KBF ADVISORY

RESONANT TAX STRATEGIES

TAX POLICY LANDSCAPE

August 27, 2026

ATTENDANCE POLICY

To qualify for 1 CPE credit, attendees must:

- Complete at least 50 out of 60 minutes of the webinar
- Answer at least 3 out of 4 polling questions

SPEAKERS

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KEY DATES

September 30, 2026	• Surface transportation authorization expires • Farm bill expires • Government funding expires unless extended • National Defense Authorization Act (NDAA) expires
November 3, 2026	• Midterm elections
December 5, 2026 or December 11, 2026	• Extension of government funding expires, if enacted
Late Winter to Mid-Summer 2027	• Debt limit reached
Summer 2027 to Early 2028	• Extraordinary measures to avoid exceeding the debt limit are likely to be exhausted
December 31, 2028	• OBBBA individual provisions expire, including no tax on tips, no tax on overtime, no tax on car loan interest, Trump Account pilot program, and individual SALT cap expansion (December 31, 2029),

LEGISLATIVE
LANDSCAPE FOR 2026

NEAR-TERM TAX FOCUS

- Bipartisan Focus
  - Tax administration
  - Digital assets
  - Taiwan tax agreement legislation
  - Extenders
  - Potential bipartisan revenue raisers for next year
- Republican Focus
  - Selling OBBBA
  - Overseeing implementation of OBBBA
  - Developing upcoming Congress's priorities
- Democratic Focus
  - Establishing priorities for upcoming Congress
    - Bill introductions, Committee work, identifying consensus offsets
  - Some engagement on bipartisan priorities
    - May be in a stronger negotiating position next year

POSSIBLE TAX LEGISLATIVE VEHICLES FOR REMAINDER OF 2026

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- Highway Trust Fund reauthorization (Sept. 30, 2026)
  - Not expected to contain meaningful pay-fors – insolvency is not an issue until 2028 according to CBO
  - Usually focused on transportation-related tax offsets, but not always

- Appropriations (Sept. 30, 2026)
  - Another continuing resolution?
  - Omnibus in the lame duck?
  - Government shutdown?

- "Lame duck" (post-election)
  - Often difficult to motivate members to come back to D.C. to legislate
  - Also can be difficult with shifting majorities if members think they can get a better deal next year
  - Can be an opportunity to clear the decks and deal with unpleasant issues if there is a vehicle

- Tax as a stand-alone?
  - Tax is challenging to move on a stand-alone basis
  - The Committees have approved tax administration proposals – possible opportunity for year-end bipartisan cooperation?

LEGISLATIVE
LANDSCAPE FOR 2027

KEY RETIREMENTS AND DEPARTURES

Senate Finance Committee	House Ways and Means Committee
6 departures • Republicans: Cornyn, Cassidy, Daines, Tillis, Blackburn • Democrats: Smith	**9 departures** • Republicans: Feenstra, Schweikert, Arrington, Buchanan, Hern • Democrats: Doggett, Larson, Evans, Davis
If Republicans maintain the Senate majority (depending on margins): Expect 5 new Republicans and 1 new Democrat	If Democrats take the House majority (depending on margins): Expect 11 or more new Democrats and 1-2 Republicans may lose their assignment
If Democrats take the Senate majority (depending on margins): Expect 2 new Democrats and 4 new Republicans	If Republicans maintain the House majority (depending on margins): Expect 5 new Republicans and 4 new Democrats

New members mean new perspectives, new priorities, and a need for education.

BUDGETARY CHALLENGES

- As of February, CBO has projected record debt levels over the next 10 years.
  - Deficits will be $1.4 trillion higher through 2035 than projected a year prior.
  - OBBBA alone will add over $4 trillion to the debt through 2024.
  - Debt is projected to rise from 99% of GDP at the end of FY2025 to 120% of GDP by the end of 2036.
- Projected Social Security and Medicare Trust Fund Insolvency Dates:
  - Combined Social Security Old Age, Survivors, and Disability Insurance Trust Fund is exhausted in 2034, leaving the program unable to pay all of the promised benefits.
  - Medicare Hospital Insurance Trust Fund becomes insolvent and unable to pay all of the promised benefits in 2033.

