



# Capitol Hill Weekly

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Federal Legislative & Regulatory Services

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***This update reflects facts as of Monday morning, February 2, 2026. The situation is fluid and may change.***

A partial shutdown of the government began midnight on Friday, as Congress continues to make slow progress toward a bipartisan bill to fund most agencies through the end of the 2026 fiscal year. Bipartisan negotiations over a possible extension of expanded Affordable Care Act premium tax credits—the reason for the last government shutdown—have broken down, however. New tariffs have been threatened, while previous threats have either been abandoned or postponed. With these matters pending, there is no immediate prospect of significant tax legislation.

**Government funding.** Democratic objections to funding for Immigration and Customs Enforcement (ICE)—part of Homeland Security (HS) appropriations—has slowed what has otherwise been bipartisan agreement on funding legislation. Six of the twelve appropriations bills needed to fund the government remain, and temporary funding expired on Friday. Those six represent the bulk of annual discretionary funding, about 78%, including Defense and Labor/HHS/Education. Bipartisan agreement was reached on five of the six, which would fund the government at roughly the same levels as fiscal year 2025, levels significantly above those requested by the Administration, an inducement for Democratic support.

The controversy preventing passage has been the roughly \$10 billion in ICE funding that would be provided in the \$64.4 billion appropriation for HS. Congressional Democrats have objected to provision of any additional funding for ICE without limitations on its activities. Bans on masks, a requirement for wearing of body cameras, a requirement for judicial warrants for arrests, and limits on detentions pending adjudication are among the conditions mentioned.

The Senate Minority Leader and the President reached an agreement last week to avert a shutdown that would fully fund the five bills with bipartisan support, while extending funding for HS for two weeks, providing time to reach agreement on ICE funding. The Senate passed an omnibus bill last week with those six parts, or divisions, 71-29, with five Republicans and 24 Democrats voting no. House Democrats were not, however, part of that negotiation.

The Senate-passed bill is now pending before the House, which returns from a one-week recess on Monday. House Democrats have provided no assurance they would provide the

70-plus votes needed for the two-thirds needed for immediate passage of the Senate bill. With only a five-seat majority, passage on a partisan basis may prove difficult, as there are also Republican members with objections. The House Republican leadership plan is to bring it to a vote on Tuesday, assuming that with the President's help the Speaker can secure the vote of almost all his Republican members. Otherwise, he will need to seek Democratic support, which might require further negotiation. The partial shutdown may thus continue for a few more days, and negotiations over HS will likely be difficult and take somewhat longer, with the potential of an HS shutdown looming in two weeks (although HS has remaining funds from the \$75 billion provided for immigration enforcement in OB3).

**Tariffs.** The President threatened three new sets of tariffs last week. First, he threatened to impose tariffs on countries that provide oil to Cuba. Chief among those countries are Venezuela, exports of which are already being blockaded, and Mexico. The latter tariffs, presumably in addition to existing tariffs, would be significant.

Secondly, the President threatened new tariffs on Canadian airplanes, as part of a controversy over Canadian certification of U.S.-made aircraft. And, finally, the President threatened Canada with additional tariffs if Canada concludes a trade deal with China.

Meanwhile, previously threatened tariffs on countries doing business with Iran seem to have been deferred, at least for now.

**ACA subsidies.** The expanded ACA premium subsidies provided by the American Rescue Plan Act in 2021 expired in 2025, and the time for insurance contract renewals has also now expired. Congressional Democrats have sought a three-year extension of the subsidies, which precipitated the government shutdown last October. While no longer connected to government funding, the ACA subsidies remain a significant political issue. Bipartisan negotiations to extend them with new limitations that have been ongoing at a low level, however, seemed last week to have ended somewhat acrimoniously.

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## Contacts

### John Gimigliano

Co-Principal in Charge, Federal,  
Legislative & Regulatory Services  
Washington National Tax  
T: 202-533-4022

E: [jgimigliano@kpmg.com](mailto:jgimigliano@kpmg.com)

### Jennifer Acuña

Co-Principal in Charge, Federal,  
Legislative & Regulatory Services  
Washington National Tax  
T: 202-533-3800

E: [jenniferacuna@kpmg.com](mailto:jenniferacuna@kpmg.com)

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