voters' desire for change.

Senator-elect Annie Andrews (D-S.C.), who was asked in a ***Fox News*** interview last week whether she would support Sen. Schumer for majority leader, said she believes "it's time for a generational change on both sides of the aisle."

Not all Democrats calling for changes in how the Senate operates are seeking a change at the top. Sen. Richard Blumenthal (D-Conn.) clarified his position Monday night, telling reporters, "I plan to support Chuck Schumer as Senate majority leader, just as I said last week." At the same time, he said he was "[a]lso incredibly excited about the new ideas and energy that new members are going to be bringing to the Senate. We need them."

Thune to become minority leader: This week, Senate Republicans elected current Majority Leader John Thune (R-S.D.) to again lead the conference in the next Congress, when the GOP will serve in the minority. The vote went forward despite calls from a group of Republican senators, led by Sen. Ron Johnson of Wisconsin, to postpone the elections to allow the conference to hear from leadership candidates and discuss the party's governing approach and strategy for working with Democrats. "After the stunning defeat, you just can't continue on business as usual," Johnson said. "That kind of defeat demands change." After a brief pause, Republicans ultimately rejected the push for a formal delay and proceeded with the leadership elections, with Thune running unopposed as no other senator put his or her name in the hat as a challenger.

President Trump, meanwhile, stayed out of the leadership contest while voicing frustration with the Senate more broadly. He said last week that the choice of a Republican leader was up to GOP senators. "It's going to be up to the Republicans to choose [a Republican leader of the Senate], they choose, I don't choose." At the same time, he sharply criticized the Senate's performance, saying that "[t]he Senate can't get anything done," and that "[they] are killing our country."

Sen. Thune acknowledged the message Republicans received from voters during the midterm elections while making the case for moving forward, telling reporters at a press conference following the leadership elections: "I think it's important that we take the lessons from that [the midterm elections], and internalize the message that the American people were sending to us, and focus on the things that really matter to them." Looking ahead to the next Congress, Thune said that "we remain united in our commitment to advancing conservative priorities, working with President Trump and our colleagues in the House, and holding the line against Democrats' efforts to enact their far-left, liberal agenda."

In other leadership positions in the next Congress, Sen. John Barrasso (R-Wyo.) will return as Republican whip, while Sens. James Lankford (R-Okla.), Tom Cotton (R-Ark), and Shelley Moore Capito (R-W.Va.) will continue as vice chair of the Republican conference, GOP conference chair, and Republican Policy Committee chair, respectively. Sen. Bernie Moreno (R-Ohio) will take over as the new chair of the National Republican Senatorial Committee.

Taxwriting committees

Democratic control of Congress in the 120th will reshape the leadership, policy agendas, and membership of both congressional taxwriting committees.

Ways and Means committee: Rep. Richard Neal (D-Mass.), the current ranking member of the Ways and Means Committee and former chairman of the panel during the 116th and 117th Congresses, is expected to return as chairman in the 120th Congress. Neal has signaled that a Democratic-led committee would focus on tax policies affecting workers and families, health care, and retirement security, while also pursuing an oversight agenda that includes scrutiny of reductions in IRS staffing.

Current Chairman Jason Smith (R-Mo.), meanwhile, is expected to become the ranking member of the committee in the 120th Congress, where he will continue to defend recently enacted tax policies in the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), advocate for other Republican tax priorities as the party tries to chart a path back to the majority, pushback on certain Democratic-led investigations, and potentially work to find areas of bipartisan common ground in tax policy, such as tax administration, digital assets, and the individual-side provisions from the OBBBA, which expire at the end of 2028, such as tipped and overtime income, the enhanced seniors' deduction, and interest deductibility on certain automobile loans, as well as seed money for Trump Accounts.

Finance committee: In the upper chamber, current Finance Committee Ranking Member Ron Wyden (D-Ore.), who previously chaired the tax panel during the 113th, 117th, and 118th Congresses, is expected to return as chairman when Democrats take control in January. In a statement last week, Sen. Wyden said affordability and accountability will drive the Democratic agenda in the next Congress. On taxes, he pledged to pursue an agenda focused on working families, requiring wealthy individuals and corporations to pay their fair share, and strengthening enforcement against tax evasion. Sen. Wyden also identified health care and trade as priorities and signaled that the committee would also pursue oversight of companies and their dealings with the Trump administration.

