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This update reflects facts as of Monday morning, January 5, 2026. The situation is fluid and may change.

Congress returns from its holiday recess this week to an agenda of critical legislation for January that is longer than the one it left. Funding the government beyond its January 30 deadline remains a formidable task, as Congress has passed only three of the twelve needed appropriations bills. It must also now confront, however, legislation to extend Affordable Care Act subsidies, which are the subject of a discharge petition in the House. And privileged resolutions to address the military action in Venezuela under the War Powers Act and other legislation are also pending for votes as soon as this week. There was some positive tariff news, while a critical court decision looms. Tax extenders and other bipartisan tax legislation, with all this, remain no more than an afterthought for now, at least. The important news to begin the week, however, is the announcement by the OECD that agreement has been reached on the side-by-side arrangement on the application of the global minimum tax to the United States.

OECD Pillar Two. The OECD announced on January 5 an agreement among its 145 members and released details of its global minimum tax package. Importantly, it includes the so-called "side-by-side" agreement that addresses application of BEPS Pillar Two to the U.S. international tax system. The side-by-side agreement, the outline of which was first made among members of the G-7 at a meeting in late June, headed off retaliatory tax proposals then being considered by Congress in connection with the tax reconciliation bill, OB3. Negotiations over details of the global minimum tax and side-by-side arrangement have been ongoing since then. The agreement also addresses the important issue of treatment of tax incentives.

In a joint statement, Chairman of the Ways and Means Committee, Jason Smith, and Chairman of the Senate Finance Committee, Mike Crapo appeared to support the side-by-side agreement, seemingly diminishing the possibility of re-emergence of retaliatory tax legislation, for now. In a statement released today, Treasury said it worked to reach this "agreement with the more than 145 countries in the OECD/G20 Inclusive Framework to have U.S.-headquartered companies remain subject to only U.S. global minimum taxes while exempting them from Pillar Two."

Government funding. Democratic leadership has indicated it will no longer link extension of ACA subsidies to appropriations. Using government funding as leverage for legislation to extend the subsidies was the cause of the October shutdown. De-linkage does not eliminate entirely the possibility of another shutdown over the usual issues of spending levels, allocation of funds, and related policy issues. The Administration has complicated bipartisan negotiations by blocking funding recently for projects in Colorado and Florida, potentially raising again the question of executive branch rescissions. The prospects for completion of funding legislation before the deadline, however, have improved considerably.

ACA subsidies. The issue of ACA funding nevertheless persists, albeit on a separate track. The House will soon vote on a Democratic proposal of a three-year extension of expanded premium tax credit subsidies that expired at the end of 2025. Four Republican members signed onto a discharge petition that requires a vote, along with all 214 then-present Democrats. Passage is assured if all four Republicans vote for passage, but prospects in the Senate are uncertain, at best, as it faces serious Republican opposition.

War Powers resolution. Republican Senator Rand Paul and Democratic Senator Tim Kaine have filed a resolution under the War Powers Act that would block further military action against Venezuela without Congressional approval. That resolution is privileged under the 1984 Department of State Authorization Act; it cannot be filibustered. A resolution has also been introduced in the House. A previous resolution narrowly failed by a 49-51 vote in the Senate and 211-213 vote in the House.

Tariffs. Meanwhile, the President withdrew, at least temporarily, additional tariffs imposed on imported upholstered furniture, cabinets, and vanities. He also announced proposed additional tariffs would not be imposed on pasta imported from Italy.

More importantly, the Supreme Court is expected to decide soon on the validity of the sweeping tariffs imposed by the Administration under the International Emergency Economic Powers Act. The issue is whether those tariffs are authorized by Congress under IEEPA. An adverse decision would not only benefit importers and consumers, but it would also increase the annual deficit by more than $200 billion.

The upcoming votes on the ACA subsidies and War Powers resolution are likely to occupy much of Congress's attention this week, possibly into next week. Government funding negotiations may slow but continue. When Congress might turn to tax legislation in the face of pressing business is uncertain.

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