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AFTER THE MIDTERM ELECTIONS: IMPLICATIONS FOR TAX POLICY

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Introduction:

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Panel Discussion:

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P R O C E E D I N G S

MR. GALE: Good morning. I'm Bill Gale, co-director of the Urban Brookings Tax Policy Center. And I'd like to welcome you to today's event.

We're talking about: "Tax policy After the Midterm Elections" and we don't mean just in the "lame duck," we mean after they all get back in January.

I'd like to welcome you, those of you here, I'd also like to welcome our online audience. We encourage those of you online and here to use the hashtag, TaxPolicy2019, which is very conveniently located up here, if you wish to tweet about the event. If you have inquiries for the Moderator of our panel later today, you can also use that hashtag.

So, we have a lot to talk about. The Democrats have taken over the House, the Tax Cuts and Jobs Act, the most sweeping tax overhaul in 30 years, is less than a year old. It would be an understatement to say there's confusion about how the tax will work; especially the international rules and pass-through rules.

There are issues regarding the temporary features of the bill and the normal run-of-the-mill tax expenditures. A government shutdown may be in the works, and our old friend, the debt ceiling, may rear its ugly head again in the next few months. And of course that's all the good news.

The bad news is that the long-term fiscal picture continues to loom over all of this discussion, and should and maybe will affect legislative outcomes.

So, we'll talk about all of this today. Now, I know what you're thinking. You're thinking: how can they possibly be so sharp that they can talk about TCJA and all of its implications in just a couple of hours? And our answer is: if the Congress can do it, we can do it too. (Laughter)

So, our agenda today includes an opening talk by Mark Mazur. It will be followed by a panel of tax experts whose opinions I'm very much looking forward to. And then

Senator John Breaux -- thank you -- will author a keynote address.

My job is to introduce Mark Mazur who will give an overview of the landscape. You can find Mark's full bio in your folder or online. Very shortly, very briefly, Mark is the Robert C. Pozen director of the Tax Policy Center. He's also a VP of the Urban Institute. Before Urban he had worked for 27 years in the federal government, rising eventually to assistant secretary for tax policy in the Treasury Department, but he also has held a number of other jobs in the IRS, in the Joint Committee on Taxation, the Council of Economic Advisors, the National Economic Council in the Department of Energy; in the parlance of the play, Hamilton, Mark was in the room where it happened for two decades.

So, today he'll talk about where we're headed, what we should expect next. And with that let me turn the podium over to you.

MR. MAZUR: Thank you very much, Bill, for the kind introduction. Good morning, everybody. I'm really happy to be here with all today to kick off today's event on the tax policy in the wake of the midterm elections.

I think today's event is a good example of a timely discussion of important policy matters, that the Tax Policy Center specializes in. And so I'm glad to share my thoughts based on my experience, observations, discussions about the trajectory of government policy, with a special emphasis on tax policy implications.

I wish I had a good follow up on the Hamilton riff there, but unfortunately, I'm not able to do that. But one point that I want to start off with, just obviously, predicting the future is difficult, right. That, particularly at this moment the direction of future Federal policy appears particularly murky.

And when I was going through my preparations for today, I was reminded of the famous quote by Yogi Berra, the all-star catcher. And he said, "The future ain't what it used to be."

And the reason I thought about this quote was that my first thought after the elections was, well, let's go back in time, and look at previous times when one or both Houses of Congress have flipped, you know, in a midterm election, and maybe we'll use that as a way to think about this.

And so in the last three decades this has happened several times. For example, in 1994 both the House and Senate went from Democrat control to Republican control during the Clinton administration. And the Clinton administration had to figure how they're going to deal with new powers that be in the Congress and, if you recall, it's a pretty rocky starting point, but eventually got to the point where at least some legislative activity occurred.

In 2006, both House and Senate went from Republican to Democrat control in the Bush administration. And, again, a kind of rocky time, but then some legislative accomplishments occurred.

And then more recently in 2010 the House of Representative went from Democratic control to Republican control. And then in 2014 the Senate did the same, and this was in the Obama administration. And again, if you remember the kind of rocky turbulent times, government shutdowns, a lot of animosity, but then eventually some legislative accomplishments.

And so when I was looking at the fiscal policy in the wake of each of these changes there appears to be some kind of a pattern, that there were difficult adjustments up front, that it was hard to adjust to the relationships that you had created that no longer worked, and then to develop new relationships both between the Houses of Congress, and also between the administration and Congress.

And these difficult adjustments led to various types of breakdowns, and as mentioned already, exemplified by things like government shutdowns. But then eventually these relationships get reestablished and legislative accomplishments, big and small, can occur, obviously the smaller ones are more numerous than the big ones, but there is some momentum and you do get some legislative things done.

And, then events in the outside world, not just in Washington, D.C., or between both ends of Pennsylvania Avenue, events in the outside world can affect the type of legislative accomplishments. So, for instance in 2007, 2008, Congress enacted several tax policies that were intended to stimulate the flagging economy. At the time, I don't think people quite grasped the depths of the Great Recession that was underway, but they began to take steps to address the economy.

These included things like bonus depreciation, first-time homebuyer credit and tax rebates. But the more I thought about it, I became less sure that more closely examining these periods in the fiscal legislation considered or enacted would be a particularly fruitful path.

And so to restate Yogi Berra, "The future ain't what it used to be," or to use a more recent example: past performance is no guarantee of future results, and both of these sentiments reflect the unique nature of our current period.

So instead what I want to do is step back a little bit, and look at bigger picture and focus on some basic background data, some basic fiscal facts.

So, the first one, since 1960 the federal revenue to GDP ratio has fluctuated in a fairly narrow range between, say, 15 percent and 20 percent over time, and that's despite recessions, expansions, military actions, peace dividends, a whole range of things, but it's a relatively narrow fluctuations.

Federal expenditures have also fluctuated in a fairly narrow range, though a little bit higher, so 16 to 24 percent. But that's one thing you just want to keep in mind, that there's this fairly narrow set of fluctuations.

The second fact, the last time the Federal budget was balanced was the late-

1990s, early-2000s, at that time federal revenues were 19 to 20 percent of GDP. If you kind of fast-forward to now, and you look at demographic trends, demands for public services, they are higher now than they were in the late-1990s, we have older population, fewer people entering the labor force, more demands for goods and services.

If you think about balancing the federal budget you would probably start with a baseline of saying, we probably need somewhere around 19 to 20 percent of GDP in terms of revenues to balance the Federal budget.

But if we look at where we are today, right now federal revenues are around 16 to 17 percent of GDP, and they've projected to tick down slightly. Federal expenditures are about 21 percent of GDP, and predicted to increase slightly over the medium and longer term.

So, the federal budget deficits headed toward a trillion dollars a year, in the short term, with no obvious way of getting off of that path short of major legislation. Now, trillion-dollar deficits used to be perceived as very scary, and a significant sign of fiscal imprudence.

But what happens when that becomes the norm? When people are looking at a trillion-dollar-a-year budget deficit? Do folks get whipped up and into action and start to do something about it? Or is there just a collective yawn? And it's like: okay, well, we've past that point; we'll deal with that at some point later.

And that, deal with it at some point later, the tendency is probably where most of America is. This does not seem to be something that has galvanized attention. If you look at lots of people who've been advocating for doing something with Federal deficits and debt for a long time, their level of influence over policy has been reduced in recent years. But this could all change if there's a fiscal shock to the system, and if that occurs things could change dramatically.

One more basic fact, when viewed internationally the U.S. is a relatively low-taxed, low-public-service country. If we look at the OECD data, 35 countries there, the U.S. ranks 30th or 31st in terms of revenues per -- to GDP for all levels of government. And the U.S. ranks kind of 25 or 26 in terms of spending by all levels of governments, the share of the economy.

And the reason for the difference in the rank is of course it's we run a 3 or 4 percent a year budget deficit, where other countries tend not to be quite as expansive.

So with that background in mind, let's move a little bit forward to the various decision points that are facing policymakers in the area of tax policy.

First, there are a number of tax provisions that expired at the end of 2017. Now, normal people would look at this and say, well, if they've expired at the end of 2017, then there's no incentive for people to do anything in 2018, so maybe we should leave them expired.

What Congress though has done is routinely gone back in time and extended tax provisions that have already expired. And so because of this, now there's pressure to extend these further.

There are 20-plus of these expired provisions, and they're on the congressional agenda as possibly needed to be extended for one or more years. And these include a wide range of things, tax credits for renewable energy, tax credits for railroad track maintenance, deductions for college tuition, faster depreciation schedules for racehorses and NASCAR tracks, and other things. But there's a range of these things, and they've typically been extended by Congress, one or two years at a time.

Another decision point is the one that Bill alluded to a few minutes ago, is the lapse of the seven appropriations bills that occur January -- sorry -- December 7th. And a number of federal agencies will be affected by this. It's about 25 percent of the federal discretionary budget that's at risk here, but it covers some very important federal agencies, Treasury, IRS. It's covered by the Senate Appropriations, Department of Homeland Security, Department of State Interior, Transportation, and several others.

This bill could serve as a platform for some tax legislation passed in the lame-duck session, or could turn into a pitch battle with potential for a government shutdown occurring. And at this point, you know, we're a week in and a day out; we really have a good line of sight into which of those is more likely.

There are also some other pieces of legislation kind of pushing along as the Farm Bill and some other things that are trying to get across the finish line. There are a bunch of other tax issues though, that need to be addressed, perhaps with less pressing time deadlines.

These include things like technical corrections of the Tax Cuts and Jobs Act. And Chairman Brady in a bill he recently introduced had five technical corrections in there. If you’ve looked at the Draft Legislation you'll probably see dozens of other opportunities where that could be helpful.

But that's one thing that could occur. There have also been technical corrections for the Affordable Care Act that have been lying around since 2010 that have not advanced in Congress, but there are many of those as well.

There's a 7.5 percent floor for medical expense deductions that expires at the end of this year, so if Congress is looking to do something for individuals going forward, extending that for another year, would at least give certainty to people who incur medical expenses early in 2019.

And then at the end of 2019 there are a number of excise tax cuts on alcoholic beverages that were included in the Tax Cuts and Jobs Act. These excise tax cuts benefit all producers of alcoholic beverages, though the percentage on the reduction in tax bills are larger for smaller producers, and that allowed Congress to call this the Craft Beverage Modernization Act, even though Anheuser-Busch gets a tax cut, the smaller guys get a larger tax cut.

But one thing to keep in mind is, these expire at the end of 2019. If Congress does nothing, January 1st, 2020, excise taxes on beer, wine, distilled spirits go up, and pretty much every member of Congress has people in their district who care about this issue.

The Tax Cuts and Jobs Act itself also has a lot of provisions that phase down, things like bonus depreciation that begin, amortization of R&D expenses that change rates, some of the international provisions that were included in the bill where that expire, almost all the individual in the state tax provisions in the bill.

All these scheduled changes occur, you know, in 2022, in 2023, 2025, giving ample opportunities for Congress to revisit the law, and also many interested parties to encourage Congress to revisit the law. And so there will be lots of opportunities for tax legislation going forward.

Now, let's look ahead at what could happen in the next couple of months. We need to predict what Congress will do which really has two components, what the House will do, what the Senate will do, because they're independent, and headed up by different parties. There's also a time component, what happens in the near term and what happens after January when the Democrats take over the House majority.

