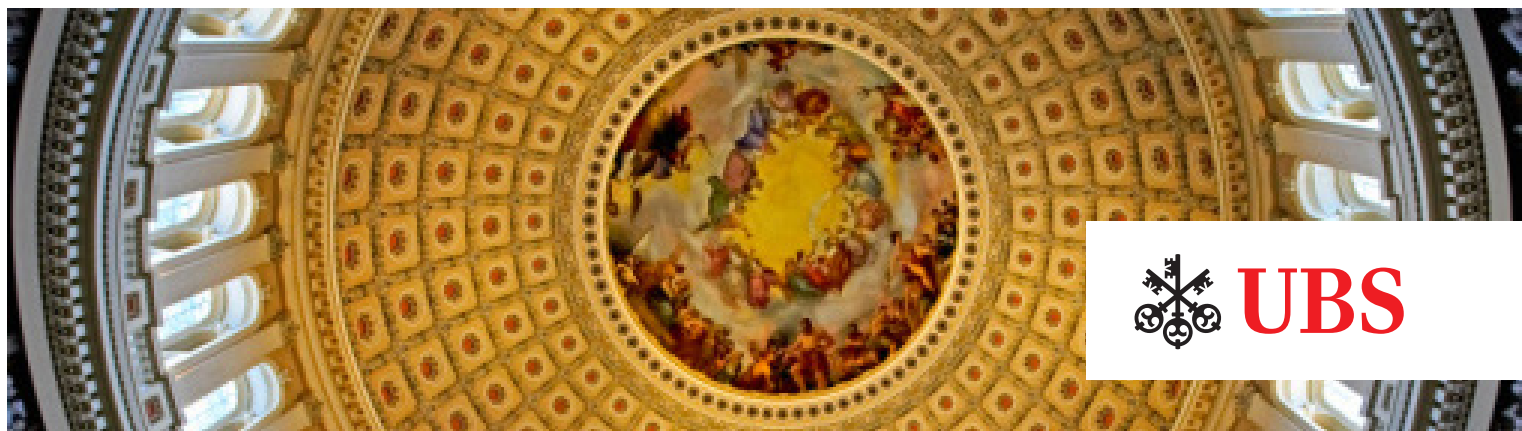


Washington Weekly

Under the Dome: The Week in Review

27 February 2026



This Week: The **Senate** confirmed Trump administration nominees. The **House** passed legislation repealing energy efficiency grants and a bill issuing stricter requirements for the Energy Department when issuing energy efficiency standards for home appliances. It also voted on, but did not pass, a Senate-passed aviation safety bill (see below).

Next Week: The **Senate** will vote on a House-passed housing affordability bill (see below) and a war powers resolution on Iran. The **House** will also have a vote on an Iran war powers resolution (see below).

The Lead

Tariff Uncertainty. The Trump administration was left scrambling following the Supreme Court's decision to strike down the lion's share of the tariffs it had imposed using emergency economic powers. It pivoted to imposing 10% tariffs under an authority that has never been used before. These tariffs, while global and broad-based, are legally limited by both time (only 150 days) and tariff level (15% cap). Administration officials have talked about potentially increasing the tariff from 10% to 15%. An act of Congress could extend the time period, but President Trump has indicated that he does not need any action by Congress. Instead, it appears that the administration sees this tariff as providing time for the administration to apply tariffs using other authorities on a more longstanding basis. One authority allows the administration to impose retaliatory tariffs in response to unfair trade practices (applied against China in the first Trump administration). Another allows for tariffs that can apply to specific sectors and products on national security grounds (it already has some of these tariffs in place). These tariffs can only be imposed after lengthy investigative and administrative processes. *These tariff authorities are less flexible and broad-based than the emergency authority the Trump administration had used, so the composition of the tariff regime (and the industries and trading partners it would impact) likely will be different and take time to implement.*

DHS Shutdown Continues. The Department of Homeland Security (DHS) has been without funding for two weeks and counting. The Senate held a vote this week on a bill to fund the DHS through the remainder of the fiscal year, but Senate Democrats objected given the bill lacked any of the immigration enforcement changes that they are seeking. These include judicial warrant requirements, use-of-force standards, mandatory use of body cameras, and a ban on masks. The Trump administration had drawn down federal immigration operations in Minnesota, and this week sent a letter to lawmakers outlining changes to ICE operations. However, the administration otherwise has largely rebuffed Democrats on their demands. So, negotiations have been ongoing since the shutdown, but little progress has been made. Despite having no nexus with immigration enforcement, agencies like FEMA, TSA, CISA, and the Coast Guard are impacted and are currently working without pay since they are deemed essential. When the public begins to feel more of the impact from the shutdown (e.g. TSA PreCheck, Global Entry, and disaster relief), lawmakers will be under greater pressure to come to a deal. *While a deal to fund DHS will eventually occur, the current state of affairs is bleak.*