PRIORITIES FOR 2027 – REPUBLICAN SWEEP

- Republicans will pivot quickly to another reconciliation bill, likely including tax priorities.
  - Affordability will be a priority, as well as deficit reduction, fraud prevention, defense spending, AI, digital assets, and conservative social issues.
- Efforts to sell and build on the success of OBBBA (or "Working Families Tax Cuts") will continue.
  - Implementation of the tax provisions of the OBBBA will continue in 2027, but addressing members' tax priorities that either were left out of OBBBA or improvements that could be made will be a push.
  - Capital gains tax relief
  - Continued interest in addressing OBBBA concerns with gambling loss deduction limitation, endowment tax.
  - Tax-exempt organizations (see, House Ways and Means efforts), extending expiring OBBBA provisions
- Bipartisan work will continue, but will not likely be the initial focus.

PRIORITIES FOR 2027 – DIVIDED GOVERNMENT

- Priorities for House Democrats
  - Advance messaging legislation on priorities including improving affordability of necessities like housing, gas, groceries, energy, and childcare; helping working families; addressing climate change; and the like.
  - Conduct oversight on the Administration, likely to include corporations who have helped fund projects like the White House ballroom.
  - Revisit priorities left over from the previous Congress, which could include digital asset tax legislation and tax administration if not enacted this year.
  - Develop and pass priorities with potential for bipartisan support, such as Secure 3.0 (retirement tax legislation).

PRIORITIES FOR 2027 – DIVIDED GOVERNMENT

- Possible Areas of Bipartisan Cooperation to Watch

  - Digital asset tax
  - Secure 3.0/Retirement tax issues
  - Extenders (including 48D CHIPS credit)
  - Critical minerals and supply chains
  - Broader action on financial products?
    - Lot of interest/concern about transactions related to financial products that are viewed as abusive.
    - Interest by policymakers in the prediction markets also implicates financial products.

  - Other potential areas include housing, energy, general affordability, AI/data centers, industrial policy.

REVENUE RAISERS

- Republicans expended many of their consensus revenue raisers in the OBBBA.

- Democrats will be focused on message bills with revenue raisers that unite their caucus.
  - Also looking at Build Back Better Act proposals.

- In a divided government next year, bipartisan revenue raisers will be at a premium.
  - Carried interest?
  - Stock buyback excise tax?
  - Small corporate rate increase?
  - Build Back Better Act proposals?
  - Targeting private equity?
  - Increasing taxes on high-net-worth individuals?

REGULATORY OUTLOOK

BIG PICTURE GOALS

- Top tax focus is implementing and selling the OBBBA.
  - Trump accounts, President's priorities (tips, overtime, etc.), foreign entities of concern, international provisions
- Once Treasury clears OBBBA implementation top issues, it will continue work on other priorities.
  - Deregulation, digital assets, other priority guidance plan projects
- Treasury will face pressure from Congress and the White House to find policies that will help enact the Republican agenda and address pressing issues that are not viable through legislation.
- Democrats will be inclined to push back on the Administration's efforts that they view as "giveaways" to businesses and the wealthy.
  - Democrats will also be looking for issues that can be unifying/bipartisan to press Treasury on (e.g. concerns about private equity, Wall Street, data centers, etc.).