But predictions are needed not just for Congress, but also for the administration, and when thinking about what the administration might do, has led back to that disclaimer again, you know, past performance may not reflect future results.

Meaning that, looking at how prior administrations have addressed these issues with a change in congressional control might not be the most helpful guide going forward. But I do see a couple of alternatives that are possible, which lay out the types of strategies that might be employed beginning in January.

Congress could focus on message bills, essentially serving as lead-ins to the 2020 elections, and the next set of national elections. And these message bills would help clarify differences between the Republicans and Democrats would help potential 2020 presidential candidates lay out a platform, and do a number of things.

And there are going to be many opportunities for these to occur on the Democratic side. There, no shortage of ideas from the Progressive portion of the Democratic Party, including things like Medicare for all, universal basic income, large work-based tax credits, big infrastructure programs, roll-back portion of the Tax Cuts and Jobs Act.

There are probably just as many potential message, bills on the Republican side. Things like Tax Reform 2.0, Balanced Budget Amendment, make the Tax Cuts and Jobs Act permanent, lower business taxes further, index basis for capital gains, assets, just the range of things that are possible.

If you go down that path though, you pretty much have a bill that passes one of the House of Congress, not the other, not signed into law by the president. So those would be message devices but not leading to legislation that was enacted.

The other extremes are bills that you could imagine being enacted into law and signed by the President, they would have to have bipartisan support of course, because of different majorities in both Houses, but that is possible.

In the tax policy space you could see some of the expiring provisions being extended. There's bipartisan support to do that. You could also the Craft Beverage Modernization Act being extended, bipartisan support for that.

There are IRS reforms that were introduced in the House on a bipartisan basis, you could see some support for that, there were time and savings proposals introduced both in the House and the Senate, again, with bipartisan support, so you can imagine something here.

And you could even imagine increased funding for the IRS, something that the Republican Congress has been unwilling to do, but faced with the implementation of the Tax Cuts and Jobs Act going forward it seems like something that they would be more interested in seeing happen to ensure success of the law.

And in other policy areas there are things that you could image, too, outside of tax. You could imagine a modest infrastructure bill, maybe 50 or $100-billion bill that would focus on areas of key importance, maybe ports, maybe airports. You could imagine something that would be aimed at reducing the opioid crisis, or dealing with the rising prices of prescription drugs.

You could imagine criminal justice reform, there's a bipartisan effort afoot to do stuff to reduce the harshness of some sentences. You can imagine the fiscal 2020 appropriation bills going forward, at least a subset of them.

And you can even imagine something like a modest increase in the minimum wage, and this is something that I heard Joe Lockhart talk about, where, the last time the minimum wage was increased, Speaker Pelosi, President Bush, that was more than a decade that people have gone without a minimum wage increase or a raise for millions of Americans.

But at this point it's unclear which of these aspects is more likely, and probably we'll see some combination of both, several message bills in House and Senate, and also some cooperation on legislation where the obstacles are not too large.

But this relatively optimistic scenario does rely upon being able to avoid or overcome potential obstacles, and there are many obstacles that could occur. And I'll just flag a few of these. One, Democrats in the House of Representatives have indicated that they want to ramp up oversight of the administration, and this, probably a needed balance of power between the two branches of government, probably effective use of the congressional power over the purse, but there's always a risk of overreaching in this situation.

And if you do have overreach, you'll have less time, energy, staff resources to put on the legislating front. To say nothing of any damage in relationships that could occur as a result.

Let's see. Similarly, the Senate has the potential for breakdowns in dealing with the larger Republican majority, or smaller Democrat minority, which will result in things like, changing resource levels, even changing offices, but dealing with things like, what are going to be the rules for filibusters going forward, and nominations, and the like.

And so, there you can imagine that being addressed in an appropriate way where works of the Senate go on unimpeded, or you can imagine it causing lots of problems, and it would be up to the Senate leadership to figure out how to overcome that.

And then there are the obstacles that are presented by the administration's inconsistent or at least shifting policy positions. And without a clear sense of where the administration is going to be, what their bottom lines are, what are the policies that they're not willing to move on, it's hard to scope out the possibilities for a legislative deal.

And these difficulties are larger, I think, in this administration than in previous ones, because in this administration, surely the president, it's really hard to say who can commit the administration to a course of action.

Now, on top of those specific kind of self-imposed obstacles, there's always the kind of wild cards that could occur, and are really, really hard to predict. For instance, all the existing government forecasts show steady economic growth for the next decade or so, those in Treasury, OMB and the Congressional Budget Office, but we have an ongoing economic expansion that is historical in length, and at some point there will be a recession.

None of us are good enough to predict it or else, I wouldn't be here talking to you, we would be out trading on that information. But we all know that something like this will occur, and when there's an economic downturn there's going to need to be a policy response. At this point, hard to say what that policy response will be. I think one thing you can almost take to the bank almost surely; it will not be good tax policy when that occurs.

So, let me just wrap things up a little bit. My crystal ball for the next few years, or even the next two years is pretty murky, but given that my job today is to help make some predictions, let me make three.

One, in the next two years there will be a lot of drama. There will be drama on The Hill, there will be drama in the administration, and there will be drama between the Congress and the administration.

Two, I think there will be a few significant legislative achievements. Some of the smaller ones may be in the tax area, but I would expect to see something larger in other policy areas. Maybe criminal justice reform, or something dealing with opioids, and I always hold out hope for a minimum wage increase.

And third, the third prediction is, there will be at least one big thing that none of us will foresee that will happen. And I expect all these things will play out in real time. We're going to get our first signals over the next week or so, as we see how Congress deals with the Appropriations Bills, and personally, I'm looking forward to what the future will bring in the way of tax policy issues.

And while Yogi Berra has said the future ain't what it used to be, there may be one exception to that rule, and that exception of rules -- involves the rule of the Tax Policy Center, so I'm pretty sure whatever happens in the coming months, the Tax Policy Center will be busy analyzing it, and developing facts and commenting on that. And that's one prediction of which I have a high degree of confidence. Thank you for your attention. (Applause)

Now, I want to welcome to the stage, Howard Gleckman, Mark Prater, Tom West, Sandra Salstrom, Cathy Koch, for our next panel.

MR. GLECKMAN: Good morning, everybody. I'm Howard Gleckman. I'm the editor of the Tax Policy Center blog, TaxVox. And I'll be the moderator this morning.

Our panel is actually going to follow up on many of the issues that Mark raised. A brief introduction of our panelists, I think that probably most of you know them.

But briefly, to my immediate left is Cathy Koch, who was a long-time senior Democratic tax aide in the Senate. Next to her is Mark Prater who was a long-time Republican tax aide in the Senate. Next to him is Sandra Salstrom, who was the deputy assistant secretary for legislative affairs over Treasury; and finally, Tom West, who is a former tax legislative counsel of the Treasury.

So, we have a good collection of folks, nobody from the House I guess. Well, Sandra, didn't you have some House experience back then?

MS. SALSTROM: I did. I worked for two different members of staff.

MR. GLECKMAN: Yes. Okay. So you get to represent the House this morning.

MS. SALSTROM: There we go. Excellent!

MS. KOCH: Or I can talk all about the House, that's all right.

MR. GLECKMAN: Yeah. But you're not going to say things that are acceptable in family groups, but. So, let me start off by asking, we're going to talk a lot about next year, but let me start off by talking a little bit about the rest of this year, about the lame-duck session.

As Mark mentioned, Chairman Brady has introduced an almost 300-page bill, Democrats say they were surprised to see it. There were some interesting provisions, tax extenders, technical corrections, some retirement changes and some reforms for the IRS.

Senate Democrats were, let's say, chilly in their initial response. But I'm wonder -- Cathy if you can start -- give me a sense of whether you think some of this could actually pass, and if you do, which pieces of it could make it this year?

MS. KOCH: I will be surprised if something, if that package passed in the lame duck, but there are some very appealing things, that the IRS reform passed unanimously in the House, and that hardly ever happens, so the Senate has to take that seriously and should take that seriously.

Otherwise, I told you before, I think the best IRS reform that happens so far this year, is the appointment of a commissioner. But there are some nuggets in there. Some of those extenders, people, you know, they do want the extenders, the extenders tend to be kind of a geographic versus a political kind of preference. You know, if you have jobs in your backyard from biodiesel, you're going to want some of that stuff done.

So, I won't take up too much time, but I think some smaller version of that bill will pass, and then those ideas, those concepts will probably come up in the spring when we get to business.

MR. GLECKMAN: Mark, what do you think?

MR. PRATER: So, it's been set up as a message on an originated House bill with the Senate amendment, and then there's the message back. So, there is -- they have kind of defined the playing field somewhat within it, in terms of germaneness, and that kind of stuff.

But I agree with Cathy, there's a lot of -- there are the elements here for an agreement if there's flexibility. There has to be flexibility and kind of common goal of getting some of these things done. The extenders, as she said, a traditional bipartisan support in the Senate, kind of overwhelming support; the technicals I think is a little rougher go simply because of the fact that TCJA was processed partisanly. But then, again, maybe if there's flexibility in terms of those issues that are addressed, you know, there's the possibility there.

The other pieces, as Cathy said, have long-time roots among members and committees, ERISA was produced in the Senate without opposition back in September of 2016. And so there's -- you know, there's a lot of support there, and so the elements are there, but you’ve got the part -- the key players in this case will be the tax-writing senior members and the leadership on both sides. And so there has to be flexibility there.

MR. GLECKMAN: So, Sandra, why would Democrats want to pass a bill like this with some attractive provisions while the Republicans are still in control? Why wouldn't they just say we're going to wait till next year, when we have control maybe some better negotiating position perhaps?

MS. SALSTROM: Yes. And I don't think they would. I think, again, I don't always agree with my friends down here, and then as the one who is kind of the House watcher I suppose, being the representative of the House, it needs to be pointed out. You said the Senate Democrats gave it a frosty reception, but as did, you know, House Democrats.

I mean, Richie Neal's office, you know, has put out a paper urging Democrats to oppose it, so I think it's pretty clear that they have no incentives to pass this bill as is, but I think as, you know, other folks have said, there are pieces that have a lot of bipartisan support.

So, I agree with Cathy, I think we're going to see some pieces of this pass, but I think, you know, particularly on like the retirement stuff, Democrats have no incentives to, you know, take up that stuff this year. You have a chairman, incoming chairman, in Mr. Neal who has a long-time interest in retirement savings in these areas, and why would you pass something like this, when you get to put your stamp on it, you know, a month from now, and really dig in and do the issues, you know, the way you think they should be done.

MR. GLECKMAN: So, Tom, the other thing that's happening this year, is there's been an enormous amount of regulatory guidance coming out of Treasury, and I don't think anybody has ever seen anything quite like it. Give us a sense of kind of how far along Treasury is here, how much more needs to be done?

And what I'd like to ask all of you is from the sense of the business community, do businesses have enough now to kind of know what to do in terms of international, some of these other issues? But first, give us a sense of how far along they are.

MR. WEST: I think with respect to many of the big provisions, you’ve seen proposed regulations come out. I think Treasury's approach when the law passed was to look at the different provisions and try to triage what was most significant, what was most novel, and get out guidance on those issues.

I think you've seen guidance on 199A, 168(k), some of the big international provisions which are obviously hugely significant, those are all proposed regulations. I know that by the end of the year, Treasury is hoping to get out, or to finalize some of those that have come out in proposed form. They've said publicly that Section 199A regulations, they're hoping to finalize those by the end of the year.

