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2026 Tax and Trade Policy Outlook: How Tax Reconciliation, Extenders, Tariffs, and Trade Reviews Will Shape Federal Policy

February 06, 2026 | Article | By **R. Neal Martin**, **Myria Garcia**

VIEWPOINT TOPICS

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If 2025 was defined by the passage of sweeping Republican priorities through reconciliation, 2026 will be shaped by what comes next: tax and trade policy will remain central arenas where affordability, competitiveness, and geopolitical positioning intersect. The defining feature of 2026 is not ideological clarity but convergence — between fiscal policy and cost-of-living concerns, between trade enforcement and domestic political pressure, and between unilateral executive action and the limits imposed by Congress and international agreements.

What follows is a prediction of where momentum, leverage, and risk are likely to concentrate.

About This Series

The ML Strategies 2026 Policy Outlook Series explores the policy, political, and regulatory dynamics shaping key sectors in the year ahead. Across six installments, our team analyzes how federal action, election-year pressures, and agency decision-making are converging to influence business strategy, investment decisions, and risk management in an uncertain environment.

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2026 Tax Policy Outlook

Reconciliation 2.0: Targeted Tax Policy Changes After the OBBBA

Republican lawmakers continue to float the idea of a second reconciliation bill, but enthusiasm remains uneven and the White House has not yet embraced the effort. Unlike the One Big Beautiful Bill Act of 2025 (OBBBA), which cleared much of the administration's tax agenda, any follow-on reconciliation would almost certainly be narrower — less a vehicle for structural reform and more a mechanism to address residual priorities and tensions created by the first bill. In play are health care provisions and select tax changes: the president's proposal for tariff-funded rebates, adjustments to capital gains treatment for home sales, and treatment of Americans living abroad. On the business side, fixes to the unintended interactions between the corporate alternative minimum tax and the recently enacted investment incentives are possible. As with any reconciliation bill, strict procedural rules will limit what provisions might ultimately be included.

If the GOP pushes for a reconciliation package, expect to see an effort to include tax-incentivized provisions that would have a budgetary impact, including potentially Health Savings Accounts / High-Deductible Health Plans. The GOP would presumably use this effort to address the emerging health care affordability issue that has become central to the upcoming midterm elections.

Federal Tax Extenders and Expiring Credits

For much of the past two decades, tax policy revolved around recurring “extenders” fights. That dynamic has largely faded; the OBBBA reinforced the shift by permanently extending nearly all the individual and business provisions from the 2017 Tax Cuts and Jobs Act that were scheduled to expire at the end of 2025, with some notable exceptions.

In addition to the much-discussed enhanced Affordable Care Act (ACA) premium tax credits, which expired at the end of 2025, other provisions such as targeted hiring credits, industry-specific depreciation for motorsports facilities, and deductions for film and entertainment production went away at the end of the year as well. Because these incentives can be reinstated retroactively without major disruption, Congress may defer action until later in the year.

Ideas circulating for a potential extenders package include granting Taiwan tax treatment similar to that provided under certain US treaties, modifying limits on gambling loss deductions, and making technical and administrative updates to the tax code, particularly in the retirement space. None are guaranteed, but together they reflect a Congress more focused on calibration than wholesale change.

Bipartisan Tax Proposals: Digital Assets, Credits, and Public Finance

Even as Republicans consider a second partisan reconciliation effort, lawmakers in both parties continue to explore the possibility of a bipartisan tax package. The midterm election calendar complicates the path, but areas of overlap remain.

Democrats are expected to press for restoring or expanding priorities pared back in the OBBBA, including clean energy incentives and refundable credits such as the expanded child tax credit. Republicans are unlikely to reopen the energy provisions, but limited agreement may be possible where Democratic distributional goals intersect with the president’s interest in tariff-funded rebates for lower-income households.

Digital asset taxation stands out as one of the most active bipartisan fronts. Committees in both chambers are developing proposals to modernize tax treatment for digital assets, including extending wash sale rules, allowing market elections, applying securities lending rules, creating de minimis and stablecoin exceptions, and offering a new five-year deferral election for mining and staking income with ordinary income treatment upon recognition.

In addition to closely monitoring against any effort to use the tax exemption for municipal bonds to help pay for a reconciliation bill, the public finance sector could see opportunities to advance bipartisan proposals to restore advance refunding municipal bonds — providing states, localities, and 501(c)(3) entities greater flexibility to refinance outstanding debt and reduce borrowing costs — and to move legislation enhancing bank qualified bond rules to encourage greater bank participation in tax-exempt financing for smaller issuers and deliver more affordable capital for hospitals, schools, roads, bridges, and other critical infrastructure.

2026 Trade Policy Outlook

Export-Import Bank Reauthorization and Global Competition

The Export-Import Bank’s (Ex-Im) authorization expires on December 31, setting the stage for a reauthorization debate. The bank has not faced a lapse since its last seven-year reauthorization in 2019, but expiration would immediately halt its ability to approve new transactions. Supporters argue Ex-Im is essential for countering state-backed export credit agencies in China and Europe and for supporting US exporters in capital-intensive sectors. Critics maintain that the bank distorts markets and crowds out private financing. While reauthorization is expected to resurface later in the year, the timing, duration, and scope of any extension remain uncertain, particularly in a Congress juggling multiple fiscal and geopolitical priorities.

Tariffs, Trade Enforcement, and Domestic Political Pressure

Tariffs remain among the most politically volatile issues in 2026. For many Republicans — especially those representing agriculture-heavy districts — the tension between trade enforcement and constituent costs is becoming harder to manage. Democrats will continue to apply pressure and sharpen their message as the midterms approach. Coupled with an imminent Supreme Court decision on the president's unilateral authority to impose tariffs, this dynamic could shift the Trump administration's tariff strategy this year.

USMCA Review and North American Trade Tensions

The US-Mexico-Canada Agreement (USMCA) faces its first mandatory joint review on July 1, 2026. Under the agreement's unique sunset mechanism, all three parties must agree to extend the pact for an additional 16 years. Absent consensus, USMCA would remain in force until 2036, with annual reviews required to resolve disputes.

US Trade Representative Jamieson Greer has said he is still weighing whether to recommend full renewal, while emphasizing that withdrawal — with six months' notice — remains legally available. Lawmakers briefed by the administration report no active discussions about invoking withdrawal, but the option continues to shape negotiations.

Beyond bilateral disputes with Mexico and Canada, the administration has framed the USMCA review as an opportunity to modernize the agreement — revising rules of origin for non-automotive goods, strengthening economic security provisions, incentivizing domestic critical mineral production, enhancing forced-labor enforcement, and discouraging offshoring driven by regulatory arbitrage. Cooperation with Canada and Mexico on these fronts is increasingly linked to broader geopolitical competition with China.

Bottom Line

In 2026, tax and trade policy are less about sweeping reform than about pressure points. Legislative vehicles will be narrower, timelines more compressed, and political constraints more visible. Stakeholders should prepare for an environment defined not by stability but by selective movement, where progress comes in increments and timing matters as much as substance.

Authors



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Neal Martin brings more than two decades of experience in government and federal relations to his work, helping clients navigate a wide range of issues. He provides strategic guidance to organizations seeking to advance their legislative priorities and enhance their visibility before Congress and federal agencies.

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