STAFFING AND PLANNING

- Staff changes have the potential to slow projects down.
  - Ken Kies departed in July; Kevin Salinger is acting lead of the Office of Tax Policy.
  - New IRS Chief Counsel could be confirmed this fall.
- Priority Guidance Plan will be released in the fall.
  - Same approach as last year – "skinny" version
  - Expecting limited new additions based on resource constraints

LATE 2026/2027 DOMESTIC REGULATORY PRIORITIES

Overall goal is to have anything effective for 2025 finalized by the end of 2026. In terms of specific projects expected to be addressed this year and early next year, expect efforts on:

- Ongoing Guidance on Trump Accounts
  - Proposed regulations on employer contributions and eligible investments
- Auto Loan Interest
- 1062 Gain on Sale or Exchange of Qualified Farmland Property
- Meals Provided for the Convenience of the Employer – 274(o)
- ✓ Saver's Match
  - Notice 2026-48
- R&D Expenditures – 174A
- Qualified Business Income Deduction – 199A
- ✓ Limitation on Business Interest Expense Deduction – 163(j)
  - New FAQs
- Passive Activity Losses – 469(l)
- Partnership Basis Shifting
- Endowment Tax
- Corporate AMT (targeting February)

LATE 2026/2027 INTERNATIONAL REGULATORY PRIORITIES

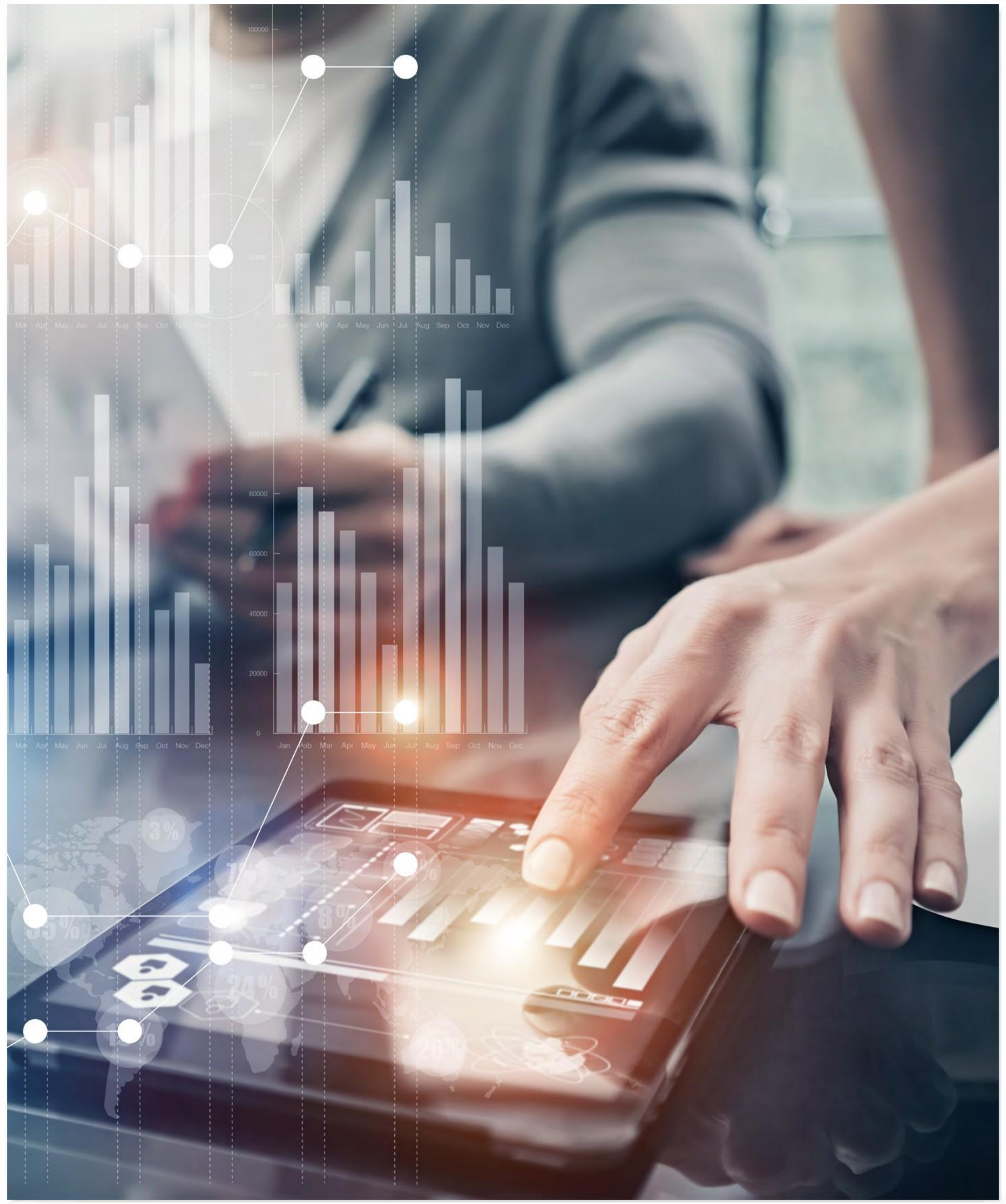
- Section 892 (Exempting Sovereign Wealth Fund Investment Income from U.S. Tax)
  - Effective control provisions could be released this year.
  - Loan origination provisions will need to be re-proposed, so will be next year.