I agree with you, the volume of work that's come out this year has been unprecedented, and I think frankly, there's still a long way to go. Not that they're not up to the task, but you still haven't seen guidance on some critical issues like the changes under Section 451, which are really important for businesses.

When I was at Treasury, we had a lot of people come in and say, we need this guidance, this is pretty critical guidance. So, there's still a long way to go, I think.

MR. GLECKMAN: So, Tom, one of the things that's different this time than past years, is OMB as playing a role in review of these regulations. You were involved in this from the Treasury's perspective. Give us a sense of whether you think this new relationship is working or not.

MR. WEST: Are you baiting me? (Laughter) I think, obviously, the new Memorandum of Agreement was put in place in April, after the passage of the Tax Cuts and Jobs Act, and under that there are some criteria under which OIRA, under OMB, weighs in and gets to review more of the tax guidance that comes out.

I think that OIRA has an important role to play, historically has had an important role to play. I do think that during this year, we're talking about all the guidance that's come out this year. I think it's been a challenge to add on new processes with ambiguous kind of benefits, and I think that slowed down the guidance process a little bit, in terms of the guidance that Treasury has been able to get out so far.

We'll see. I think it's a learning process, and I think both Treasury and OIRA still have more staffing that they need to do, in order to fully implement the agreement. I'm hopeful that both sides will have the resources to do that, but to date, just from what I saw at Treasury, it had mostly been a frustrating process. And, yeah, I question the value that's been added.

MR. GLECKMAN: So this in addition to the question, Sandra, from your perspective has OIRA changed much? Has all that review really mattered very much?

MS. SALSTROM: I don't think I'm qualified to answer that question.

MR. GLECKMAN: Tom, what do you think? Have they really made any substantive changes in the proposed regs?

MR. WEST: Again, I think that their process and their role is not necessarily to make substantive changes to regulations, I think their role is a cost-benefit analysis role that's very important in certain contexts. When you're talking about something like the regulations that Treasury put out under Section 170, you know, with the state and local tax deduction, I think those kinds of regulations have far-reaching consequences, and can impact lots of individual states and localities, and existing programs.

And I think OIRA's participation in that kind of regulation is absolutely important and appropriate. I think that OIRA's focus on some of the regulations that they've taken a lot of time reviewing; I have not seen substantive additions to the process from OIRA.

MR. GLECKMAN: So let's talk about next year. As Mark mentioned, Congress has served a choice here, they can either do message bills or they can try to find smaller areas of compromise. Maybe there will be a combination of both, but give us a sense of where the opportunities might be for a serious compromise? Cathy, do you want to start?

MS. KOCH: No. But I will. (Laughter) I think infrastructure is an area that we have to address. I think there is agreement on both sides of the aisle that we need infrastructure. I think the question is: do you do them through public-private partnerships? Or do you raise revenue and pay for programs? And infrastructure is expensive.

I mean, to throw 30 billion a year, which is kind of what, that's a bare minimum, that's our maintenance, that doesn't do anything, we need, like what, like a trillion dollars which is something to really kind of do something, and we already have a budget situation that Mark describes.

So I do think -- so that makes it hard, but I think it's important enough and there's enough agreement to do it. I also look at, you know, making some of the individual stuff permanent if a potential area of compromise, it has be done, every year that we put it off it gets more expensive to the tune of about $300 billion.

Democrats want to make it permanent, Republicans want to make it permanent, you know, the question is the top rate, and do you, you know, throw in another 10 percent cut, you know that the President has been talking about, get everybody on the same page. But then how do you pay for it? And I think that's where, it that, *rrrks*, that's where we hit the wall. But I have some ideas on that, carbon tax, but anyway. (Laughter)

You know, I think there's going to be conversation over these two things as well as some of the kind of nontax issues that Mark was talking about.

MR. GLECKMAN: So, Mark, Cathy mentions infrastructure. So, every politician I've ever met loves to cut ribbons, and infrastructure is a great thing, but there's been no consensus on how to pay for a bill. Senator Wicker yesterday was interesting because he said: we can do a gas tax if the President himself says that we're going to do a gas tax, because I ain't going out on a limb all by myself. Do you see some place where there can be, or pay for, some consensus on how to fund an infrastructure bill?

MR. PRATER: Well, I kind of look at a couple things here. So Cathy is referring to some of the highway trust fund which we will have reauthorization starting to come into the window here, and there has historically been a funding shortfall, say, for about 15 years now.

So, that's an example. Now that is where, frankly, the Finance Committee over the years has filled the gap with a combination of measures. But that's a challenge that's not as big a challenge as what we're talking about. And historically that's been a combination of spending, some spending cuts, and tax compliance for the most part.

So, I think there are probably ways to fund it within existing concepts. I think you're somewhat limited in terms of the boldness that you could get. There's another couple of things to keep in mind on this, it's the distinction between providing resources for existing or new trust funds or things like that, and leveraging financing with bonds, and other devices that are in the code, and those are really two different exercises, but they can be done in tandem to, you know, leverage out in a sense, the demands that the country clearly has.

As you said, there is a big consensus that, you know, the U.S. needs a lot more resources in infrastructure, and transportation, ports, all those kinds of things, it's very popular. One thing I learned over my many years is either -- the tax writing committees can't get in front of a highway bill; you've got to try to take the highway bill and put your own mark on it. And one of Cathy's old bosses was actually really good at that, Chairman Bachus, was both an infrastructure guy and a finance person.

MS. KOCH: Yes. A lot of highways in Montana, that's the (crosstalk).

MR. GLECKMAN: So the other solution I guess is you just spend the money and don't pay for it, which seems to be kind of the trend.

MR. PRATER: And that, you know, certainly that has occurred too in some cases on infrastructure, but the Highway Trust Fund has been a different matter, that has been, it's been largely stuck within its bounds.

MS. KOCH: It's such a small subset of what we need, and to go out another uncovered, you know, half-a-trillion, a trillion, seems to me that we are almost at the bottom of that well, the uncovered moneys.

MR. PRATER: Yes. And I think there is a good message in terms of infrastructure. If you look at the aviation and the airport trust funds, which have been -- you know, they've been funded fine, there haven't been crises, as a matter of fact surplus in many cases. And NextGen, and Cathy and I both worked on the Aviation Bill, NextGen was the big focus from the authorizer standpoint.

And as of now I'm a frequent traveler, and as a less-frequent traveler, I think NextGen and some of the technology that the authorizers made a big deal about, has actually come to fruition, and at least in aviation travel now, you know, the situation is much better.

But clearly transportation and the inefficiencies that come from the delays and the congestion are something that's slowing down our growth. So, the demand is there, the trick is going to be, I think, finding the right mix of resources, and mix of leveraging and the resources for existing things.

MR. GLECKMAN: Sandra?

MS. SALSTROM: Yes. So, just a couple points on this. I think in some conversations with folks on The Hill, some interesting nuggets came up. I think, bonds as Mark kind of touched on a little bit is one potential area for agreement in the infrastructure space. You know, Ranking Member Wyden, has been a big long-time proponent of this, you know, considers himself kind of the father of the Build America Bonds, and kind of had a TRP Bond proposal at one point.

You know, Congressman Neal has expressed a lot of interest in this. So I think that could be one area where you could see some work in the infrastructure space. Multiple people on the Democratic side have told me, you know, obviously, as you said, everybody is interested in infrastructure and folks have said, they don't won't it to just be the way to pay for it.

So, when you look at the Ways and Means Committee, you know, it's been pretty clear that they don't just want to be seen as the way to pay for it. And in actually one interesting conversation a House staffer said that there are conversations about potentially creating an infrastructure Subcommittee of Ways and Means.

Now, I don't know how serious those conversations are, we would have to go through Steering and Policy, it's kind of a whole process, but I think certainly, Congressman Blumenauer is pushing that, he has a really big interest in this issue. And I think to Cathy's point, you know, on the gas tax, I mean, it's politically very difficult, but something that, you know, kind of has to be done, and so seeing someone like Congressman Blumenauer who has really pushed that over the years.

You know, again, I don't know how possible that is, but I think it's something that's going to be looked at and talked about maybe a little more seriously than it has been in recent years.

MR. GLECKMAN: So Build America Bonds are interesting. If you talk to state local government people about it; and all they talk about is the bait and switch.

MS. SALSTROM: Yes.

MR. GLECKMAN: You know, the experience they had with the Sequester, and with that possibly back on the table again. I'm not sure they’ll be so thrilled to see the Build America Bonds come back.

Let me ask about another issue that of course has been at the top of everybody's mind, which is oversight. Give us a sense first of all -- I'd actually like to ask all of you about this is -- what Congressman Neal is going to be like as Chairman of the Ways and Means Committee? What's your sense of how he's going to run that Committee, in contrast to, say, Chairman Brady?

MR. GLECKMAN: Sandra, do you want to start?

MS. SALSTROM: Yes. I'll start off. Yes. I mean I think they have a good experience together. You've got now a Chairman and Ranking Member who will flip their roles, but certainly have a couple of years of working in those capacities, as leading their sides together.

I think Chairman Neal, you know, has a history of being a bipartisan worker. I think he gets along very well with members both on his side and the other side. So I think there's going to be a lot of opportunity there. You know, Democrats want to get to work, they don't want to just say no, they don't want to just be adversarial, but there is certainly oversight that has not occurred.

You know, Chairman Neal is fond of saying, 51 days, and pointing out that number a lot and saying, you know, that's the number of days from introduction of TCJA to passage with no hearings, so many Democrats have told me, particularly on the House side, that that will be, you know, kind of first out of the gate.

You know, not necessarily -- it will be oversight, but not in a traditional kind of, gotcha oversight that you maybe think of, but it will be the hearings that TCJA didn't get last year. So I think they will do some examination, you know, probably start off pretty early in the new year with a big hearing, I would expect to see a big hearing, kind of a broad overview of TCJA, and then maybe start to get into more of the minutia, and the individual provisions.

And then there's the Trump tax returns, it's going to happen. Chairman Neal has committed to it. Incoming Speaker Pelosi, you know, has said that this is a priority. But, you know, it's going to be a long slog there too. It's not going to be a, you know, committee requests tax returns, administration hands them over, we're done. No. I think we're all going to be in for a pitch legal battle on that.

And so I think the requests will be made. The administration will probably refuse, they will go to court. You know, it will be a long process. And then even once the Committee gets it, you know, under that 6103 authority, the Chairman has the ability, and they can review in closed session, but then it takes, again, another vote of the Committee to release those publicly.

So, I think, you know, it's going to be a long process, and it's going to create some animosity. Chairman, Former Chairman Brady, you know, was very clear he had no interest in that, you know, so that could not poison the well, but maybe create a little bit of tension on the Committee, but hopefully not so much that, you know, it undoes any bipartisan will that I think will be there in the beginning, certainly.

MR. GLECKMAN: Cathy, do you think that -- is there any risk of this chase after the Trump tax returns becoming just too much of a distraction to the Democrats?

MS. KOCH: Yes. I think there's a huge risk of oversight becoming a distraction. That's right, I do think, you know, talking to the Neal people, they are -- I mean I agree with Sandra -- they're really hoping to get something done. They understand that being in the majority is very different than being in the minority, and the minority, you know, your job is kind of collect a bunch of information about what the majority is thinking, write some talking points to trash it, and kind of go home.

