KPMG

Capitol Hill Weekly

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This update reflects facts as of Monday morning, July 27, 2026. The situation is fluid and may change.

The House passed several measures before adjourning last week for its August recess, but the Senate may not pass any in their current form. The upper house has issues with both a continuing resolution to fund the government until December and a budget resolution to provide additional funding for defense. Similarly, issues remain for the annual defense policy bill, and a ban on stock trading by members includes election reform measures that lack sufficient support in the Senate. The Senate may try to move Russia sanctions legislation in the two weeks remaining before it adjourns for its break. And efforts to move forward with an extension of foreign surveillance authority remain stalled.

Congress will be leaving much work to complete before its planned adjournment October 2 for the elections, or potentially, a lame duck session in November. If the continuing resolution, budget reconciliation and supplemental defense funding, defense policy, and stock trading legislation weren't enough, Congress must also address reauthorization of surface transportation and agriculture programs that expire September 30.

Government funding. The continuing resolution (CR) passed by the House, which would continue funding until after the elections, is an acknowledgement that full funding for FY 2027 is not possible before it begins on October 1. Still, issues remain.

Democratic support is needed for Senate passage, and among Democrats there remain lingering concerns about both the withholding of funds by the Executive and the transfers of funds among accounts, especially for immigration operations. The House CR also contains some changes from current funding levels, so-called anomalies, and the Senate has a different set of preferences for these changes. There also remains a question of whether the CR in its current form would result in further rescissions of IRS funding.

The Senate Majority Leader has indicated the CR is the highest funding priority, given the short time remaining before the end of the fiscal year.

Reconciliation 3.0. Before adjourning, the House passed by the narrowest of margins a budget resolution giving committees authority for up to $95 billion in supplemental funding for the current fiscal year. About $73 billion could be approved for defense and other security measures in response to the Administration's request for funding made necessary at least in part by the Iran war. It also includes, however, authorization for as much as $10 billion in funding for elements of the SAVE America Act, legislation opposed by Democrats.

In any event, passage of a GOP-only budget resolution or reconciliation bill close to an election is a politically delicate exercise. The minority party is free to offer any amendments that are germane to the general subject matter, potentially forcing members of the majority to take positions on difficult issues. As a result, the Senate Majority Leader has indicated he will not seek to bring the budget resolution to the floor before passage of a government funding measure, and possibly not before the election. That position was bolstered by Congressional testimony last week that considerable defense funds included in the One Big Beautiful Bill Act remain available for defense.

Defense policy. The House also passed before adjourning the annual defense policy bill, the National Defense Authorization Act. That bill also passed by a very narrow margin, and mostly along party lines because it contemplates defense funding consistent with the Administration's request for FY 2027. That amount, $1.15 trillion, would represent a 38% increase in baseline defense funding over the FY 2026 level, a top-line funding level that does not have the support of Democrats in the Senate where 60 votes are required for passage. Some in the Senate would also like to include limits on the ability of the Administration to reorganize military command structure and defense force posture.

Current defense authority does not expire until the end of the year, which may well mean the NDAA will be another matter left to a lame duck session.

Stock trading ban. The House passed last week the Stop Insider Trading Act, which would impose a limited ban on trading of publicly traded stock by members of Congress and their families. The majority of Democrats opposed the bill, not because of opposition to the ban on trading, but Democratic opposition to the inclusion of the SAVE America Act election legislation. The inclusion of that poison pill seems likely to prevent its passage by the Senate, and, indeed, no plan to consider it is evident.

Russia sanctions. The Senate plans this week to try to move quickly on bipartisan legislation to impose new sanctions on Russia for its war with Ukraine, as well as to provide new assistance for Ukraine. The legislation would include secondary sanctions on countries doing business with Russia, a serious escalation of existing sanctions that would affect trade with important U.S. trading partners. The bill was a special project of the recently deceased Sen. Graham. The Senate is considering expansion of the sanctions to include Iran.

New concerns have arisen, though, about broad authority in the legislation for the imposition of tariffs of up to 100% on China and India, among other countries trading with Russia. And it could face a presidential veto.

Foreign surveillance. Authority to conduct warrantless surveillance of foreign persons under section 702 of the Foreign Intelligence Surveillance Act expired on June 12. Extension of that authority has been stalled by concerns over ensnarement of U.S. citizens in the surveillance

surveillance and Democratic opposition to the appointment of an Acting Director of National Intelligence (DNI). The former concerns seemed close to resolution, but the latter remains until the Senate can act on the nomination of a permanent DNI. The Senate Select Committee on Intelligence advanced the nomination of Jay Clayton last week. Senate confirmation, when it occurs, should eliminate the last obstacle to the extension of section 702 authority.

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.

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