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This update reflects facts as of Monday morning, February 9, 2026. The situation is fluid and may change.

Congress narrowly passed \$1.2 trillion government funding legislation last week after a brief partial shutdown. Part of it was only temporary, however. The bill combined the six remaining appropriation measures needed to fund 78 percent of the government, including the critical appropriations for Defense and Labor/HHS/Education. Five of the six appropriations measures fully funded programs through the end of the 2026 fiscal year. Agreement could not be reached, however, on funding for the Department of Homeland Security (DHS), which was funded only through February 13.

The Financial Services measure notably made a 9 percent cut in IRS funding. It does not appear, however, that the reduction in funding will affect most IRS operations, as it has substantial remaining funding from the Inflation Reduction Act. IRS activities may still be affected, however, by previous reductions in force at the agency that have resulted in the loss of more than 25,000 employees.

DHS programs only temporarily funded include immigration enforcement. Enforcement activities of Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP) remain highly controversial with many Democrats. Accordingly, Congressional Democrats are seeking a long list of restrictions on those agencies as part of any additional funding. Those restrictions include prohibitions on masking, requiring use of body cameras, requiring judicial warrants for searches, and restricting deployments around churches, schools, and voting places, among other things. Many of these demands have proven unacceptable to Republicans in both the House and Senate.

Narrow Republican majorities are further complicating passage of the DHS measure or reaching agreement on the restrictions on immigration enforcement. Sixty votes are required for Senate passage, which means the votes of at least seven Democrats are needed for passage. The House Republican majority is historically thin, currently only four, meaning party-line passage of legislation is only possible with the loss of no more than one member's vote. Last week's funding bill passed by 217-214, with 21 members from each party voting with the other side.

No serious negotiations over the \$64 billion DHS funding measure have taken place as the week of February 13 begins, raising the real possibility of a partial government shutdown midnight on the 13th. Ironically, substantial funding for immigration enforcement—as much as \$75 billion—was provided by OB3, so ICE and CBP may not be seriously affected. Other important programs, however, like the Federal Emergency Management Agency (FEMA), the Transportation Security Agency (TSA), the Coast Guard, federal law enforcement training, and the Cybersecurity and Infrastructure Security Agency, could be left unfunded. Suspension of TSA funding has in the past caused significant airport delays when continuing for an extended period.

No immediate resolution of the DHS funding controversy appears imminent.

Other major pending business will likely be slowed until an agreement is reached. Negotiations over extension of funding for expanded Affordable Care Act premium tax credit subsidies have broken down, and it is unclear when they might resume. Similarly, progress toward agreement on regulation of cryptocurrency also slowed, and as resolution of the regulatory issues is important to taxation, that legislation has stalled as well.

Tariffs actions. Late last week, the President issued executive orders announcing potential tariff actions with respect to Iran and Russia.

One EO directs the Department of Commerce to determine whether countries are acquiring goods or services from Iran, either directly or indirectly. Upon such a finding, the Department of State, in consultation with Commerce and other departments, is to make recommendations to the President for new tariffs that could be imposed on imports from those countries. Tariffs of 25 percent are cited as an example.

The other EO eliminates a 25 percent tariff imposed on imports from India as secondary sanctions for India's purchases of Russian oil. The 25 percent tariff was imposed by under an August 2025 EO. The President recently announced an agreement with India and, according to last week's EO India has committed to eliminate imports of Russian oil and replace them with imports from the United States and elsewhere.

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