Not to trivialize it, but that's what Brody once explained to me was his job when he was in the minority, and so I thought, oh, okay. But the majority has to get something done, and they risk losing their majority if they do nothing, and I think they're very aware of that. Chairman Neal has always been of very centrist Dem, kind of somebody who's willing to work out, you know, consensus which I think bodes very well.

But my fear here is that, you know, I do think they are going to start with constructive ideas and be productive, but if oversight, maybe not the tax returns, per se, because if they're not released, you know, there's all kinds of variations on that theme, but if it starts to get really ugly on behalf of, you know, the kind of other oversight in the House, I mean that that could derail anything.

So, yeah, this is going to be a -- it's going to be a light touch. Now, with the new Democrats where you have this class coming in, I think this class coming in said, you know, let's be productive, I'm diverse, I'm moderate, there's not a whole lot of, you know, people on the left wing, but people have to govern from the center, they have to, and if they don't, it's going to be just two years of nothing, and I think it could be destructive for, you know, Democrats. So, I hope, from my own perspective, that it's not that way.

MR. GLECKMAN: Mark, do you think that Chairman Neal can finesse this tension between, you know, satisfying the Democratic base, but also looking for places to get things done?

MR. PRATER: It is a challenge. He's a resourceful member, I think he has, as Sandra said, he has a long history of legislative accomplishments of working to find solutions, so I think that's, you know, you start off with a very optimistic, rightfully optimistic view, and I think the way that he has articulated and framed these questions, and responded, has been a very good start.

He's talking, he's deliberately looked at trying to find areas of bipartisan interest, like retirement savings, he's been talking about -- you know, and I think he's used very measured terms in how he's responded to, you know, what could be the challenging questions. So, he's a pro, everybody knows that, so I'm hopeful that he will be able to manage those pressures that are coming.

Certainly, there's plenty of material there, you're going to have the Committee's report, the Special Committee's Report on whether they're going to finish the markup on the budget process, but then the all-time player issue that the Joint Select Committee on that is going to produce -- we had some real problems out there in the retirement space, about half of

Americans don't really have any retirement security other than Social Security.

And so there's plenty of opportunities there, and if he can skillfully align that, while also having to, you know, deal with the pressures on the tax returns and oversight that that could be a -- you know, he could succeed in that sense.

You also have, you know, one of my old bosses will be Chairing the Finance Committee, and has a traditional oversight too, but also is a legislator very -- I mean, I think in the arts we had a very productive period when he was Chairman and Ranking Member of legislating with Chairman and Ranking Member Bachus on a number of things.

So, he is a legislature. I think the two of them having legislative instincts it bodes well for -- you know, hopefully for the tax-writing committees to produce some of these measures.

MS. SALSTROM: And then just one other quick point I wanted to make on the dynamic of the Ways and Means Committee is, you know, you're going to have eight to ten new members on the Democratic side, a number of new members on the Republican side, so I think, you know, there's just going to be a learning curve in the beginning, because you're going to have so many new faces that, you know, are brand new to the Committee, maybe had not been as steeped in tax policy, had not worked with these other members before, so I think that's just one other dynamic to watch, is just a lot of new faces, and maybe learning, maybe some growing pains in the beginning.

MR. GLECKMAN: And actually a number of new members of the Finance Committee as well.

MR. PRATER: Yes.

MS. SALSTROM: Not as many though, right. The Ways and Means Committee is really turning over, the Finance Committee a little less so. But, yeah, new members are usually good, usually good.

SPEAKER: Usually? (Laughter)

MS. SALSTROM: Usually (crosstalk), everybody wants to be productive on a big -- you know, this is like a tier one committee, you want to go in and you want to do something when you first get there.

MR. GLECKMAN: So, actually that raises another interesting question. I think it's too much kind of inside capital baseball, but my sense as an observer is that the roles of both of the tax-writing committees have changed over the years, that the days when legislation really was completely developed in the committees and to percolate it up, it really shifted, and now so much of this is done by leadership.

And I wonder if you could talk a little bit about that about, you know, how it's different now. And just one thing, you know, if you were a backbench member of the Ways and Means or Finance, you can't get JCT to source anything you do, you know, you're really not important. Give me as sense of how that dynamic has changed and what do you think -- how do you think it's going to play out in the new Congress? Cathy, can you start?

MS. KOCH: I think -- I mean that dynamic I believe developed as the acrimony on the floor got worse and worse and worse. And I think, you know, when we could -- Mark and I worked together, there were some times when we had, like, four bills on the floor at the same time. We had banking, and Ag and FAO, you know, we were going crazy.

And then all of a sudden things got sucked up and all of a sudden we couldn’t get anything done, things got very partisan, you know, nothing could pass, and that's when bills started coming out of the leadership, and then I was in the leadership, and so I was happy about that but.

You know, it was, I think, a dynamic that at least I saw increase during my time there, now I'm sure it was already going on, but I think when there's so much partisanship in kind of the general caucuses, that's when leadership kind of will send out, and things would be more messagey, more -- you know, there's absolutely must-do thing we have to get it done, we don't have time to process it in Committee. Committee processes are a bipartisan process, they are by their nature a bipartisan process.

SPEAKER: Right.

MS. KOCH: So, if there's no bipartisanship, or if bipartisanship will hurt that end product, the end political product, that's kind of when leadership has to put out this product, that the Committee might not want to be so partisan, so the leadership will put out these must-dos, or these messages kind of things. And I think if things could get a little less partisan things would sink back to the Committee quite naturally.

MR. GLECKMAN: Mark, do you think that's going to change in new Congress?

MR. PRATER: I think that if you look back over the last few years, you have periods where, as Cathy said, you had like a gridlock, or something, so the leadership has to weigh in and figure it out. But a lot of times even, as she can tell you, even in that experience, the leadership will rely on the committees, the resources the committees have, the technical --

MS. KOCH: Right.

MR. PRATER: -- and experienced folks on the committees, the committees have that to use. I do think that -- I've never served in the leadership, I've only served on the committees, but I do think there's a creative tension and division of labor between what the leadership needs to do and the committees need to do that is mutually beneficial.

MS. KOCH: Yes.

MR. PRATER: The leadership, you know, kind of figured out, like a corral in the sense that the leaders open the corral for the vehicles to come into the -- on to the floor and to deal with that, and then they have manage all of those tensions. And the Committee is really about making the product, refining the product, trying to find the issues.

And so there is a mutual benefit there that can work for both sides. I do think that the committees are the place where you can lay the groundwork, and as we talked earlier, the members that are on the committees that they have -- you know, their prized possessions, so they're not there incidentally, they're there because they want to be there.

So, you tend to have members that are pretty committed to the policy on various forms. So, there is a role, there's a nice balance and a role that can serve the institution well, and the committees again have access to a lot of resources.

MR. GLECKMAN: Yeah. Sure.

MR. PRATER: And I think you see that -- in most of the lead up to the products you're going to have, most of the legislation is going to be based somewhat on what the committees have considered.

MR. GLECKMAN: So, Sandra, there's also sort of been a traditional kind of level of cooperation between the Treasury and the Committees, and the tax-writing committees, now that the Democrats will be controlling the Ways and Means Committee, do you think that there will continue to be -- and Tom I'll ask you this too -- do you think there will continue to be that level of cooperation at the staff level, or will the kind of political antagonism kind of filter down too?

MS. SALSTROM: I hope so. I mean, again, you know, when Tom and I were at Treasury together, when I was there in the previous administration, you know, we had a Republican House, a Republican Senate, we were a Democratic White House and, you know, we worked very, very well together. Had very good relationships, you know, with Mark, with other Republicans on The Hill. I mean it's the way it has to get done, because there's just such a wealth of knowledge at Treasury.

These resources, you know, that they held, can and should bring to bear. You know, Tom is certainly closer to it now than I am being more than a year removed from the Treasury Department, but I do think in this administration there has been a bit of a breakdown, you know, on that. I mean, from stories I've heard, that it's just -- it hasn’t been a close, you know, certainly with Democrats on The Hill, and then now the Republican administration.

You know, so I don't know how that dynamic will change and now you'll have a, you know, democratically controlled House. And so in the majority maybe you'll get more attention and there will be, you know, a greater working relationship, maybe Democrats in the minority just didn’t find, you know, much help from this administration because they were in the minority.

So, I'm hopeful that that relationship will, you know, if not maybe strengthen again, maybe change a little bit from what it's been over the last two years. And, you know, I think we were talking a little bit before, you know, not so new, but now the Director of White House Legislative Affairs, was previously a tax person, a tax advisor.

And so I think that potentially will help a lot that, you know, she understands the issues, really gets it and, you know, is just is in a position to kind of push and work that relationship even more. So, I'm hopefully, but I'd be interested to hear, Tom's experience, really, over the last year that I've been, you know, away from it.

MR. WEST: Yes. I'm also hopeful. I feel like in my four-and-a-half years at Treasury, and the Staff level, we certainly always had good working relationships with the Committee staff and with JCT, sometimes we work through JCT with the different committee staffs, and that relationship has always been strong.

I would agree that for the last two years, you know, by virtue of the Democrats mostly being shut out of the processes, we weren't having those conversations, but I don't think that it was anything at the staff level that we would have a problem with doing. You know, everybody there is -- you know, they're tax nerds, they don't -- you know, these are not political people.

So, hopefully, you know, that works. And by all accounts Congressman Neal has always, you know, worked well on a bipartisan basis, and I'm sure the Office of Tax Policy will say the same.

MR. GLECKMAN: Let's talk about some specific issues, if we can. Mark mentioned the middle-class tax cut. So, the President before the elections said there will be a 10 percent middle-class tax cut, nothing ever happened, nobody -- I don't think anybody ever seriously thought it would. But there also are a number of Democratic bills aimed at, you know, in effect the middle-class tax cut.

Sherrod Brown, who's probably running for President, has an expansion to earned income credit. Kamala Harris who's probably running for President has an even bigger expansion to the earned income credit. You have Republicans, Marco Rubio, Mike Lee, others, who've talked about expanding the earned income credit. Does anybody think it's possible that we'll actually have a middle-class tax cut in 2019 that may perhaps be based on some of these EITC ideas?

MS. KOCH: I think when the individual rates are addressed, and when the permanence of the individual rates are addressed there will be more love at the bottom in the form of the EITC, and probably I think that the battle will be on the top rate. But I do think that when we do that permanence, and again, the sooner we do it the better, because we don't have money to wait another day, to tell you the truth.

But when we do it, I don't believe Democrats will say, okay, well make your bill permanent, and we'll cooperate, and they want to do it again, but there will be some love at the bottom in form of the EITC. I truly believe that, and I believe that it's an okay thing. I'm for it.

MR. GLECKMAN: Mark, what do you think? We'll just morph into an EITC?

MR. PRATER: Certainly that's, you know, there were -- the EITC was made generous to a certain degree, and in TCJA there were some changes to it, not dramatic changes but some. And the child credit was expanded, and there were a lot of things throughout the middle and lower brackets, that amounts, when you add it all up, and when you look at the deficit financed piece of the bill, and you throw in the extra years that Cathy is referring to, it's about almost 2 trillion sitting there on the individual side.

So, the question is then, kind of, where do you go do the surgery, there's been a lot that's been done in those middle brackets, and the question is, if you go into the earned income credit, how do you it, how do you do it most effectively, and that's something folks can talk about. And Mr. Neal had a bill with some adjustments to their earned income credit, I think scored at about 60 billion over 10.

