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Washington Update: February/March Congressional Work Period

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The Congressional work period kicking off next week just got more exciting.

Today's 6-3 Supreme Court ruling striking down President Trump's dual sets of tariffs (those he said he imposed to repair trade deficits and those he said he imposed in response to the trafficking of fentanyl into the U.S.) puts a bigger spotlight on next Tuesday's State of the Union address. Already occurring in a heated political climate and partial government shutdown, the political, economic, and trade world will be watching to see how President Trump intends to respond to the blow to his signature trade rebalancing initiative.

The Administration has other available mechanisms to impose new tariffs (Section 122 and Section 338), but none are as potentially long lasting or as easy compared to their previous approach.

- Given the focus on affordability this year, imposing tariffs legislatively will be an incredibly difficult fight due to the razor thin margins in the House, and impossible in the Senate. This will add to the fight for a second, party-line reconciliation bill that allows for partisan passage, but it seems unlikely there are enough votes for tariffs through the legislative process, at least for now. (Both chambers voted against tariffs last year. While a presidential veto threat prevents those votes from stopping Trump's existing tariffs, that same voting dynamic would block any new tariff legislation.) The Court's ruling also leaves a hole in the budget, as \$2 trillion in forecast income is now removed. Finally, the Supreme Court did not rule on rebates for the money already collected by the now-illegal tariffs, but claims are being made and this matter will have to be settled as well. In his dissent, Justice Kavanaugh identified the lack of process to address refunds as a serious concern: "One issue will be refunds. Refunds of billions of dollars would have significant consequences for the U.S. Treasury. The Court says nothing today about whether, and if so how, the Government should go about returning the billions of dollars that it has collected from importers."

Beyond tariffs, we will eagerly watch the State of the Union to see what action President Trump signals on other pressing 2026 issues, such as permitting reform, energy development, the upcoming highway bill reauthorization, and farm bill.

Speaking of the partial shutdown – all departments of the federal

government have been funded for 2026 except the Department of Homeland Security (DHS). Talks to resolve DHS funding appear to be at an impasse on the Hill. The lack of urgency is in part because many DHS agencies are operating under reserves of money from the plus-ups they received under last summer's "One Big Beautiful Bill," and because many parts of DHS are essential and must continue operating during a shutdown. However, the frictions associated with missing paychecks and denial of new spending will start accumulating within FEMA, TSA, the Coast Guard, and other DHS sub-agencies, until this becomes a crisis that forces congressional action.

Also happening this work period is the beginning of the 2026 mid-term election cycle. Texas and North Carolina have their primaries March 3. Texas has the potential to be significant if four-time incumbent GOP Senator John Cornyn is upset by challenger Ken Paxton. Insiders believe a Paxton win would put Texas in play for a democratic pick up, threatening the GOP majority in the Senate. North Carolina is also regarded as a potential party switch. The Illinois primary on March 17, to pick the candidate to replace the second ranked Senate Democrat Dick Durbin, is considered a safe Democrat seat.

Additionally-

- Despite the government funding bills for 2026 being so new, the 2027 funding season is full swing, with deadlines for congressional spending requests fast approaching.
- Massive U.S. military deployments to the Middle East signal another possible strike on Iran, and soon. Congress will likely have to deal with forced votes ("Discharge Petitions") on congressional approval of this as well.

More prosaically, next week the House will be considering bills to end Biden era energy efficiency and appliance policies. While not yet announced, sources indicate the Senate may consider their housing package.

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