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This update reflects facts as of Monday morning, August 4, 2025. The situation is fluid and may change.

The Senate adjourned at the end of last week, joining the House on the weeks-long August recess. Congress returns September 2. The Senate did, however, begin the process of funding the government for the fiscal year that begins October 1. The President, meanwhile, followed through on resuming his so-called “reciprocal” tariffs by the August 2 deadline set for negotiation of new trade agreements. And talk continues of another tax bill, either through reconciliation or on a bipartisan basis, but that talk remains unfocused and somewhat uncertain.

Appropriations. The Senate, before adjourning last week, passed three of the twelve appropriations bills needed to fund the government: Military Construction-VA, Agriculture-FDA, and Legislative Branch. All were passed on a bipartisan basis, but none was among the more controversial appropriations bills. Nor did passage represent final action, as the House-passed versions are different. Much remains to be agreed to keep the government open past September 31, as the House is generally seeking more substantial cuts to spending than the Senate.

There also remains the issue of rescissions. Appropriated funds can be rescinded by simple majority vote in the Senate, as happened recently with a $9 billion rescission bill, which the Senate passed on a 51-48 vote. Wary of that happening after future bipartisan agreement on appropriations, Senate Democrats offered an amendment to the three bills passed last week to prohibit rescissions. That amendment was defeated, but the issue will arise again with respect to the more controversial appropriations bills to follow.

Tariffs. The President issued an order last week setting new tariff rates for 68 countries and the European Union. The new tariff rates range between 10% for the United Kingdom and a few others with which the U.S. has a trade surplus to 41% for Syria. Most are set at 15%, said to be the baseline rate for countries with which the U.S. has a trade deficit, but range higher for countries with which no agreement has been reached. The 10% and 15% rates are said to be permanent.

Taxes. There are obstacles to another tax bill, either later in 2025 or early next year. A bipartisan bill would likely require agreement to extend the enhanced American Rescue Plan Act tax credits for Affordable Care Act premiums, the greatest Democratic priority. Those ACA tax credits would be certain to meet considerable Republican opposition, however, and an extension would have a relatively high revenue cost.

Another reconciliation bill, on the other hand, would likely resurrect differences between House and Senate Republicans over entitlements spending. The Senate barely passed the One Big Beautiful Bill Act 51-50, in large part because of over $1 trillion in reductions to funding for Medicaid, the ACA, and the Supplemental Nutrition Assistance program. The House barely passed the bill over complaints among budget hawks that the reductions should have been greater. That division would present a considerable obstacle to another reconciliation bill.

Either way, the question would arise whether and how to offset the cost of another bill, whether bipartisan or under reconciliation procedures. Both the question and the potential revenue-raising options would create controversy.

Catching Up on Capitol Hill podcast, Tax Cliff Averted: What's Next?, digs deeper into the prospects and possibilities for a second tax bill.

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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