MS. KOCH: It can be anything.

MR. PRATER: Yes. But still, you know, some adjustments there.

MS. KOCH: Yeah.

MR. PRATER: So, I mean, certainly these are all things that, you know, in the context of a discussion and the negotiation folks can consider, as Cathy said, the question is, what's the playing field? Are you trying to offset it? Are you trying to adjust other things and that produces other issues?

And I think that, you know, the interesting thing about TCJA is a lot of the business changes, most of them were offset, and were permanent, and then the individual side was a significant cut, certainly you can look at all of that as policy and process going forward.

I think as Mark was saying, you know, there are pieces of that, that are, you know, are very, very popular and so, you know, at some point this will all get resolved, and probably -- you know, and probably later rather than sooner, but you'll never know, part of that's political, right?

MR. GLECKMAN: Mark, do you think that Republicans would be willing to adjust the structure a little bit at the bottom, to accept some of these changes that Cathy was talking about?

MR. PRATER: I mean, I think Cathy mentioned Senator Rubio, or you mentioned Senator Rubio.

MR. GLECKMAN: Yes. Yes.

MR. PRATER: You know, there are Republicans that are very open to looking at those kinds of things.

MR. GLECKMAN: But he got -- and to use Cathy's word -- he got no love in the TCJA, right?

MR. PRATER: He got some changes on the child tax credit. When the Finance Committee did the modified Chairman's mark, and put a lot of the resources that that modified mark created, a lot of that went into raising the child tax credit up.

MR. GLECKMAN: But mostly for slightly higher income people in the middle --

MR. PRATER: Well, if they raised the amount.

MR. GLECKMAN: Right. Yeah.

MR. PRATER: They raised the amount, but keep in mind what was going on inside the engineering there. You're swapping out personal exemptions, personal exemptions tend to be more valuable before you hit the PEP, as under the old law PEP, to phase them out roughly between 400 and 500.

So, personal exemptions are valuable for those taxpayers writing up to about 250, 300, so you couldn’t just swap out the personal exemptions, and that they needed -- the members needed a mechanism, and so one of the ones they looked at was the child credit, they also looked at the brackets, and some other things, AMT, things like that.

But the amount of the child credit went up significantly, and so you could look at, you know, some of the refundable pieces of that, some of the formulas as those bills do. So, look there are mechanisms there, it's a question of: what are the objectives of the people that want to make the deal, what do they want? There are places -- there are enough mechanisms on the individual side to get you there.

MR. GLECKMAN: Sandra, is there room for a deal on the middle class to --

MS. SALSTROM: It's hard. I don't know, maybe I'm more of a skeptic, but it's hard for me to see how that happens. You know, I think as Mark Mazur said a couple of times, you know, about the future ain't what it used to be, but I think in some ways there's going to be instances where the future is what it used to be.

And you know, Republicans at times when it's convenient, you know, decide all of a sudden things must be paid for, everything has to be paid for. And so I think in this instance you could see maybe Democrats wanting to, you know, do some changes to the earned income credit, and make it more generous, and all of a sudden you have Republicans screaming: well, the deficit, the deficit! How do we pay for this, what do we do? And not that the deficit is, you know, not a concern.

I mean, there's TCJA to roll out the deficit quite significantly, and so, you know, it's just hard for me to see a deal happening in this space. You know, you never know. But I think, you know, one thing we ought to be really cognizant of in the year ahead, is the calendar and, you know, we have nine months, ten months maybe before, you know, the 2020 cycle really takes over in earnest.

You know, a lot of these potential candidates have said, they're making decisions over Christmas so, you know, as you've seen with, as you've said, Kamala Harris' Bill, Sherrod Brown, we're going to see a lot more of that, and I think you're just going to see more retreat to partisan corners as the year goes along.

So, I think, you know, you've got maybe until the August recess to really get much done, and it seems hard to think that maybe this is an area where we see something given other legislative necessities, but I'm ever hopeful, but just skeptical.

MR. GLECKMAN: So, speaking of message bills, do you think that House

Democrats would pass some sort of big EITC Bill, sort of dumping on the President's lap, on the Senate's lap, and say, well, here?

MS. SALSTROM: It's possible. And I don't think you could, you know, dump it on the President's lap, I think, you know, there she meets the wall in the Senate. But it's possible, you know, you still have a lot of Democrats though, you know, look at the Committee, look at Ron Kind, look at a number of these members that very much are fiscal hawks and won't vote for anything, you know, that is not paid for so, you know, you run into that.

MR. GLECKMAN: Cathy?

MS. KOCH: The lower-class tax cuts and, you know, individuals vote, right? We saw that.

MS. SALSTROM: Yes.

MS. KOCH: And is this is a -- I'm not saying it won't happen this year, but it's a political necessity to get those provisions permanent, and I think it's a political necessity to kind of -- to speak to individual voters that that, to me it's stunning that the tax cut bill didn’t make those permanent, but it set up five years of legislative chatter, tax legislative chatter.

Oh. You know, as Mark was saying, there's tax provisions coming up, like almost every year for the next five years, those individual provisions have got to be made permanent, I do believe there will be a middle class, again, some -- you know, some love in there for the middle class because that's how to get people to the table, and I do not know how they’ll pay for it, but it can be a little.

I mean, you say Rubio got no love, and I get it. But some of these provisions that you put out, if you're running for President, and you put out like, okay, here's my $4 trillion EITC Bill, that's a message. That says, I want to help the middle class, but it doesn’t say, I want to pass this bill. And I think that was the difference.

MR. GLECKMAN: Right.

MS. KOCH: But I do think people are -- they have to come to the table sometime in the next X-years, and if you're going to be running for President, it's a darned good time to start talking about the middle class that way.

MR. GLECKMAN: Let me ask you about a different issue, and that's the pass-through provisions. Tom, you mentioned the regs that have come out, the proposed regs that come out. Let me just ask you bluntly, is that law administerable?

MR. WEST: I think it's administerable, yeah, absolutely. Is it arbitrary in some ways? Yes. But that's no different than other parts of the tax code, I think. I think it is administerable. I think the rules that Treasury put out, you know, follow the statute and, you know, when I was at Treasury, there were lots of questions about why some people were in, and why some people were out, but the statute sets that up, and I think that the rules can be administered.

Now, I was thinking about 199A, as everybody was talking here, because you're talking about how do we extend the individual provisions, but 199A is a big provision that also expires, and that's a small business provision, right, so I mean, normally --

MS. SALSTROM: And how sacrosanct is the individuals?

MR. WEST: Certainly.

MS. SALSTROM: Yeah, absolutely.

MR. WEST: And that's expensive. I was thinking about the state and local cap which pays for a lot that that expires. So, you know, when we talk about fixing, or making permanent the individual stuff, I do really wonder how that gets done with these other dynamics in play as well.

MR. PRATER: That's scaling back the AMT to a very small portion of the population, which was a convenience in the engineering in the bill. And 199A, I mean there's a line there, at the 32 percent bracket, right, so if you're in the 32 percent bracket, you're subject to the phase outs of the complexities, the specialized service trade or business exception, the W2/Tangible Property limitations, some of the other features, so for the vast majority of pass-through businesses in terms of numbers of businesses, the 199A is not complicated.

But for those businesses that are in the 32 percent bracket going up it's more complicated, they have to worry about those lines, they have to worry about aggregation, they have to worry about, you know, some of these other issues. So, it's really -- it's one section, but it really has two very different effects in terms of the administerability, and I think the compliance.

But I will say this, that if you -- you know, if you're bringing down corporate rates, there's a political imperative to deal with the pass-through community that is not avoidable, no matter who is doing it. And that works both ways, by the way, at 29.6 percent which is really the effective rate of the 199A deduction. If you go the other way, you're going to have some consequences there.

MR. GLECKMAN: Cathy, there are other ways to help out small businesses, if you will.

MS. KOCH: Mm-hmm.

MR. GLECKMAN: The House, for example, had a kind of a different model. Do you think that as Congress begins to debate what happens to the expiring individual tax code, that there will be some thought to restructuring the benefits for passthroughs, or they stick with the structure of 199A?

MS. KOCH: The net rate has to be lower than the corporate rate, and it will be lower by just a sliver.

MR. GLECKMAN: Yes.

MS. KOCH: But it has to be lower. I used to think, you know, it has to be the same, and we used to calculate it, and show everybody, oh, look, you know, because at some point the deduction was at a level where they were exactly the same, the corporate rate of including the corporate rate, the individually earned dividends was exactly equal to the pass-through rate.

But then no, what happened was, some senators said, do you know, this is great that they're the same but I have big corporations coming in to my state and putting my little guys out of business, and so it has to be better. And we know the small business is potentially more politically potent than the middle class worker. It's the most politically potent, I think, constituency out there over -- especially, you know, these days, or may be forever, I don't know.

So, I think whatever -- I don't think they're really going to rearrange it, because then once you take the deck chairs and start rearranging them, all hell breaks loose. You’ve got this -- you’ve got to view, okay, people kind of realize what they have now, I think, but whatever happens, that rate, when you collect the net rate, the arithmetic has to say, I'm a little lower than the corporate rate.

MR. GLECKMAN: So that raises another question mark, is the 21 percent corporate rate sustainable? Or do you see over time that that --

MS. KOCH: Woo! (Crosstalk) that question, Mark --

MR. PRATER: Yeah.

MR. GLECKMAN: -- that that begins to erode?

MR. PRATER: So, I look at it this way. You know, certainly if you raise the rate, there is revenue associated with that. Is the revenue significant enough to deal, you know, by itself with the fiscal challenges we had? Well, certainly it would do something on that scale, but it's relatively small in the nature of, the Schumer proposal to go to 25 for infrastructure I think raises 359, or something like that.

But the problem there, the reason I'm talking about it this way is that, you have to look at what the tradeoffs are, right. So, the U.S., one of the main goals of this exercise, which has been a bipartisan goal, to bring the rate down, and largely offset it, right. The question is, where is the appropriate rate, and where, at least the big six folks were the Republican negotiators that kind of talked about the big issues, it was to try to hit the OECD national average, right?

And that's right around 21, 22 percent. It varies based on what member countries are doing, and based on what year you look at it. So, we're kind of in that range, the problem is, if you just look at the rate by itself as a revenue mechanism, you're going to have consequences that you have to deal with to the extent that you push it up, you're going to have arbitrage in terms of income shifting, you can have other consequences going on in terms of the value of some of the base issues, the tax-based issues and other things.

And the world is, one thing I've learned over the years, being on the policy side, and committees, is our trading partners are very nimble, most of them are parliamentary governments, or not. And so it takes us longer and we tend to do big things in kind of shifts, when political shifts occur, like in a new administration, a new party, whereas our trading partners can do it, if the consensus is there, among one party parliament.

So, our trading partners are responding, Canada has responded, for instance, on bonus depreciation, others will respond on rates, others will respond on the international pieces, so that's all the play out. The thing is the playing field is changing since we changed it, they will change it, so the consequences of moving up the rate are very significant, and they are really, frankly, in terms of either financing things, there isn't that much revenue there for some of those consequences.

Sustainability to me will be tested by -- kind of some of the macro and the internal policy dynamics. The macro will be kind of: how is the economy doing, whatever our trading partner is doing, all of those kinds of things, political things, all those things affected.

