



# Capitol Hill Weekly

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***This update reflects facts as of Monday morning, September 8, 2025. The situation is fluid and may change.***

Congress continues work on appropriations bills to fund the government for the fiscal year beginning October 1, but obstacles and the short time remaining make a short-term stopgap likely. Funding remains the main focus, but one of the potential tax priorities—expiring Affordable Care Act (ACA) Premium tax credits—has entered the conversation. Those ACA credits could also be part of the discussion of a second tax bill, with or without budget reconciliation protection, but the prospects of a second bill are uncertain. Meanwhile, the IRS may be getting a new chief counsel in the near future.

**Appropriations.** Funding the government has most of the attention of Congress, as might be expected with only two weeks left on the Congressional calendar to avoid an October 1 government shutdown. Differences between the House and Senate are considerable. The House passed its fourth bill—Energy and Water—last week, but like the others passage was narrow and partisan, 214-213. And importantly, the bill would cut spending by \$766 million from FY 2025 levels. Spending cuts are a theme in the House Republican bills. So, too, is the inclusion of so-called “policy riders,” that is, changes in policy through funding, most of which will likely prove controversial in the Senate.

The Senate has, so far, been proceeding on a bipartisan basis, at least for what might be considered politically the easiest bills. But the Senate bill would fund Defense at over \$30 billion more than either the House bill or the White House request. Senate differences over funding levels with the more fiscally hawkish House Republicans will continue to be an issue in funding legislation.

The other three bills the Senate has passed—Military Construction/VA, Agriculture/FDA, and Legislative Branch—are the least controversial of the twelve appropriations bills. The Senate plan currently seems to be to attach these three to a continuing resolution to continue funding for the other nine at current levels, with perhaps a few minor adjustments agreeable to all sides, known as “anomalies.” The length of the temporary funding will be a subject of negotiation, with the Thanksgiving break being one possible target date.

Another potential obstacle, however, is the rescissions process that the Administration has used effectively to cancel funding provided in appropriations legislation for the current fiscal year. Democratic support is needed to provide sixty votes for cloture in the Senate, as well potentially to provide a House majority, and they may be expected to object to continued authority of the Administration to rescind funding provided in bills for the next fiscal year.

**Taxes.** One of the Democrats highest legislative priorities is extending the Covid-era expanded ACA premium tax credit subsidies that expire at the end of calendar year 2025. Extension of the expanded subsidies is costly, about \$30 billion per year. There are strong policy and deficit objections to an extension on the Republican side, but also some support. The loss of the credits would greatly increase health insurance premiums for many covered by the ACA and potentially result in the loss of coverage for millions. A bipartisan bill to extend the subsidies for one year has been introduced in the House, and some members are promoting it as a potential inducement for Democrats to support funding legislation.

Inclusion of the ACA subsidies in funding legislation, while perhaps not likely, would remove an obstacle to end-of-year tax legislation. There, it could be a considerable obstacle if, as is likely, it would be a Democratic demand.

Potential items of interest to Republican members for a year-end bill, at least at present, are more modest. Such proposals as restoration of full deductibility of gambling losses, addressing taxation of cryptocurrency, an expatriate tax exclusion, extension of work opportunity tax credits, and credits for in vitro fertilization, while important to some Republican members, are not widely viewed as high priorities. Other potential items, like the pending Taiwan double-taxation legislation, expansion of retirement savings incentives, and an increase in the limit on the exclusion of gain on the sale of a primary residence, might enjoy bipartisan support but are not fully developed.

And, of course, the question of whether and how to offset the revenue cost of a year-end tax package may prove difficult.

**IRS.** The Senate Finance Committee has scheduled a hearing this week on the nomination of Donald Korb to be Chief Counsel, a position that has been vacant for some time. At present, his nomination appears uncontroversial, although questions may be raised about IRS staffing generally. Treasury Assistant Secretary for Tax Policy Kenneth Kies is currently Acting Chief Counsel. Treasury Secretary Bessent remains Acting Commissioner, as the President has not yet nominated anyone for that position since the departure of former Rep. Billy Long.

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