



Capitol Hill Weekly

Washington National Tax
Federal Legislative & Regulatory Services

October 13, 2025

This update reflects facts as of Monday morning, October 13, 2025. The situation is fluid and may change.

The partial government shutdown is entering its third week with no immediate resolution likely. Furloughs have begun at the IRS—nearly 47% of employees—potentially hindering operations. Most other Congressional action remains on hold with one significant exception: passage by the Senate of a bipartisan National Defense Authorization bill.

Government funding. The 2026 fiscal year began on October 1 without passage of any of the twelve appropriations bills needed to fund the government. It is not unusual for Congress to pass a temporary measure to provide time to negotiate the details of discretionary spending programs. The House passed such a measure—a continuing resolution—over three weeks ago that would continue to fund the government, mostly without changes, through November 21. It did so, however, without Democratic support.

Sixty votes are needed for passage by the Senate, and Senate Democrats have denied the votes needed in the 53-47 Senate. Only three Democrats have voted for passage (and one Republican has voted against the CR). Instead, Senate Democrats have offered their own resolution that would also address their three requirements for agreement. Those are (i) an extension of expanded Affordable Care Act premium tax credit subsidies that expire at the end of 2025, (ii) reversal of nearly \$1 trillion in OB3 cuts to Medicaid and about \$150 billion in cuts to public broadcasting and international programs, and (iii) a prohibition on Executive Branch recessions of appropriated funding.

The focus of the Democrats demands has been the ACA subsidies, with less emphasis on those other difficult issues at present. Their immediate argument for continued withholding of votes to end the shutdown, however, is their claim of refusal of Republican leadership to engage in negotiations during the shutdown. The House has been in recess since passing its CR, the recess now in its fourth week. The Speaker has refused to bring the House back unless the Senate passes the CR, and the Senate Majority Leader has supported that position. The White House has also declined negotiations, while also threatening layoffs and denials of back pay. Those actions are designed to pressure Democrats to agree to passage of the CR, but at the same time widen the partisan divide.

The military would ordinarily be paid on October 15, a potential deadline for action. The White House has indicated, however, that it intends to cover at least the October 15 payday by repurposing defense R&D funds already appropriated for FY2026 and using unobligated funds from FY2025. That action relieves pressure for more immediate resolution of the funding debate.

Democrats, for their part, are looking now to November 1, the beginning of the open enrollment period for the ACA insurance exchanges. More to the point, premium notices for ACA coverage are being issued in October. One estimate is that without the expiring premium subsidies, premiums will increase on average by about 114%. Those increases, the Democrats believe, will increase pressure on Republicans for negotiations, particularly as the five states with the largest percentage of ACA insureds are potentially political battleground states.

The end of the shutdown could therefore be some days away. Both sides at present seem to be content with their respective positions with a view toward the 2026 mid-term elections. It is fair to say, however, that the opposing political forces causing the current deadlock are fueled by issues beyond government funding, such as immigration, military deployments, and prosecution of political figures.

IRS funding. The IRS has furloughed nearly 35,000 of its 75,000 employees. It is unclear what operations have been affected. All that has been said is that the intent is to leave unaffected guidance on OB3. How compliance and other operations might be affected should become clearer if the shutdown continues.

NDAA. The National Defense Authorization Act is must-pass legislation. The NDAA is the authority for defense programs, establishing priorities and goals. That authority is provided on a calendar-year basis, so passage by year's end is a necessity. While it does not provide funding—that comes from appropriations—it does contemplate certain levels of spending. It isn't clear whether the House will agree to the spending levels contemplated by the Senate NDAA, but passage represents considerable progress on legislation that must be passed by year's end. Senate passage nevertheless represents significant progress on critical legislation.

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.

This article represents the views of the author or authors only and does not necessarily represent the views or professional advice of KPMG LLP.

Contacts

John Gimigliano

Co-Principal in Charge, Federal,
Legislative & Regulatory Services
Washington National Tax
T: 202-533-4022

E: jgimigliano@kpmg.com

Jennifer Acuña

Co-Principal in Charge, Federal,
Legislative & Regulatory Services
Washington National Tax
T: 202-533-3800

E: jenniferacuna@kpmg.com

Learn about us:



kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS012900-2A

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.