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Capitol Hill Weekly

Washington National Tax
Federal Legislative & Regulatory Services

December 8, 2025

This update reflects facts as of Monday morning, December 8, 2025. The situation is fluid and may change.

There are only two weeks remaining on the Congressional calendar before its scheduled adjournment for the year. Passage of government funding legislation in this session of Congress appears increasingly unlikely, as agreement remains elusive on even a partial funding package. More immediate priorities are also a factor. Given this, the prospects for tax legislation for extenders and other proposals in year-end, or early 2026, tax legislation remain uncertain at best.

The principal priority in the short time remaining before the upcoming recess is legislation to authorize defense programs—the National Defense Authorization Act. The NDAA is annual defense policy legislation directing spending on defense programs. Passage of the annual NDAA is ordinarily a bipartisan process, but issues remain to be resolved this year, such as the authorization of programs requiring funding that exceeds what has been requested by the President and whether to continue authorization for the use of force.

Authorization for defense programs is not to be confused with funding legislation—appropriations—that also remains undone. Funding for defense programs, and most of the remainder of the government, continues until January 30 under the continuing resolution Congress passed in November. Progress on appropriations has been slow. There are House-Senate and intra-party differences on top-line spending levels and earmarks in addition to partisan differences over allocations of funds. Plans by Republican Senate appropriators to attempt to move a five-bill package before 2025 adjournment faces long odds.

Also looming over appropriations for the 2026 fiscal year are two of the issues that were the cause of the October-November government shutdown. Negotiations over extension of expiring Affordable Care Act premium subsidies have yet to produce an agreement. Democratic leadership continues to insist on an unamended extension for three years, a proposal that lacks more than very modest Republican support. House Republican leadership has indicated it may introduce its own proposal as soon as this week, but it may constitute only an opening position for negotiation. A Senate vote on the Democratic plan is planned for this week, with little prospect of it attaining the sixty votes required for passage.

Rescissions—that is, the authority of the Executive Branch to reject appropriated funds—also remains an issue. The President returned about $14 billion in fiscal year 2025 appropriated funds. Congress can accept proposed rescissions by a simple majority vote, bypassing the usual requirement of sixty votes in the Senate.

The press of other priorities and the steep obstacles to passage may leave little time or political capacity to address outstanding tax proposals. That includes even those with bipartisan support, such as extension of the Work Opportunity Tax Credit and expensing for qualified production costs for film and sound recording, double-taxation relief for Taiwan, and elimination of the limit on deduction of gambling losses. None of the pending proposals appears to be of such a compelling nature as would necessitate legislative action, even in connection with 2026 funding legislation, perhaps the best remaining opportunity for passage.

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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