- Section 385 (Characterization as Debt or Equity)
- Section 871(m) (Withholding Taxes on Dividend Payments to Foreign Persons)
- Amount B
- ✓ Section 987 (Foreign Currency Gains and Losses)
- 367(b) Domestications
- ✓ Proposed Regulations on the OBBBA International Provisions Effective for 2025
  - Goal is to finalize by the end of 2026.

LATE 2026/2027 FINANCIAL PRODUCTS TAX REGULATORY PRIORITIES

- Digital Assets
  - Revisiting Guidance on Staking in ETFs
  - Addressing Sourcing of Staking Rewards
  - Additional guidance depending on Congressional action and stakeholder interest

- Addressing financial products transactions viewed as abusive
  - Note recent comments by Office of Tax Policy officials on foreign currency identified straddles, swap transaction character misalignment, 351 diversification, BOXX transactions, and 852(b)(6)
  - Treasury Secretary Scott Bessent July 22 X post, "….we will not turn a blind eye to abusive Wall Street tax dodges or tolerate products designed to exploit our federal tax code….[we] are examining Wall Street tax products that may exploit the tax code and tax strategies that may cross the line."



LATE 2026/2027 ENERGY TAX REGULATORY PRIORITIES

- 45U Nuclear Credit
- Prohibited Foreign Entity/Foreign Entity of Concern
- Implementation of OBBBA changes to the 45X Advanced Manufacturing Production Credit
- ✓ 45Q Carbon Oxide Sequestration Credit
- 45Z Clean Fuel Production Credit

OECD

PILLAR 1 / PILLAR 2

CONTINUED IMPLEMENTATION OF PILLAR 2

- Treasury is focused on monitoring other countries' implementation of Pillar 2 and the side-by-side system.

- U.S. is remaining at the table and is particularly focused on safe harbors.

- Additional administrative guidance is expected – timing unclear.

- "Stock take" in 2029 – no particular action required as a result, but countries are interested in issues including:
  - Durability/sustainability of the side-by-side system
  - Efforts by countries to attract investment and how those efforts align with the rules.

RENEGOTIATION OF PILLAR 1

- The U.S. wants to revisit underlying assumptions of Pillar 1 negotiations to see if they are still accurate.
  - One key underlying assumption: that countries would stand down on DSTs.
  - U.S. also sees a need to protect future revenue streams including AI.
- EU is pushing to close a deal by the end of 2026, which is not realistic – but what is realistic is a question.
- U.S. is trying to determine its position going into the next round of meetings in September – what are we asking for and is it achievable?

QUESTIONS?

ONLINE EVALUATION FORM

To assess participant and instructor satisfaction with KBF's program and to increase subsequent program effectiveness, we are requesting feedback from participants and instructors for the overall program. Your feedback is much appreciated and will be used to identify opportunities for training improvement.

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