But one thing I'll say, to me, the ACA is a bit of an analogy here in the sense that the ACA, Cathy was -- Cathy wrote a lot of the ACA, and I was just kind of like a participant --

MS. KOCH: On the good parts --

MR. PRATER: The good stuff, she wrote the good stuff. But my point is, the ACA was an imperative, Democrats had a significant majority, they had to produce on a major domestic initiative, and President Obama chose health care. And when the parties are under pressure, especially again in the U.S. system, which is not parliamentary, it's only parliamentary when you have an administration and a party in the same power, and the political momentum that an election gives you. Then we're like a parliamentary system.

But you have to go to the toolbox that you have, no matter how partisan it is, you have to go to things like the individual mandate, which was a Heritage Foundation idea. Or the employer mandate which I wrote a bill on for Senator Dole and Senator Packwood back in '94. Or, a cap on exclusions which was done in the form of a Caddy Tax that Cathy and I joked about this, because I gave her a memo --

MS. KOCH: Ah, I know this (crosstalk) --

MR. PRATER: -- from like 10 years before on Senator Bradley's proposal in the Finance Committee, so you can't -- there's a certain amount of ideas, right, that are viable, and the party that has to produce, or feels that it has to produce, has to go to those ideas and then adjust them for the political necessity of getting votes.

MR. GLECKMAN: So, let's talk about the elephant in the room. Mark mentioned it in his talk. We're going to have a trillion-dollar budget deficit next year, at a time when the economy is strong, we're talking about extending the individual tax cuts to a trillion dollars, ka-ching, you know, down the road, this bill that Brady just put out, $55 billion ka-ching. You know, we're going to pay for this somehow, so where?

I mean, you know, not enough money if it's too complicated to do corporate.

You can't raise taxes on middle class people, we can't do that. Where is this money coming from? How are we going to do this?

MS. KOCH: I mean, I wish people would take seriously, you know, the idea that we, at some point are going to have to turn to an incremental revenue source. I think that we can't just keep driving down this road, but we won't do it until things get so crazy that, you know, it has to be done, because that's also how we legislate tough things.

But there are incremental revenue sources out there. I mean I think that that is probably not politically viable in this country, but I think there's momentum building around carbon tax, I'm a person of faith, I'm not advocating it professionally but, you know, there was a bipartisan Carbon Tax Bill that was released this week in the House.

That's actually a pretty big deal, I think. You know, Curbelo was out there, it was Republican, now we have a bipartisan bill. When Republicans can get behind this too, I think it at least adds to the conversation, and I think at some point we have to consider it. We talk about the OECD average rate, but they all have VAT.

You know, we have -- we don't have this incremental revenue source, so I think we're going to have to come to terms with the fact that we're going to be carrying these huge deficits which are going to limit our ability to be ready to react when there is a recession.

You know, as Mark says, if there's a recession, at some point in the future, and if we're so hog tied by debt, you know, we're not going to be able to react the way we did in 2008. So, while it may not be a big deal now, it's going to be a big deal, and I think we should think ahead, and I think we have to be very seriously considering what incremental revenue sources we can tolerate politically and economically.

MR. GLECKMAN: Mark, can you imagine a carbon tax?

MR. PRATER: You know, I think, there's clearly -- I agree with Cathy -- there clearly has to be another revenue source. If you look at our trading partners, as she said, they rely a lot on VAT to finance the social safety nets that they have, and other governmental operations. It gives them some comparative advantage with the U.S. who are still so reliant on the income tax as a primary revenue source.

The other thing I'd say is that, the problem is bigger than TCJA, or I'd say the caps deal in which we -- and I think the bill is alluding to this, bipartisanly, you know, it kind of created the same deficit impact on the spending side, that we had created somewhat with TCJA on the partisan side.

But what those things do, it just accelerates a problem that's already embedded in the structure of the U.S. system, which is, you know, the demands, as Mark was saying, the demands by baby boomers and others are putting on the spending side, and a relatively level revenue base, and a limited revenue base.

So, look, to me it's just numbers, right. Politicians are very irrational creatures, they react to signals, they're not -- they will respond when external signals force them to respond. I was struck by, you know, the Federal Reserve Chairman's comment and the market response, when I think the S&P went up by 2.3 percent?

MR. WEST: Yes. Yes.

MR. PRATER: So, people worry about what's in their retirement accounts. They do worry about some of these signals. I think interest, some of these things can be sparks when they become material enough, the question is then, you know, like anything else, like treating a medical condition, you want to treat the medical condition when it is most optimal. But we have a system where, again, you know, politicians, members, policymakers will respond to those signals when they think it's in their direct interest.

MR. GLECKMAN: Tom, if we need to go for -- look for more money to deal with the fiscal issues, do you think we get it from the income tax? Or do we get it from a consumption tax of some sort?

MR. WEST: I think politically, a consumption tax seems problematic, still, in this country. I mean, we crept toward it with the VAT idea and, you know, we see how well that went. I think there are other ways to do that, that are not VAT-like, but don't maybe have as many obvious winners and losers across the board, but I still think -- it still strikes me as a third rail at this point.

Until we get into some kind of crisis, I don't know what other sources. I was reading something the other day about, you know, the capital gains rate, it's particularly low right now, arguably, and there's a lot of money there. I'm not obviously advocating that, but in terms of sources of revenue, I can see that being something that comes up again at some point.

MS. SALSTROM: Now I think (crosstalk) --

MS. KOCH: Yes. I think that is actually more of a third rail than a carbon tax.

MR. WEST: Do you think so?

MS. KOCH: Yes. I do, but that's because of my Republican colleagues, but it seems to me so sacrosanct, and now we have an innovation package, that's going to kind of do more in that vein, but I'm not (crosstalk) --

MR. PRATER: The problem, your problem with capital gains is, it depends on whether you're looking at, I think the Joint Committee has not published this, but talked about the revenue maximizing rate being -- and Tom is right, there's still, there's money there before you get to that revenue maximizing rate. But it is not going to deal with some of these things, it's not going to be enough to deal with either financing or middle-class tax cuts if that's what you're talking about, or significant deficit reduction, or financing infrastructure.

It's there, but it's on the magnitude of, you know, 100 to 150 billion, maybe 200 billion before you hit it, because we've already got the ACA tax and the 20 percent, so we're at 23.8, there is some headroom there. But I think Cathy is right, the tradeoff there for the political and policy controversies with trade versus the revenue is something that's the challenge, but there are challenges on all of these things.

MR. GLECKMAN: Sandra, do you want to jump in?

MS. SALSTROM: Yes. And I just, I don't know, I think I'm not willing to concede that just because it's not enough it should mean that we don't do it all. You know, I think to go back to the corporate rate, and your question is it sustainable at 21? I would say no. You know, I think you're not going to see Democrats argue to get it potentially back to 35, but I think there's a lot of room in there, and you've seen Democratic bills even more, you know, conservative bipartisan ones.

I mean, you know, Mr. Wyden had, you know, the Wyden-Coats Bill that I think had a 24 percent corporate rate. I think there is room, and I think you will see a lot of push from Democrats to raise it somewhat. And so just because it doesn't raise enough, I don't think should be a reason to say we shouldn't do it at all.

I think there is a lot of political will, particularly on the Democratic side, and I think you'll see that, you know, this year, and then particularly from a lot of the 2020 candidates, and I think the base really feels that on the Democratic side that, you know, this bill was not popular. People, you know, overwhelmingly, you know, as individuals, voters, panned this bill, they really see it as the wealthy incorporations getting a big tax break, and them getting not much.

So, I really do think there will be places where you'll see. And again it's, you know, capital gains too. I will advocate for, you know, an increase in that. You know, again, it raises some money, it may not be enough, but when you as the average American look at, you know, and I think it's a very understandable message to say we should equalize or certainly, you know, get much closer, the taxation of wealth and wages. You know, that speaks to people. I work for a living, I make my wages, I am taxed at a higher rate than someone just earning, you know, off of their wealth.

And I think, so there are things like that, and you talk about the politics, and then what's politically palatable. I don't know, I think it might be more politically palatable than you think, because there is, you know, a base particularly on the Democratic side, that really understands that, and I think will push for that, and I think you'll see a lot of your 2020 candidates on the Democratic side, you know, pushing for these things.

MR. PRATER: One of the consequences I think of doing reconciliation for either side, I've seen it both sides, is the party that chooses it, of course, they get their guarantee of a vote. The party that's not participating then gets to refine its message. And you saw that in '93, you saw that in 2009, and you saw that in this time.

I do think that, again, when you look at the business side of this, you've got offsets on the business side, north of the trillion dollars, and I think that, I think I give Democrats credit, because I think they messaged that this was just, you know, all deficit financed, and that's what the polling shows.

And Republicans, I give them, you know, not credit, I'm not making that clear, but so -- but I do think there are consequences if you end up with net tax increase on the corporate side, with the U.S. already being kind of the, again, an outlier in terms of corporate taxes, the corporate tax being the creator of a lot of distortions, a lot of issues on the international side, and domestically.

There are going to be -- there are consequences, there are policy consequences that would be litigated that I think would be concerning. But that's, you know, that's for policymakers to debate, and for folks to work through.

MR. GLECKMAN: Okay. Let's give you all a chance to ask a few questions. Do we have microphones? I'd like to ask you to just, please, introduce yourself, and particularly given the topic, just a question, don't give a speech. We've been very careful about not giving speeches this morning, so we'd like to ask you to not do that either. Okay.

QUESTIONER: Thank you very much. Larry Checco, Senior Advisor to Service USA. I think some of you have touched on this, but can we agree that nobody wants to pay taxes but everybody wants the services that government provides, okay? And so there's a real disconnect here folks, and I don't think the folks on Capitol Hill get it. We have the money, we're acting like a poor country, we have the money for infrastructure, we gave it to corporations and rich people with the $1.5 trillion tax cut. Are we ever going to come to our senses on this and realize that government depends on revenue to provide the services that we actually want?

MS. SALSTROM: Well, I think I'm willing to even push back on your notion that people don't want to pay taxes, but want the services, there's a colleague here at Brookings, I think Vanessa Williams who wrote a book on this, and there's polling that shows that people actually do want to pay taxes. They view it as a patriotic duty, I think people want to pay what's fair though, when they really look around, and again, I think, you know, the polling shows it with TCJA, you know, that people don't feel like it was fair, they're not paying, you know, corporations, the wealthiest among us are not paying their fair share in the same way that average working Americans are.

So, I do think people want services from their government, but you'd be surprised at, you know, the level to which they're willing to pay for it, particularly if they view that, you know, everybody else is kicking in too. It's a shared sacrifice, and equity, absolutely.

MR. GLECKMAN: Yes, sir, in the back.

QUESTIONER: A question that earlier you referred to the corporate tax rate coming down to the OECD average, and trying to level the playing field, if you will, but when we actually look at the income tax share, you know, and average it out with the OECD, we're substantially lower. And even if you take the VAT into account and others, at the end of the day, I mean, the carbon tax, or the value-added tax, ultimately at the end of the day, the real bulk of it would have to come from income tax increases, wouldn't they?

MR. PRATER: Yes, corporation -- actually the corporate tax and the U.S. income tax is relatively, it's not the material part of it, but there's a lot of reason for that that we could spend another hour on, but I think you're thinking of the percentage of collections, I'm talking about the rate where the headline rate is on the tax.

