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Taking Stock of Washington

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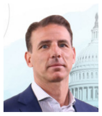
Can Congress Clear Its To-Do List Before the Midterms?

With major questions still surrounding funding, crypto regulation, trade policy, and more, lawmakers face a challenging path to consensus before November.



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What You Should Know

- Time may be Congress' biggest challenge this fall. With only a limited number of legislative weeks remaining before the midterms, lawmakers face mounting pressure to advance a range of policy priorities.
- Avoiding a government shutdown is still the most immediate challenge, but lawmakers must also decide the fate of President Donald Trump's $95 billion spending package and a stalled Farm Bill. Both could become casualties of an increasingly crowded legislative agenda.
- Several high-profile policy initiatives face uncertain paths forward. Senate leaders delayed consideration of crypto market structure legislation, while an SEC proposal to reduce quarterly corporate reporting has drawn significant opposition from investors.
- Trade policy continues to evolve. Although more than $100 billion in invalidated tariffs has been refunded, legal challenges continue, while questions surrounding the future of the US–Mexico–Canada Agreement (USMCA) have yet to be resolved.

Congress will return from the August recess with a crowded agenda and a rapidly shrinking legislative calendar. Government funding, crypto legislation, trade negotiations, regulatory proposals, and the Farm Bill still require action, but lawmakers now face an additional constraint: a midterm election that's quickly reshaping political incentives on both sides of the aisle.

With only a handful of legislative weeks remaining before November, even routine policy debates could become more difficult to resolve. The closer Congress gets to Election Day, the harder it becomes to separate governing from campaigning, increasing the likelihood that some priorities move forward while others are pushed into a lame-duck session (the period between Election Day and the start of a new Congress) or beyond.

Funding Decisions Face a Tight Timeline

> With the midterms approaching, Congress' legislative runway is shrinking.

Government Shutdown Deadline Approaching

Efforts to avoid a government shutdown now shift to the House after the Senate passed a continuing resolution (a stop-gap funding bill), before departing for the summer recess. The measure would keep the federal government funded through December 11 and reduce the risk of a pre-midterm shutdown. It also reauthorizes veterans' health programs, funds White House housing and nutrition priorities, and temporarily blocks a proposed White House budget office rule that would allow political appointees to override independent peer reviewers and revoke certain discretionary federal grants.

With the September 30 funding deadline approaching, Congress has bought itself more time but not certainty. When lawmakers return at the end of August, they will face several options:

- Accept the Senate's version, including the restrictions on presidential grant authority;
- Continue pursuing a clean continuing resolution through December 4, setting up a potential funding standoff later this year; or
- Revive the broader $150 billion package for defense funding and voting restrictions, despite leadership previously shelving the effort.

Trump's $95 Billion Spending Package

While government funding remains the immediate priority, Congress is also grappling with Trump's $95 billion spending package aimed at defense funding, farm aid, and election-security initiatives. Senate Republicans have postponed consideration of the measure until after the November midterms, with leadership signaling it's unlikely to move before the lame-duck session.

The outcome of the election could influence both the bill's prospects and the scope of any final package. Lawmakers may also face pressure to address defense funding sooner amid reports of weapons and munitions shortages tied to the wars in Iran and Ukraine.

The Farm Bill's Uncertain Path

Senate Agriculture Committee Chairman John Boozman's (R-AR) $400 billion Farm Bill has been delayed, with Republican absences and Democratic opposition pushing committee action until September. Supporters hope the August recess will help build momentum, noting that many agricultural groups have backed the package. Even so, Boozman has acknowledged the steep path ahead, saying it would take a "miracle" to advance the bill through the Senate and to the president's desk before the midterms.

What to watch: Democrats continue to push for a two-year delay before states begin sharing SNAP benefit costs, a key sticking point in negotiations.

The Push for Crypto Rules Loses Steam

Senate Republican leaders scrapped plans for a floor vote on the crypto market's Clarity Act before departing for the August recess, delaying the industry's top legislative priority. The bill would establish a clearer regulatory framework for digital assets. However, the legislation is still caught in disputes over ethics provisions tied to Trump's crypto interests, law enforcement concerns, and opposition from banks worried that crypto products could compete with traditional deposits.

