



# Capitol Hill Weekly

Washington National Tax  
Federal Legislative & Regulatory Services

March 9, 2026

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

The House is out this week, while the Senate plans to vote on an affordable housing bill. There has been little apparent progress in providing funding for the Department of Homeland Security (DHS), as the focus of Congress has been on the military action in Iran. War powers resolutions failed in both House and Senate last week. There has also been no further increase in tariff rates, despite suggestions by the Treasury Secretary that increases would occur soon. House Republican leadership has indicated interest in a new reconciliation bill, although without a clear agenda and facing serious obstacles.

Secretary Bessent's status as Commissioner of Internal Revenue is unclear, as the term of his appointment under the Vacancies Act ended last week with no replacement nominated.

**DHS funding.** Annual funding for DHS expired on February 13. That has left most of the department unfunded, including the Federal Emergency Management Agency, the Transportation Security Administration, and the Coast Guard. The exceptions are Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP), for which funding is available from supplemental appropriations under OB3.

Congressional Democrats have called for limitations on the operations of ICE and CBP as a condition for supporting DHS funding. Those limitations have largely not been accepted by Republicans and negotiations have so far been unproductive. Democrats have also proposed funding for DHS without new funding for ICE and CBP during negotiations, a proposal that has also so far been rejected.

The parties remain far apart, seemingly satisfied with their respective positions. So, how much longer the partial shutdown will last is uncertain. Meanwhile, effects of the funding gap on TSA operations and airport security are becoming more pronounced, as suspension of paychecks enters its fourth week.

**Tariffs.** Following the Supreme Court decision that held the tariffs imposed under the International Emergency Economic Powers Act were unauthorized, the President imposed broad 10 percent tariffs under other authority, section 122 of the Trade Act of 1974.

He also said he would increase those tariffs to 15 percent. The Treasury Secretary said that increase might come as soon as the week of March 2, but that change has not yet been made. State attorneys general, however, filed lawsuits last week, challenging the validity of the section 122 tariffs.

Tariffs imposed under section 232 of the 1962 Trade Act meanwhile continue in effect. The additional 10 percent tariffs under section 122 remain in effect for 150 days, while the Administration considers imposition of still other tariffs under section 301 of the same bill, which need to be based on findings of unfair trade practices on a country-by-country basis. The stated goal is to replicate the former IEEPA tariffs.

**Reconciliation and taxes.** After a meeting of House Republicans, the Speaker indicated last week a desire of his caucus to proceed with a new budget reconciliation bill without Democratic support. Other elements of the Republican House leadership, however, expressed pessimism about the prospects.

No clear agenda for a bill was agreed at the meeting, however. The lack of a compelling and agreed legislative objective, like extension of the TCJA tax cuts in OB3, makes it less clear how Congress would overcome the serious obstacles associated with reconciliation. Budget reconciliation begins with a top-line number—the effect on deficits and debt. A division among Congressional Republicans on further reductions to spending to reduce deficits and offset the revenue cost of tax cuts appeared during debates on OB3. Spending cuts in that bill barely survived with one-vote margins, even balanced against favored tax cuts.

In addition, some of the proposals that have been under discussion, like health care reform, might not be eligible for a reconciliation bill, which must be limited to spending and revenue measures. And the President has so far indicated a lack of interest in another reconciliation bill, having already attained his most important objectives in OB3.

Given the historically narrow margins of the Republican majorities in the House and Senate, the potential for a second reconciliation bill seems uncertain, at best, unless conditions change.

Beyond reconciliation, there are a number of tax proposals outstanding that have bipartisan support, like extension of the Work Opportunity Tax Credit and expensing for film and television productions. None appear to be politically compelling, however. Without extension of expired Affordable Care Act premium tax credit subsidies, which has a relatively large revenue cost, Democratic support may not be forthcoming. Overall revenue cost and competition with a likely flood of other member proposals for a tax bill are significant obstacles. Only legislation on the taxation of cryptocurrency currently appears a realistic possibility.

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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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