And I was talking about the national rate. There are two different rates to consider. There's a national rate which is meant to be apples and oranges between, you know, kind of the Federal rate, or whatever the governmental rate is. And there is the overall rate which takes into account the state and local, and there's that rate, when you look at the U.S., I think we're about 25 --

MS. KOCH: Yes. About 24, 25 percent --

MR. PRATER: -- 25 percent which is as I think --

MS. KOCH: Yes, it's the average too.

MR. PRATER: Yes. Yes. And so there is a -- you know, there are really two different things, I'm not disputing your point, I'm just saying that the metric I was using is reflecting kind of the rate, which has a lot of effect on behavior, things like income shifting, base erosion, other things factor into that.

I think most people would say that, in terms of base erosion issue, and income shifting which have dominated a lot of the tax debate over the last decade-and-a-half, getting the rate down is a very -- and broadening the base which this bill did do, as I said, by north of a trillion, is one of your best levers to deter that behavior.

MS. KOCH: I mean some of what you're talking to -- if I can really briefly add on -- it's because as corporations contribute a lower percentage of tax revenues to the U.S. FIS than they do worldwide; but there are -- that number has been declined, because the number of corporations have been declining dramatically --

MR. GLECKMAN: Mm-hmm. Correct?

MS. KOCH: -- over the past couple years, or for the past couple of decades really. And I wonder if that will change now that we've reconfigured the corporate rate versus the individual rates including past years, there's individual rates there. A lot of the decline in corporate contributions to overall receipts had to do with organizational structure, as opposed to actual cash out as a corporate -- you know, on a corporate return.

And to me, I thought the bill was very interesting in its kind of reconfiguration, it's re-rank, ordering of the benefits of being a corporation versus the passthrough, and will we see shifts back into C status? It's just an interesting side effect that -- if we get a chance to see.

MR. GLECKMAN: Tom, what do you think?

MR. WEST: Well, it's funny. I mean, I hear this, and I instinctively you would think that would be true, but just when you talk to people who are in pass-through structures, there's and existential kind of feeling about going into a box that they just can't get around, and I think part of it has to do with the fact that they do feel like, you know, once you go into corporate solution there's a toll to get out.

And a lot of people are worried because of the relative -- all the things we've been talking about here, the relative instability of that corporate rate. And that corporate rate can be dialed back up, and once you go into the box, you know, you're going to pay a cost to get out.

MS. KOCH: That's a lack of certainty in our environment, and there's, you know, we need to get to a better, more certain place I think, no matter where it is.

MR. GLECKMAN: Yes. Steve, in the back; wait for the mic.

QUESTIONER: It seems as if, fiscal hawks are endangered if not extinct, and what does that mean to the process, especially as you have so many newly-elected Democrats who want to do something, and Pelosi was under some pressure to get rid of the PAYGO Rules to allow them to do something. You have Republicans who probably have very little standing to object to increasing the deficit at this point, and then you've got the kind of debt as our President. So, in this environment, what does that mean? I think perhaps Cathy suggests in the short run, we'll see middle-class tax cuts, or something like.

I agree, I don't think there's any deficit pushback. But what will be -- what are we doing now? Just waiting for the crisis like with global warming? We are just waiting for something to blow up before we do anything? Or will there be any coalition for fiscal responsibility, and maybe new PAYGO Rules or standards, to try to impose some sort of discipline and to distance ourselves from the systemic issues that Mark observed?

MR. PRATER: Yes. I think you'll get a test of that when, you know, divided bodies here go through the budget process. So they'll each, they'll each be going through that drill, it's a spring drill generally, there's hearings and then here's budget resolutions, and I'll be curious to see, kind of what the House produces on its budget, and how the Senate responds on that.

So that will be an early indicator because to a certain extent that will frame kind of where they think they need to go, if now, will you be able to take those two budgets and put them together?

MR. GLECKMAN: So, Mark, I think there's a deeper question here, and maybe Steve was trying to get to it. Given the political unpopularity of fiscal prudence, maybe not since Bob Dole has there been a real -- a national politician who actually really care about the budget deficit. Is it even imaginable that Congress would show some fiscal rectitude without the cover of the strong support of the President of the United States? I mean is it -- I mean, yeah, does this really come from (crosstalk)?

MR. PRATER: Yes. You've got to have, yeah, you've got to have that leadership, and it seems to me, again, you look at recent history, TARP forced action, right, the money markets were going to freeze up, where there were going to be problems, TARP forced action is a good example. A divided government, a probably good administration, Democratic Congress, but action was forced, because what was going to happen was not sustainable in terms of the crisis.

Similarly, I think it will have to be signals sent to upset that, which is -- to which you're talking about in terms of the status quo, which is to, I think as we talked about earlier, to defer recognition of -- to defer tackling these events. I do remember back in the mid-'90s or the late-'90s, when the Senate, on a bipartisan basis, was passing numerous on the BBA, the '97 BBA, passing numerous entitlement changes and other things, fiscal reforms, of course we undid, one of those, the Doc Fix, everybody right here.

But there were other ones, you know, the Senate passed it, and the House did not want to go there. Because it was a conservative House, they did not want to go there, so look, it's, I think again, I would just say, members are rational actors, they respond to signals, I think you can create the template for them to react, but it will have to make the consequences, immediate.

I think I've told this story, maybe, to some of you before, but we were doing a JSCDR, Sarah Keel, and I went to this bipartisan Chiefs of Staff Dinner, and one of the persons raise their hand and said, why should we do any of this? We just went through the BCA, the debt was downgraded, and now interest rates have dropped since the crisis, so why should my boss, like, who doesn’t believe once they expand entitlements, why should my boss want to reduce them? What's the action-forcing rationale for that?

And that, unfortunately, like I said, it's not the -- what is the analogy to the health care point, if you have an issue you need to -- it's better to deal with it before rather than later, right, but --

MR. GLECKMAN: It's a great paradox of fiscal policy, right, when your economy is strong and interest rates are low there's no incentive to do anything, and when the economy is bad, or interest rates are high, you know, we can't raise taxes, you can't cut spending.

MR. PRATER: Yes. Right!

MR. GLECKMAN: So there's never the right time.

MR. PRATER: Right.

MS. KOCH: Yes. We're handcuffed, and it's getting worse. But I do think, yeah, if everyone joined hands, and kind of leapt off the cliff together, or like 49 percent of them, it would work. But leadership has to come from everywhere.

MR. GLECKMAN: Do you see any cliff jumping in 2019?

MS. KOCH: I don't see cliff jumping in 2019, no, but I see cliff jumping in the next decade.

MR. GLECKMAN: Mm-hmm. Okay.

MS. KOCH: I mean, five to ten years, I'd say, yeah. And we have to, I mean, in five years we'll have a fiscal cliff, and somebody is going to jump off that cliff or fall off it, and that's the bottom line.

MR. GLECKMAN: Sandra, do you see any cliff jumping anytime soon?

MS. SALSTROM: No. And I think, you know, back to Steve's question though, you know, and again maybe I'm just the cynic here, but I think, yes, you know, the true fiscal hawk is a dying breed. You know, I brought up Ron Kind earlier, and I think, you know, he's one of these few members who really is a true believer, and won't vote for things no matter, you know, how popular if they're not paid for.

You know, you look at the Blue Dog Coalition in the House it is, you know, been shrinking in recent years and continues to. you know, but it's a convenient position for a lot of people, and I think, you know, we live through the Bowles-Simpson Commission, you know, in the previous administration and, you know, the sky was falling, they were all screaming about deficits, oh, my, god, we have to fix it.

And, you know, I do think we're going to see more of that rhetoric in the years to come, particularly from folks on the Republican side, who will quickly forget. You know, we've already seen it, from McConnell and others, you know, who quickly forget, you know, the impacts of TCJA and what it did to our revenues, and what it did, you know, to the deficit, and start saying, oh, my, god, we've got to cut Social Security, we've got to cut Medicare, we have to look at these things. And, you know, I think it's a ruse, I think it's preposterous and, you know, I think it has to be called out for what it is.

MR. GLECKMAN: Other questions, Carl?

MR. POSER: Thanks, Howard. Carl Poser, and lately I'm doing a lot of work on healthy policy, aging issues, and inclusion of the bottom half of the wealth distribution. So, here's a -- as we sort of think about tapping new revenue sources for middle-class tax cut, and maybe infrastructure, I'd like to throw Social Security on the table. Is it worth the strategic thought a little bit about, if you tapped some new revenue sources, are you, for closing options that you might need to make Social Security solvent?

For example, Congress reached for the capital gains increase for Medicare, so that that could be a partial fix for Social Security. Is that something that may come up in the next few years? I'd hate to throw like more sand in the last wind, but it's another issue on the table.

MS. KOCH: I mean, it's just one part of the huge fiscal wall that we're running up into, and it's a very politically potent part I think. And so, you know, I'm not sure that the Social Security is ever going to be.

MR. PRATER: Well, I think there are things you can do inside of Social

Security deal -- well, or on the formula side, you can make, you can actually make Social Security more progressive, which is kind of what -- that's where it's needed really, because of that 50 percent figure I was talking about.

You may get more progressive help on the solvency, and do that in terms of the formula, and how their earnings are calculated, benefits are calculated. So, you know, look, if people are willing to kind of try to get to some results, and I think a key thing, and you've heard this in the discussions, you have to distinguish fiscal goals, and policy goals, right. And then try to align them.

And like Sandra was saying, you know, one side will say, we'll raise the fiscal bar if they're not really bought in on the policy, and that works both ways. I've seen that in my many years. People will raise fiscal consequences if they're not initially bought in a policy and vice versa, they my say, well, I like the policy, maybe I'm going to look the other way a little bit more on the fiscal side.

And you've seen both sides do that, so the question is, how do you purify and align the fiscal objectives, and then build out from that in a policy way that's politically sustainable? And I think you have to look at -- you, certainly as Cathy said, and I agree, you have to look at new revenue source because of the box the U.S. is in. I think you have to look at entitlement changes that are progressive and help the system, help on solvency, those things are out there, and marry up those things because if either side does it partisanly, the problem is the political consequences are significant. The real magic is to find a way to marry up the two ways.

MR. GLECKMAN: So, this thing that strikes me with Carl's question is that Donald Trump who appears willing to upend every institutional government, except one, Social Security. It's remarkable, it's the one program he actually says, I won't touch.

MS. KOCH: Because these are the core voters.

MR. GLECKMAN: Yeah. Yeah.

MS. KOCH: These are the core voters, and it's interesting, what you're telling or making Social Security more progressive, and I do not disagree at all, but the very nature of the program is not an entitlement program, but as a savings program gets threatened when we make it progressive. And that's always been kind of the left few, is that once you make this an entitlement program, then it is subject to all the cuts as all the others. When it's a savings program, you deserve it, and we're not going to argue.

SPEAKER: Right.

MS. KOCH: And that is, I think how many Social Security recipients, my dad certainly felt that way and he didn't need Social Security, like we weren't rolling in nickels but, you know, he thought that I paid in, I should get out. And it think that the core Trump voters, the Rust Belt that (inaudible), these are all people who I would bet feel strongly. I mean, I don't claim to give any (crosstalk) --

MR. GLECKMAN: Sandra, any chance at all the Democrats are going to even raise the issue of Social Security in 2019?

MS. SALSTROM: I mean, we can simply, you know --

SPEAKER: Okay, let's move on.