What began in 2026 as a rare bipartisan effort in the House lost momentum in the Senate as banking groups and crypto advocates intensified efforts to shape the debate. The Financial Services Forum recently launched a $100 million political fund, while Fairshake (a cryptocurrency-funded super PAC) has spent heavily, backing candidates viewed as friendly to the sector.

As support for the bill weakened and several Republican senators raised concerns, Sen. Majority Leader John Thune (R-SD) opted not to bring it to the floor. The decision leaves lawmakers with a narrow window to act when Congress returns in September. With another recess in October, lawmakers would need to move quickly to revive the legislation this year.

Fairshake and its affiliated groups, including Protect Progress and Defend American Jobs, are reportedly sitting on nearly $200 million in available funds. That financial backing could give the group and its allies a prominent role in key House and Senate races ahead of November.

> “A once-promising crypto bill is running short on time and support.

Quarterly Earnings Reports Come Under Scrutiny

The SEC is facing significant pushback over a proposal that would allow public companies to file earnings reports semi-annually rather than quarterly. The change would reduce or eliminate the need for quarterly Form 10-Q filings, which provide investors with regular updates on a company’s financial performance. In a record-setting response, the agency received roughly 221,000 public comments, with more than 99% opposing the change.

SEC Chairman Paul Atkins and business groups such as the US Chamber of Commerce argue that less frequent reporting could reduce compliance costs and encourage companies to focus on long-term growth rather than short-term results. Opponents, including major institutional investors and retail investors, counter that quarterly disclosures are essential for market transparency and informed valuation decisions.

Given that quarterly reporting has been standard practice since 1970 and is already deeply embedded in the reporting process for most large public companies, any shift away from a quarterly cadence may prove difficult to implement even if regulators move forward with the proposal.

Trade Policy’s Unfinished Business

Tariff Refunds Reach a Major Milestone

Following the Supreme Court’s February ruling that struck down the Trump administration’s IEEPA (International Emergency Economic Powers Act) tariffs, efforts to return the collected duties have reached an important milestone. According to an early August filing with the US Court of International Trade, Customs and Border Protection (CBP) had refunded $100 billion in tariffs and interest through July 31. That accounts for more than half of the estimated $166 billion in invalidly collected duties, while CBP’s portal has received nearly $129 billion in total claims.

While CBP continues processing claims for many importers, a key legal dispute remains over older entries that have already been finalized. Companies such as Amazon and Apple have already received significant refunds, but businesses with older claims may have to wait longer as a Department of Justice appeal continues to work its way through the courts. More than 60% of the money has been returned, but a substantial portion is still tied up in legal and administrative proceedings.

USMCA's Future Remains Under Negotiation

During the July 1 review of the USMCA, Canada and Mexico formally backed a 16-year extension of the trade pact. The Trump administration declined to do the same, opting to preserve annual reviews as a negotiating tool. Although USMCA remains fully in force through 2036, the decision signals that Washington sees unresolved trade issues it would like to address before committing to a longer-term extension.

Those issues include automotive rules of origin, steel and aluminum tariffs, agricultural-market access with Mexico, and trade barriers affecting Canada. With the agreement still eligible for a 16-year extension at any time, the administration can continue negotiating while avoiding immediate disruption to North American trade.

September will likely be a pivotal month for several issues that have been deferred or left unresolved heading into the recess. While substantial policy differences remain, the greater obstacle may simply be time. With a crowded agenda, lawmakers will need to decide which fights are worth pursuing now and which are likely to spill into a lame-duck session.

Talk to your financial professional to help make sure your portfolio is prepared for whatever happens in Washington, D.C.

About the Author:

James R. (JT) Taylor serves as Chief Political Strategist and Macro Policy Sector Head at Hedgeye Potomac Research. JT has extensive experience in both government and business in Washington, D.C., with a career spanning the legislative and executive branches as well as the financial-services industry. Prior to joining Potomac Research Group, he ran Pelorus Research, the US public-markets division of the Holdingham Group based in the United Kingdom. He previously led a policy research team as Managing Director at DeMatteo Monness. From 2002-2009, he was Managing Partner of Kemp Partners, a Washington, D.C.-based strategic consulting, business development, and marketing firm he founded with former Housing and Urban Development Secretary Jack Kemp in 2002. At Kemp Partners, he oversaw day-to-day operations and business development while managing client relationships in both the corporate arena and financial-service industries.