KPMG

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This update reflects facts as of Monday morning, October 27, 2025. The situation is fluid and may change.

The government shutdown is entering week five, still without serious negotiations. The President will be in the Far East for, among other things, discussions with China of important pending trade issues. That may limit opportunities for shutdown negotiations this week, but some important milestones in November will provide additional pressure to provide government funding, if only on a temporary basis. With the House in recess since mid-September, there has been little visible progress on year-long appropriations, or much of anything else.

Government shutdown. The House passed a continuing resolution in mid-September to fund the government through November 21. That CR remains on the table, but Senate Democrats have prevented it from obtaining the needed 60 votes a dozen times. They also blocked last week a bill to pay the military and government workers deemed essential. They opposed the latter because it would permit the Executive Branch to decide whom to pay, instead offering their own plan to pay all government employees. Those measures could receive votes this week, but prospects for passage are not good.

November 1 looms as an important date. It marks the beginning of the open enrollment period for the Affordable Care Act. One aim of Congressional Democrats has been to draw attention to the premium increases for 2026 without an extension of premium subsidies that expire at the end of this year. Insureds should have received notices of those 2026 premiums by the beginning of November.

The next government payday, November 1, may also be missed without action by Congress. Treasury Secretary Bessent said on Sunday that the Administration will again shift funds to pay the military, as it did on October 15. Other government employees will not be paid. Unpaid government workers will include air traffic controllers and TSA employees, potentially delaying air traffic. Indeed, delays are already beginning to occur, as employees fail to appear for work, a phenomenon seen in past long shutdowns.

Perhaps even more importantly, funds available to pay benefits under the Supplemental Nutrition Assistance Program will begin to run out at the end of October. SNAP food benefits for as many as 42 million people may be at risk in November, depending on the availability of contingency funds. The need to provide SNAP funding could provide a compelling reason to pass a CR.

Late this week and next week would seem to be a critical moment for a potential breakthrough, as this shutdown approaches the 35-day record of 2018-19. A temporary funding measure, whether to November 21 or a later date, may only provide a pause before another funding deadlock.

Tariffs. The President has threatened additional 100% tariffs on Chinese imports in response to China's threat to restrict exports of rare earths and other key products. American and Chinese sources have both reported progress toward at least a temporary resolution of this latest trade dispute in advance of the President's meeting this week with the Chinese General Secretary Xi. There is now optimism that the occasion for these additional tariffs will be avoided.

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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