



TaxNewsFlash

United States

No. 2026-086
April 13, 2026

KPMG report: Congress' agenda this week includes DHS and defense funding, FISA reauthorization

This update reflects facts as of Monday morning, April 13, 2026. The situation is fluid and may change.

Congress returns from its break this week to an agenda of contentious issues. A tentative plan to fund the Department of Homeland Security (DHS) remains under discussion, potentially involving budget reconciliation. Democrats plan to introduce new war powers resolutions to limit military action in Iran. And Congress will hold its first hearings on the Administration's FY 2027 budget request. A crucial provision of the Foreign Intelligence Surveillance Act (FISA) sunsets on April 19 unless Congress acts this week, but obstacles to passage of an extension remain.

DHS funding. Funding legislation for DHS remains stalled over Democratic demands for reforms of immigration enforcement by Immigration and Customs Enforcement (ICE) and Customs and Border Protection (CBP). House Republicans initially rejected a Senate bill that would fund all of DHS except ICE and CBP, leaving those two agencies to be funded separately on a partisan basis using the budget reconciliation process.

Intervention by the President resurrected the Senate plan, and the Senate repassed its partial funding bill by unanimous consent before recessing two weeks ago. The House was expected to pass the Senate bill upon its return this week. Objections have arisen among House Republicans, some of whom remain wary of leaving ICE and CBP to a second bill. They would instead prefer to fund all of DHS through budget reconciliation. It remains to be seen whether the Senate two-step approach will be taken, or rather the House one-step.

Either way, there now exists a more compelling reason for a budget reconciliation bill. Inevitably, reconciliation will draw proposed amendments reflecting other member priorities. Congressional leadership has indicated a strong desire to pass a clean bill, devoid of potentially troublesome amendments that might slow or even prevent passage, given the narrow Republican majorities in the Senate and House.

Leadership can be expected, in deflecting amendments, to raise the prospect of a second reconciliation bill later in the year. Such a bill is contemplated by the Administration's budget request for an additional \$350 billion for defense above its base \$1.15 trillion request for annual funding. A second bill, even more than the first, will face an additional serious obstacle, as the question will be raised whether its revenue cost should be offset by spending cuts elsewhere or by revenue increases.

In short, one or two budget reconciliation bills appear a real possibility, but whether either or both might be open for tax changes is far from certain.

War powers resolutions and the defense budget. Occupying much of the time of Congress this week will be the military action in Iran, now entering its seventh week. Democrats plan to use a privileged procedure to force a vote on new resolutions in both the House and Senate under the War Powers Act to limit military action in Iran without Congressional authorization. Passage does not appear likely, but the debate will inevitably tend to crowd out other legislative matters.

The cost of the action in Iran will eventually result in a formal request by the Administration for supplemental defense funding. The Defense Department has asked for \$200 billion, so the supplemental request could be substantial. Such a request could turn into another reconciliation bill. It is not clear whether this supplemental funding is part of the \$350 billion the Administration has requested Congress provide through budget reconciliation as part of its FY 2027 budget request.

OMB Director Vought is scheduled to testify on the Administration's budget request before both the House and Senate budget committees this week. That testimony may shed more light on the Administration's plans with regard to both the defense supplemental request and the Administration's budget request for \$1.5 trillion in defense spending for the 2027 fiscal year.

FISA. Section 702 of FISA authorizes U.S. intelligence authorities to collect intelligence on non-U.S. citizens outside the United States. It does not require a judicial warrant for the interception of communications. This authority expires on April 19.

Some have objected to these warrantless interceptions. The objection is that, while the target may be a non-U.S. citizen, intercepted communications may include ones with a citizen. House passage has been complicated by new objections by Democrats that the provision might be used for political purposes.

The April 19 sunset makes FISA reauthorization something of a priority. Existing certifications may allow current surveillance to continue for some time, but limits on new surveillance under current conditions add urgency.

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