Meanwhile, Sen. Mike Crapo (R-Idaho), the current chairman, is expected to become the ranking member of the committee, where he is likely to lead Republican efforts to defend and build on recently enacted tax policies under the OBBBA, while continuing to pursue areas of bipartisan agreement on issues within the committee's jurisdiction. At a Finance Committee nomination hearing on November 10 (more details below), Sen. Crapo signaled his desire to continue working across the aisle, saying he looks forward to "building on that record of cooperation" with incoming Chairman Wyden in the next Congress.

Committee headcounts, party ratios, and rosters: Under the current majority-minority ratio (26-19), Democrats will add at least thirteen members to the Ways and Means Committee. That number will increase, however, if the committee's ratio is adjusted to more closely reflect Democrats' larger majority in the House and/or if Rep. Mike Thompson (D-Calif.) loses his re-election race, which remains uncalled. In the Senate, it remains unclear whether the membership ratio (14-13) on the Finance Committee will be adjusted to reflect what will be different party ratios in the upper chamber than exist today, particularly after last week's Democratic gains in the midterm elections. The number of committee member slots is typically finalized after overall party headcounts are settled. Attached is a complete list of lawmakers who will – and won't – be returning to their taxwriting posts next year (based on races that were decided as of press time).

Lame-duck action begins to take shape

Compared to this week's organizational developments in the two chambers, action on the legislative front was generally more limited, although there was movement on several measures, including one signed into law by President Trump, another passed by the House, and a third that advanced in the Senate as a legislative vehicle for another measure. Lawmakers also continued to stake out familiar positions on issues that could also receive attention before year end. A few of the developments and proposals are highlighted below. (For additional details on tax-related items that could become part of the lame-duck legislative agenda, see *Tax News and Views*, Vol. 27, No. 34, Nov. 4, 2026.)

Tax administration package: At a Finance Committee hearing this week on the nomination of Robert Stebbins (more hearing details below), Chairman Crapo and Ranking Member Wyden pointed to tax administration as an area where bipartisan agreement may be possible, citing legislation the Senate passed with bipartisan support September 30. The package – the Taxpayer Assistance and Service Act (TAS Act, H.R. 5349) – would enact a range of tax administration and procedural reforms aimed at improving IRS-taxpayer communication, streamlining tax compliance, and expanding access to timely, expert assistance. 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. The TAS Act is currently pending consideration in the House after having previously passed the Senate by unanimous consent. (For prior coverage of the TAS Act, see *Tax News & Views*, Vol. 27, No. 33, Oct. 2, 2026.).

Taxpayer Advocate legislation becomes law: President Trump signed the bipartisan National Taxpayer Advocate Enhancement Act (H.R. 997) into law this week, a measure that strengthens the independence of the National Taxpayer Advocate (NTA) by authorizing the office to hire its own attorneys to represent taxpayer interests. Sponsored by Rep. Randy Feenstra (R-Iowa) and co-sponsored by Rep. Danny Davis (D-Ill.), the bill previously advanced through the House with overwhelming bipartisan support by a vote of 385-0. The Senate's unanimous approval came a day before lawmakers cleared the broader TAS Act package, which also includes a title relating to the Office of the Taxpayer Advocate. The NTA is appointed by the Treasury secretary in consultation with the IRS commissioner and oversees the Office of the Taxpayer Advocate, which is charged with representing taxpayer interests independently in disputes with the IRS.

House passes bill expanding 403(b) investment options: This week, the House passed by a 295-128 vote the Retirement Fairness for Charities and Educational Institutions Act of 2025 (H.R. 1013), which would amend federal securities laws to allow section 403(b) plans to invest in collective investment trusts and insurance company separate accounts. Rep. Frank D. Lucas (R-Okla.) introduced the bill, which has a bipartisan group of 24 cosponsors. Section 403(b) retirement plan are offered by public schools, charities, and churches.

Senate advances tax bill serving as vehicle for permitting reform: The Senate advanced the Survivor Justice Tax Prevention Act (H.R. 2347) through two procedural votes this week. The tax measure, however, is now serving as the legislative vehicle for the Senate's broader bipartisan permitting reform package, the Bipartisan American Affordability and Jobs Act. As a result, the path forward for H.R. 2347 will likely be shaped by the permitting debate. The House passed the tax legislation by voice vote in April. As passed by the House, the bill would exclude from gross income damages, other than punitive damages, received on account of any sexual abuse or unwanted or illegal sexual conduct, regardless of whether the injuries are physical. (For prior coverage, *Tax News & Views*, Vol. 27, No. 17, May 1, 2026.)

