2026 MIDTERM ELECTION OUTLOOK: TAX



ANALYSIS BY

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MONUMENT ADVOCACY

OVERVIEW:

Tax policy in 2027 turns on two questions: what gets cleaned up in the lame duck, and how much pressure builds if nothing does. A long list of expired and expiring provisions is already waiting, including 48D semiconductors, the work opportunity tax credit, motorsports depreciation, the energy credits cut by OBBBA, and a new crypto tax regime.

If no agreement comes together before the end of the year, the pressure to pass bipartisan tax legislation in 2027 becomes significant regardless of who controls Congress. Affordability is the organizing frame in every scenario. Democratic control of either chamber brings oversight of OBBBA implementation and a heavy hearing schedule, while unified Republican control points back toward reconciliation as the vehicle of choice.



IF THE HOUSE FLIPS

- Possible Lame Duck 2026 effort to address outstanding expired and expiring tax policy issues 48D (semiconductors), WOTC (work opportunity tax credit), motorsports depreciation, energy tax credits cut by OBBBA (25C, 25D, 45L, 179D), and a new crypto tax regime.
- If an agreement cannot be reached during lame duck, there will be significant pressure to pass bipartisan tax legislation next year. This could also include tax relief for homeowners selling their homes (capital gains).
- As data centers and AI become increasingly unpopular on a bipartisan basis, there may be increasing calls for an excise tax on that segment of the economy.
- House Democrat-led Ways and Means likely to hold many oversight hearings in 2027 on OBBBA, other tax issues, trade policy, and corruption. Generally heavy emphasis by all relevant committees on affordability, Trump economy.
- House Democrats will continue to push the affordability message and hold hearings/votes on legislation like the Rep. Mike Thompson (D-CA) American Affordability Act.



IF BOTH CHAMBERS FLIP

- Unlikely political appetite for a fully Democratic Congress to craft productive tax policy deals with the Administration. Focus will be on messaging leading into 2028 elections.
- More heavy emphasis on oversight hearings, subpoenas.
- Hearings and votes in both chambers on affordability, floor votes on legislation. Veto threats and veto override votes.
- Very likely discussions on increasing taxes on data centers/AI or rolling back existing tax breaks.



IF NEITHER FLIPS

- Much more significant chance of Reconciliation 3.0 for war funding and other similar non-tax policies like the debt limit - likely to include tax policy in some manner.
- Cryptocurrency regulatory framework legislation, likely to include tax policy.
- 2028 extenders push for extension of OBBBA policy (No Tax On Tips, Overtime, etc. – likely also Sec. 45Z biofuels credit) – All likely done under reconciliation.

MEMBERS TO WATCH



REP. RON ESTES
(R-KS)

Ways and Means Republican who has led on R&D expensing and international tax. One of the members shaping which business provisions make a lame-duck extenders package.



SEN. JOHN CURTIS
(R-UT)

Founded the Conservative Climate Caucus and pushed back on abrupt repeal of the clean energy credits during OBBBA. The Republican to watch on 25C, 25D, 45L and 179D.



REP. MIKE THOMPSON
(D-CA)

Current Ranking Member of the Tax Sub-Committee and senior Ways and Means Democrat. Sponsor of the American Affordability Act, which proposes tax credits for health care, energy, education, childcare and housing.



SEN. CORY BOOKER
(D-NJ)

Senate Democrat focused on affordability and wealth concentration, from the Child Tax Credit to baby bonds. He could land a seat on Finance.

MONUMENT'S TAX PRACTICE AREA

This analysis was crafted by Monument Advocacy's Tax policy experts.

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