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

The parties remain far apart in negotiations to fund the Department of Homeland Security (DHS) at the beginning of a week likely to be dominated by the joint U.S. and Israeli attacks on Iran. Members of both the House and Senate have indicated they will offer resolutions to require Congressional authorization for further military action in Iran, which may leave little political space for consideration of DHS funding. Democrats in both House and Senate have also introduced bills to require refunds of International Emergency Economic Powers Act (IEEPA) tariffs found invalid by the Supreme Court. And there has been no progress on vague talk of a second reconciliation bill to address health care or tax.

DHS funding. Congress has yet to pass the annual appropriations bill to fund DHS. That \$64 billion bill remains mired in the controversy over funding for two of its agencies, Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). Specifically, Congressional Democrats are demanding a list of new limitations on the immigration enforcement operations of those two agencies, most of which the President and Congressional Republicans have found unacceptable.

Both sides seem content, at present, to use the shutdown to highlight their positions as the department shutdown begins its third week. Ironically, ICE and CBP immigration operations remain fully funded, as they can operate under supplemental funding provided in OB3. Other DHS agencies, however, are affected, including the Coast Guard, the Federal Emergency Management Agency (FEMA), and the Transportation Security Administration (TSA).

Tariffs. The Supreme Court did not address the question of refunds, when it held that Congress did not authorize imposition of tariffs in IEEPA. Indeed, it is not entirely clear how the refund process is to proceed. Bills have been introduced by Democrats in Congress that require refunds be paid promptly to importers without any further action on their part. Prospects for these bills are quite uncertain, however, as they so far have no Republican co-sponsors, let alone the two-thirds support that would be required if vetoed by the President.

Tariffs imposed under section 232 of the 1962 Trade Act meanwhile continue in effect. And the President has broadly imposed new 10 percent tariffs under section 122 of the Trade Act of

1974. Those tariffs remain in effect for 150 days, while the Administration considers imposition of still other tariffs under section 301 of the same bill, apparently with the goal of replicating the IEEPA tariffs.

Despite the introduction of several bills to either expand or limit the President's tariff authority, Congressional action does not seem likely.

Taxes. In last week's State of the Union Address there was no mention of taxes for the 2026 legislative agenda. OB3 included the tax priorities of the President, making permanent the expiring and expired provisions of the Tax Cuts and Jobs Act. Extension of other expiring and expired provisions like the Work Opportunity Tax Credit and expensing for film and television productions have bipartisan support, but Democratic support for an extenders bill seems unlikely without an extension of the now-expired Affordable Care Act premium tax subsidies, which are largely opposed by Republican members. Offsetting revenue costs and competition with other tax priorities are also serious obstacles that make passage of legislation uncertain.

Committee staff have been working, however, on legislation to address taxation of cryptocurrency. That tax legislation awaits, however, agreement on regulatory legislation currently pending in other committees that would define the cryptocurrency market and transactions. The timing of that regulatory legislation is uncertain.

And the Chairman and Ranking Democrat on the Senate Finance Committee introduced last week a bipartisan IRS reform bill containing an array of proposals to address IRS procedure and administration. The bill builds on a discussion draft released by the Committee leadership early last year. No immediate hearings or markup of the bill have been announced.

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