



Capitol Hill Weekly

Washington National Tax
Federal Legislative & Regulatory Services

October 5, 2026

This update reflects facts as of Monday morning, October 5, 2026. The situation is fluid and may change.

The Senate adjourned last week, joining the House, which had already adjourned until after the November elections. Before leaving, the Senate passed a bill to reform college sports and a package of tax administration measures. It also confirmed a new Labor Secretary as its last action before leaving. Democratic opposition, however, killed a data center measure and a Congressional stock trading ban, as neither could reach the needed 60-vote threshold on initial procedural votes. That is the same fate suffered by cryptocurrency legislation the week before.

Congress has left quite a sizeable agenda of important legislation for a post-election lame duck session, and probably beyond.

Tax administration. The Senate passed by unanimous consent a bipartisan tax administration reform package with more than 60 provisions. The Taxpayer Assistance and Service Act addresses such things as customer service, digitization of returns, and the jurisdiction of the Tax Court. The House has passed several bills with similar goals. The differences will have to be resolved when Congress returns to this subject, either in the lame duck session or next year.

College sports. Perhaps somewhat surprisingly, the Senate advanced the Protect College Sports Act ahead of other matters. The bill addresses player compensation and college sports league activities, among other regulatory reforms. It faces an uncertain future in the House, where bipartisan concerns have been raised.

Data centers. A cloture vote on the Ratepayer Protection Act failed 57-43, with most Democratic Senators voting against it. The bill would direct state utility regulators to consider new guidelines that would require large data centers to bear the cost of new energy infrastructure associated with those facilities. The principal objection to the legislation is that the guidelines are not mandatory.

Data centers have become an issue in some election races, so interest in regulatory legislation likely will continue. The issue has also attracted proposals from Democratic

lawmakers to remove from data centers certain tax preferences, such as accelerated cost recovery, opportunity zone incentives, and REIT benefits, as well as proposed direct taxes on revenue. The near-term prospects for passage of mandatory regulatory or tax measures, however, are quite uncertain, given the President's very public support of data centers and artificial intelligence generally.

The lame duck agenda. Congress must address four matters before the end of the session. It must reauthorize surface transportation and agriculture programs before the expiration of their temporary extension on December 11. These measures are at a somewhat advanced stage, although some issues remain.

Congress must also reauthorize defense programs before the end of the year. Passage of the National Defense Authorization Act is usually a bipartisan process, but it is complicated this year by the Administration's request for substantial expansion of defense programs, carrying a significantly increased cost.

Government funding for the 2027 fiscal year that began on October 1 is another essential measure. The government is currently funded through December 11 under a continuing resolution—a bill that generally continues 2026 funding levels. Congress has not passed any of the twelve annual appropriations bills. And the unresolved issues are significant.

The funding issues begin with the top lines—total spending—with the overriding issue being the division between defense and nondefense programs. Democrats are demanding, as usual, relative parity between increases in defense and nondefense programs. The Administration, however, is requesting a very large increase in defense spending, about 38 percent, a request that is reflected in the funding bill approved by the House Appropriations Committee on a party-line vote. Sixty votes are needed in the Senate, at least without resort to the budget reconciliation process for which there is little time, thus requiring a significant level of Democratic support.

Further complicating funding negotiations is the Administration's use of rescissions to disregard Congressional appropriations and repurposing of other appropriations to uses not prescribed by Congress. Democrats, and some Republicans, have objected to the Administration's actions. They will be seeking legislative language to limit the authority of the executive.

Whether there will be time or legislative resources to address other measures such as extending expired and expiring tax preferences or energy permitting reform seems doubtful. Bipartisan agreement is lacking, and in the face of other urgent business, resolution of the outstanding issues seems unlikely.

The above information is not intended to be “written advice concerning one or more Federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

This article represents the views of the author or authors only and does not necessarily represent the views or professional advice of KPMG LLP.

Contacts

John Gimigliano

**Co-Principal in Charge, Federal,
Legislative & Regulatory Services
Washington National Tax
T: 202-533-4022**

E: jgimigliano@kpmg.com

Jennifer Acuña

**Co-Principal in Charge, Federal,
Legislative & Regulatory Services
Washington National Tax
T: 202-533-3800**

E: jenniferacuna@kpmg.com

Learn about us:



kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.