Other Issues

Housing Bill. The issue of housing affordability continues to be a very politically resonant one. Both the House and Senate have bipartisan bills that package together a variety of piecemeal measures to try to promote the development of greater housing supply. The House last month passed its version in an overwhelming 390 to 9 vote. The Senate now intends to debate and approve its bill, which passed out of the Banking Committee unanimously last summer. During his State of the Union address, President Trump raised the topic and doubled down on his call for a ban on institutional investors buying single-family homes. The administration last month issued a mostly symbolic executive order that restricted federal financing and other support for

institutional investors buying single-family homes. An outright ban, however, would require legislation. While many Republicans are uneasy about an outright ban, administration officials have pushed other Republican lawmakers to get on board. Beyond the institutional investor ban, the housing bill could be a magnet for other controversial amendments such as a credit card rate cap. *All of these issues could complicate efforts to pass a housing package that otherwise has overwhelming support.*

Indexing Capital Gains. Earlier this month, a group of over 30 conservative organizations sent a letter to President Trump urging him to index capital gains to inflation by executive order. This would have a tangible impact on long-term investments with a sizable capital gain to be taxed at sale. This is not a new idea. It was floated as far back as President George H.W. Bush's administration. However, it has never been acted on since the Treasury has viewed their current statutory authority as being insufficient. Many of these conservative groups advocated for President Trump to act on this issue in his first term. *While we have long viewed this action as unlikely, we are not closing the door on the possibility of an executive action by the Trump administration.*

Iran. Trump administration envoys, Steve Witkoff and Jared Kushner, met in Geneva yesterday for a third round of nuclear discussions with Iranian officials. The talks ended with both sides citing progress, but they concluded without a breakthrough. Negotiations are expected to continue next week. President Trump has given Iran a deadline of the first week of March to reach a deal and has threatened military strikes if it is not met. Ahead of yesterday's nuclear talks, the Trump administration imposed sanctions on more than 30 entities that support Iranian oil and weapons sales. Additionally, the US has the biggest military deployment in the Middle East since the second Gulf War in 2003. With growing risk of a potential US strike, Congress plans to weigh in. Democrats in both the House and Senate will force votes next week on war powers resolutions to restrict President Trump from attacking Iran without congressional approval. Congress has the sole authority to declare war under the US Constitution, but that authority has been stretched in recent years by the executive branch. *As the Trump administration continues negotiations with Iran, Congress may send President Trump a symbolic blow against his international policy agenda.*

Lower Taxes for Boaters? We are now seeing imitation bills based on certain provisions from the "One Big Beautiful Bill" (OBBB) that passed into law last year. For example, the OBBB had a tax break on interest paid on car loans. Rep. Nancy Mace (R-SC) has introduced a bill to allow for interest on boat loans to be afforded similar tax treatment. While this bill may help taxpayers in her district and state, it is unlikely to garner the wide support the tax provision on car loans received. *With rough waters ahead, we don't expect this bill to advance.*

ROTOR Act. The House this week failed to advance legislation (the ROTOR Act) aimed at strengthening aviation safety. The bill, which is a response to last year's fatal mid-air collision at Reagan National Airport, would require broader adoption of collision-avoidance technology. With the exception of sensitive government missions, it would require all aircraft to broadcast their positions and see other aircraft positions using the Automatic Dependent Surveillance-Broadcast (ADS-B). The ADS-B was turned off on the Army helicopter that collided with the American Airlines jet. The bill passed the Senate unanimously in December and was on track for passage in the House. However, on the eve of its consideration, the Pentagon came out in opposition for both financial and national security reasons. An alternative bill was introduced in the House (the ALERT Act), but critics say it includes too many exceptions, particularly for the military. Proponents of the ROTOR Act argued the opposition was a mischaracterization of the bill since it did include exceptions for sensitive government missions, but Republican opposition grew with the Pentagon's reversal of support. The bill failed by just one vote to reach a two-thirds supermajority (264-133). That threshold was needed since it had been fast-tracked through a parliamentary process to suspend certain rules. *Lawmakers in both chambers pledge to work out differences to pass aviation safety legislation, but the failed vote in the House this week is a significant setback.*

The Final Word

State of the Union. President Trump's second State of the Union this term, and sixth address before Congress, clocked in at 108 minutes. This was the longest ever State of the Union, surpassing Trump's previous record from last year of 100 minutes. However, the TV viewership that tuned in to see this record was the smallest audience that Trump has drawn at over 32 million viewers. While the way in which people watch continues to change, it's the first time that Trump has failed to top 33 million viewers. It's a far cry from his 2019 address, which drew just shy of 47 million viewers. A likely factor for the viewership drop-off is who tuned in to watch. While the opinion of those who watched was overall positive, the audience that tuned in to view it was somewhere between 15-20% more Republican than the general public according to polling. This is a heavier partisan skew than most presidential addresses. *While the State of the Union used to be viewed as a once per year opportunity for the President to address the nation in a bipartisan manner, it seems that those days are gone and who tunes in to view the speech is now just another sign of the partisan times.*

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