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This update reflects facts as of Monday morning, December 22, 2025. The situation is fluid and may change.

Congress has recessed for the holiday break. It managed to pass before leaving the critical National Defense Authorization Act, but it left government funding legislation for the new year. It also left unresolved the controversy over health care legislation and the Affordable Care Act subsidies that expire December 31. The House did narrowly pass legislation to ease federal environmental permitting that is of some importance to AI infrastructure, which faces uncertain prospects in the Senate. There was scant discussion, though, of a tax bill.

Twelve appropriations bills are needed to fund the government. Congress has passed three—the least controversial—as the rest of the government continues to operate under a continuing resolution that expires January 30. Passing the remaining nine will be the highest priority of Congress when it returns in January. The Senate has been working on a five-bill package that would provide the bulk of the remaining funding, including the crucial Defense and Labor/HHS/Education bills, as appropriators work through some remaining issues raised by Democrats.

The remaining bills in the package include Financial Services, which provides funding for Treasury and the IRS, and Homeland Security. IRS funding could also be an issue for the Financial Services funding bill. Immigration issues could slow Homeland Security.

Sixty votes are needed for Senate passage. It appears, however, that unlike in October, Senate Democratic leadership will not support tying the funding legislation to health care, particularly the question of extension of expiring ACA subsidies. That lessens considerably the possibility of another government shutdown. The core spending issues could, however, be an issue in themselves, as they have in the past, potentially leading to a partial shutdown. And the issue of executive branch rescissions could also be an issue.

The debate over health care legislation will continue in January, as well. The House passed a partisan health care reform bill before adjourning, but it did not address the expiring ACA subsidies. Four Republican members, though, signed onto a discharge petition with all House Democrats that will force a vote on the subsidies when Congress returns in January. The Democratic plan that was the subject of the discharge petition would extend the subsidies for three years, although it could be amended before the House vote. An unamended three-year extension would face uncertain prospects in the Senate, where passage would require 60 votes. In any event, it now appears that the fate of health care legislation will not affect government funding.

Tax legislation remains an afterthought. Extension of expiring provisions like the Work Opportunity Tax Credit and some new proposals to address double taxation with respect to Taiwan and full deductibility of gambling losses enjoy bipartisan support. But none is politically compelling as in the past were expiring provisions that commanded year-end tax legislation like the research credit or minimum tax exclusion. Obstacles to passage of a tax bill include the questions of revenue offsets and the sorting of other proposals individual members might seek to add. Whether there will be time and political will to address these issues and include a modest tax bill with final funding legislation is the question, and the prospects appear thin.

That political calculation could change should there arise a problem with the ongoing negotiations in the OECD over the BEPS Pillar 2 global minimum tax. The G-7 agreement reached earlier this year contemplates a side-by-side arrangement that would provide the United States a safe harbor for its existing international tax regime. The OECD is expected to release details of the agreement before the end of the year. Failure of that process could produce a legislative reaction. Indications are, however, that the side-by-side agreement remains on track.

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.

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