Another reconciliation push?: With Republicans set to lose unified control of Congress in January, some GOP lawmakers have called for using the remaining weeks of the 119th Congress to pursue another reconciliation package. Senate Republicans reportedly adopted an internal conference resolution offered by Sen. Ted Cruz (R-Texas) supporting another reconciliation effort during the lame-duck session, signaling broader interest within the conference in pursuing that path. Also, Rep. Chip Roy (R-Texas), who will not return to Congress next year after losing his bid for Texas attorney general, wrote in a social media post last week that Republicans "should work to pass a reconciliation package in the next eight weeks to take away leverage points from Democrats on spending." Whether GOP leaders will pursue that approach, and whether another reconciliation package could be completed during the lame duck remains uncertain. Such an effort could address potential issues, such as the debt ceiling – which appears headed for another deadline in 2027 – and additional funding for the Department of War. Tax provisions, however, may have a limited role in any such package, as the reconciliation effort Republicans have been developing this year does not include instructions to the congressional taxwriting committees.

Year-end tax package with must-pass measure: Any tax proposals that can win consensus among lawmakers during the lame-duck session are more likely to move as part of some other legislative package, such as an extension of soon-to-lapse government funding, rather than on their own. A number of bipartisan tax proposals being considered by the taxwriting committees could be candidates for inclusion in such a year-end package.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

Finance Committee holds hearing for nomination of Treasury general counsel

The Senate Finance Committee held a hearing to consider the pending nomination of Robert Stebbins of New York to serve as general counsel for the Department of the Treasury, a senior legal position with responsibilities that extend to several of the department's tax-related offices. Also before the committee were nominations of Francis Browne to serve as undersecretary of the Treasury for domestic finance as well as Christopher Abbott to serve as assistant secretary of enforcement and compliance for the International Trade Administration of the Department of Commerce.

Discussing Stebbins' nomination, Finance Committee Chairman Mike Crapo (R-Idaho) said that the general counsel will play an important role in ensuring that Treasury regulations and other guidance are consistent with the law and congressional intent, particularly as the department

implements the law commonly known as the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), which many Republicans refer to as the Working Families Tax Cuts Act. In support of Stebbins, Sen. Crapo also highlighted his distinguished career in the public and private sectors.

Ranking Member Ron Wyden (D-Ore.) began by saying that, as chairman in the next Congress, "the number one issue for this committee will be affordability," pointing to health care and trade among the issues affecting Americans' household finances. Turning to the Stebbins' nomination, Sen. Wyden raised concerns about his independence, describing Stebbins as a "Trump loyalist" and arguing that his background placed him at what Wyden characterized as the "epicenter of corruption" in the Trump administration.

The general counsel serves as Treasury's legal advisor, providing legal and policy advice to the secretary and other senior department officials. According to the department's organizational chart, the offices of the Tax Legislative Counsel, International Tax Counsel, Benefits Tax Counsel as well as the IRS Chief Counsel's office fall within the purview of Treasury's Office of General Counsel. If confirmed, Stebbins would succeed Brian Morrissey Jr., who left the position earlier this year. (For prior coverage, see *Tax News & Views*, Vol. 26, No. 40, Oct. 10, 2025.)

With limited time remaining on the legislative calendar and the committee still needing to vote on the three nominations before they can advance to the full Senate, it remains unclear whether the confirmation process can be completed before the end of the 119th Congress. Separately, 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 serve as a judge on the US Tax Court have already cleared the committee but are still awaiting confirmation votes by the full Senate.

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

What's happening at Treasury, IRS

The Treasury Department and the IRS have been active since the midterm elections on November 3, issuing several pieces of guidance and announcements affecting the 2027 tax year. Recent developments include updated retirement plan limitations, the designation of thousands of qualified opportunity zones, and annual inflation adjustments for dozens of tax provisions.

Retirement plans

Notice 2026-66 sets the 2027 cost-of-living adjustments for retirement plans and related provisions. The notice covers limitation thresholds for section 401(k) and 403(b) plans, the federal government's thrift savings plans, Roth Individual Retirement Accounts (IRAs), and others. (IRS press release)

Inflation adjustments for tax year 2027

Rev. Proc. 2026-35 sets forth inflation-adjusted items for taxable years beginning in 2027 for almost 70 tax provisions, including the tax rate schedules, the child tax credit, the standard deduction, and more. (IRS press release)

Opportunity zones

The Treasury Department and the IRS have designated more than 6,500 census tracts as qualified opportunity zones for all 50 states, territories, and the District of Columbia. The full list and map are available through Treasury's Community Development Financial Institution Fund website. (IRS press release)

Steven Grodnitzky
Tax Policy Group
Deloitte Tax LLP

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