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This update reflects facts as of Monday morning, January 12, 2026. The situation is fluid and may change.

Congress made modest progress on government funding legislation last week, but its most difficult tasks remain as the January 30 deadline approaches. Complicating those tasks are efforts to extend the now-expired Affordable Care Act tax credit subsidies and to address military actions in Venezuela. Measures addressing both issues progressed in both houses last week. Against this background, discussions of possible tax measures have proceeded slowly. Meanwhile, U.S. reaction to the OECD side-by-side safe harbor agreement on BEPS Pillar 2 was positive, lessening the threat of retaliatory tax measures, at least for now.

Funding. Congress has passed three of the twelve appropriation bills needed to fund the government through the end of the 2026 fiscal year, and last week the House overwhelmingly passed three more—Energy/Water, Interior/Environment, and Commerce/Justice/Science. It faces some opposition in the Senate from the Colorado Democratic members over the President's closing of the National Center for Atmospheric Research. The six remaining bills, however, would provide about 80 percent of the funding, and some face significant issues. Bipartisan agreement is needed because sixty votes are required for Senate passage.

The Senate would provide for Defense, the largest bill by far, significantly more money than the Administration requested or that some House Republicans would prefer. The State/Foreign Operations/Related Programs may raise questions about military action in Venezuela and elsewhere. Proposed cuts to education, particularly to fund schools in low-income areas, are an issue for Labor/HHS/Education. Several Democratic Senators have indicated they will oppose the Homeland Security bill over concerns about immigration enforcement. The pending Financial Services bill would cut funding for the IRS by nine percent.

The possibility of poison pill policy riders remains an issue throughout. Those are particularly an issue for Defense and Labor/HHS/Education, the largest of the remaining measures.

Extension of ACA subsidies, the principal issue in the October government shutdown, appears now to be proceeding on a separate track, however. That reduces considerably the potential for another shutdown, but clearly problems remain for at least some of the remaining bills.

Affordable Care Act & War Powers. A discharge petition gained the required 218 signatures before the holiday break, bringing to the House floor a three-year extension of expanded ACA subsidies. The House passed the measure last week by a 230-196 vote with 17 Republican members and all Democrats voting aye. The bill now moves to the Senate with the expectation negotiations will ensue as sixty votes will be required for passage. Proposals have already been offered that would shorten the extension and introduce an income limitation. The subsidies expired on December 31 and the open period for ACA policy renewal is January 15, so there is pressure to act soon.

The Senate passed a War Powers Act resolution to require Congressional authorization for further military action with regard to Venezuela. Such a resolution is privileged in the Senate—it cannot be filibustered—passing by a 52-47 vote with five Republicans and all Democrats. Expedited procedures for consideration are not provided for the House, however, so it is uncertain when and if the House will consider the resolution.

Tax. Tax extenders and other bipartisan tax legislation seem to remain an afterthought. Support for extending the expired Work Opportunity Tax Credit, film production expensing, and the like remains broad and bipartisan, but not deep. So, too, is bipartisan support for modifying the limit on the deduction for gambling losses and addressing double-taxation with respect to Taiwan, but these lack a legislative vehicle to provide sufficient impetus for passage, at least so far.

There has been growing discussion of legislation in two areas that could include tax components. The Senate Financial Services Committee is scheduled this week to consider legislation to regulate cryptocurrency. Tax-writing committee staff have been working on legislation to address tax issues related to transactions in cryptocurrencies while awaiting regulatory legislation that will affect the structure of the market.

Housing legislation is also being discussed as a way to address rising costs in the market. Regulatory reform is the principal focus, but tax has also been discussed. Unspecified tax credits and an increase in the gain exclusion for home sales have been mentioned.

It is too soon to be confident of the prospects for either cryptocurrency or housing legislation, but both are possibilities for Congressional action this year.

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