MS. SALSTROM: I think, you know, there are things again to be discussed, you know, raising the tax max. I mean, there are certain things like that to increase its solvency, but again, let's not forget that, you know, Social Security can pay 75 percent of its benefits into perpetuity. So I think, again, you know, when there's this crisis, Social Security going bankrupt, you know, we all have to stop and take a step back and really look at the program and what it's doing. But no, I don't see Democrats having any appetite to touch Social Security, nor should they.

MR. GLECKMAN: Kim?

MS. REUBEN: Hi. Kim Reuben, Tax Policy Center. Can I bring the conversation much more, you know, into the near term?

SPEAKER: Yes.

MS. REUBEN: Can you all opine a little bit about what we're going to do in the next couple of weeks, i.e. is there going to be an Extender Bill passed? Are they going to do something? What do you think is going to happen in, you know, the lame-duck Congress? And are we going to get into the new session with relationships at a point where they're even going to be able to discuss or, you know, the tax bill that is on the table right now in the House is sort of fascinating to me.

It feels like the Republicans are going need to talk to the Democrats in the short term, and the Senate, which, I'm not sure the Republicans in the Senate were all that happy with that tax bill either. But what do you think they're doing in the next couple of weeks? Are we going to see anything on the tax side? Are we going to pass extenders? Is the President actually going to sign something? Or is he really going to shut down government, which he, you know, likes talking about, but I can't imagine benefits anybody?

MR. GLECKMAN: So, bottom line, Cathy, what's your prediction? Are they going to -- how much of the Brady Bill is actually going to pass, if anything?

MS. KOCH: I think there's a chance for small portions of the Bill to pass, like extenders, for instance. I mean I wish there would be some negotiation in quid pro quo on the technicals, but I doubt it. I think it's going to be as little possible. Kind of the lowest common denominators, small ball, but get the extenders done, and it will be one big, you know, match up with the December 7th Funding Bill.

They have to do something. I mean, I don't suspect that anyone in Congress is anxious to shut down the government. I can't speak to 1600 Pennsylvania Avenue, so I would say, this won't be an expansive legislation, you know, but I don't think they're going to come back, even angry at each other. I don't. I think next year will be, you know, we'll be starting at the same place, but not behind.

MR. PRATER: Yeah, I mean, the Senate will -- clearly will have an opportunity to respond, assuming the House sends this over. And then the question is: what is that response? Is it, you know, do the two leaders pull in their tax writers? They're going to have to have discussions about it on the spending side, and what do they do inside that?

And that is an unknown at this point we just -- but I agree with Cathy. I think there's enough there. Again, if folks are flexible, if people really are aiming to get a deal, and they're in deal-making mode, then there's probably some way that can shake out.

MS. KOCH: IRS Reform is not too controversial either, for what's (crosstalk).

MR. GLECKMAN: Sandra, do you think -- what do you think for this year?

MS. SALSTROM: Yes, I mean, I think all eyes are on a week and a day from today, you know. As you say, I think absolutely we'll ride along with something if they do it, you know, potentially to short-term CR to get us a little closer. And we've been around long enough and worked on The Hill and, you know, remember many a Christmas Eve working, you know, on these funding bills, and things.

So, I'm hopeful that that is not what we're going to see, but I don't see it all wrapped up in a neat little bow in a week and a day. And I think, yeah, all of that is going to be driven by 1600 Pennsylvania Avenue, how much this President wants to go to the map on the wall.

I'm with Cathy, I think there's a lot of room for a deal on The Hill, and folks are eager and are working. I don't think it's a foregone conclusion that this bill necessarily, the tax bill passes the House this week, you know. I've heard from some that even Republicans are having trouble rounding up votes on their side.

So, I think, you know, he said, if the Senate gets something they'll have a chance to respond, but I'm not -- I wouldn't take it to the bank at this moment, that this thing necessarily even passes on the floor tomorrow. So, you know, I think, yeah, we've got a lot of pieces moving; and a lot of questions up in the air, but, you know.

MR. GLECKMAN: Tom, do you sense any burning desire to do technical corrections right away?

MR. WEST: I think with respect to a handful of important corrections, most significantly the Qualified Improvement Property issue. In the Senate there's some bipartisan support for that. I don't know what the Democrats would ask for. Like with the grain glitch they got some stuff. I don't know what they're asking for this time.

MS. KOCH: It would be (crosstalk).

MR. WEST: But that is one that I think everybody would love to see get done, but I --

MS. KOCH: I think the Democrats just want to sit down and have a conversation as they did with the grain glitch, I'm not -- and I think that's a reasonable request. Would they ask for something as big as what they got for the grain glitch? I'm not even sure they, know, but I think they just want a conversation on this.

MR. GLECKMAN: We have just a couple more minutes. And I want to take prerogative to ask the last question, that's about SALT. We haven't really talked about that. A lot of Democrats got elected on the idea that the Republican incumbents didn’t protect their constituents against the increase in the SALT cap. What are Democrats going to do about it in the 2019, having talked about it? Cathy, what do you think? How are you going to finesse this?

MS. KOCH: Yes. I don't know. If I was a Democrat in a high-tech state, which I guess is the same thing, I would say, you know, I would put out a bill right away.

MR. GLECKMAN: Mm-hmm. Yes.

MS. KOCH: But I think if you put out that bill you have to pay for it as a Democrat, or maybe not. And I would definitely start introducing things. I'm not sure what happens after that.

MR. GLECKMAN: And it sends a weird message, right? Because what you're doing is you're cutting taxes for rich people --

MS. KOCH: For rich people, yeah.

MR. GLECKMAN: -- which is, kind of not what you're about.

MS. KOCH: What's left -- I know, that's true.

MR. PRATER: Depending on -- depending on what you're doing with other things, right? Like I said earlier, the AMT if you -- the thing fueling most of the AMT revenue in the old law is the state and local and personal exemptions, right? So, you know, depending on what you're doing with the AMT you'll have consequences there that you'll have to work out.

MR. GLECKMAN: Mm-hmm. Sandra, what do you think? What do they do?

MS. SALSTROM: Yes. I mean I think you introduce some bills. I think you do a lot of talking if you're a lot of these members, I mean, I know, you know, Bill Pascrell on the Committee, it's his number one priority from New Jersey. You know, I think there will be discussions, there will be bills but, you know, as you rightfully pointed out, Howard, I mean it's hard on the left, because it is ultimately, fundamentally and, you know, a tax cut for the wealthy people.

And so, you know, in terms of who you talk to, how wealthy you are, you know, living in New York City. You know, Schumer has obviously been very defensive of those folks, and in the State of New York generally, and I understand that, but, yeah, I don't know, it seems hard for me to see a bill, particularly a stand-alone SALT fix.

MS. KOCH: Yes. We don't pass any stand-alone tax legislation for (crosstalk).

MS. SALSTROM: No. That's right, but what does it ride along with, you know?

I don't know. It muddies the message if you -- or as we were talking earlier about, you know, EITC fixes, and things the Democrats would like to do and, you know, it gets a little ugly when you're also, you know, maybe throwing in the SALT fix.

MR. GLECKMAN: Okay. Well, we are out of time. Let me thank Cathy, Mark, Sandra and Tom, for a terrific panel, it's been really interesting.

MS. KOCH: Thank you.

MR. GLECKMAN: Thank you all for coming. (Applause) And Senator Breaux, I guess is here, and should be here in just a second.

MR. MAZUR: Okay! As we transition to our next part of this event. I'd just like to say it's my great pleasure to be able to introduce Former Senator John Breaux.

I first met Senator Breaux when I was a Staff Economist at the Joint Committee on Taxation, the Congressional Joint Committee. And Mr. Breaux at the time served in the Senate Finance Committee. And he was a key member on a wide range of bipartisan legislation, and what really struck me was his willingness to work in a bipartisan way, and I think that he really did contribute a lot. It's one of the keys to his success as a legislator.

Nowadays Senator Breaux is Co-Chair of the Public Policy Practice at Squire Patton Boggs, and he regularly advises clients on a wide range of strategic issues, and imparts wisdom to those clients.

So today we're happy that Senator Breaux has chosen to impart some of that wisdom to us. So, join me now in welcoming Senator Breaux up to the podium. (Applause)

MR. BREAUX: Good morning. Thank you very much, Mark. I'm hobbling up here. I have a big boot on. It's a tear in my Achilles tendon. And I cancelled my surgery, and I decided to do stem cell injections on Monday, last Monday, which was an interesting process in and of itself. And if you ever want to do that, come see me first. (Laughter)

Thank you for inviting me. I'm glad to be here, I've seen a lot of old friends, and good friends in the tax world out there, and so I'm delighted to share some thoughts.

Cathy Koch, she has told me, talk about your Carbon Dividend tax. And I've corrected her. It is not a carbon dividend tax, it is a Carbon Dividend-Dividend, and not a tax. (Laughter)

And the difference obviously is the fact that the way we have structured it is that it would -- a $40-a-ton fee on carbon emissions would be returned back to the general population, as opposed to a tax which goes to the Treasury and to the government to spend on various programs. And I'm really excited about it, I don't want to talk about that, but I mean it's -- this is a marathon, it's not going to be a sprint, it's going to take quite a while to get it done.

We are spending a great deal of time educating the Congress both Democrats who are a much easier proposition, and then also the Republicans. And our firm at Squire Patton Boggs, Trent Lott and I are the two Co-Managers of the Public Policy section of the firm, and so I told Trent I would take on this issue. I'll take care of all the Democrats, and he had to take care of all the Republicans. And he said, oh, thanks a lot.

But I think we're making progress, and I think that the report that the administration itself put out on the adverse effects of climate change is very significant. And what we have to offer is a solution to the serious problem which is projected to do better in terms of carbon reduction, even when the Paris Accord did, or even in the regulations of the Obama administration.

So, we're very excited about that effort, but we've just got to make sure, Cathy, we call it a carbon dividend, not a carbon tax. So, we'll move on from there.

Also, at our firm, where we have Binder is in the firm too, and I've got of course Trent Lott, and Jack Kingston, my good Republican friends in the firm, we were talking last week about whether -- they asked me whether I thought this past election was a blue wave. And I said, no, I don't think it was a blue wave, I think it was a blue tornado, because the significance of the changes in the election were really very dramatic.

While the Republicans gained two seats in the Senate, and it's a 53/47 margin in the Senate, the House looks like they probably -- the Democrats will pick up about 40, thereby putting the Democrats in the majority come January the 3rd.

I'll say a little bit about that, but in addition to those congressional elections, there were seven Governor seats that were won Democrats, and the Attorney Generals in the country for the first time in a decade or so, a majority of the Attorney Generals in the United States are now going to be Democrats.

Six state legislator seats went from a Republican to Democrat, and over 400 state legislative seats around the country flipped from Republican to Democrats. By any measure, if it was a blue wave, or whatever you want to call it, I call it a blue tornado, it was a massive change in what the electorate was sending out in their views and how they were voting in this last election.

I think there are a lot of members on the Republican side in the House who have never served in the minority, and Mark and I were talking about it previously, that have no comprehension about the difference, and being in the minority, and being in the majority in the House.

If you're in the minority in the House, you're in the minority. (Laughter) And that means that you have -- can only speak when the majority tells you, you can. You can only offer an amendment if the Republican Rules Committee, or the Majority Rules Committee allow you to offer an amendment. And they can tell you how long you can speak, or if you can speak at all.

And as you saw in the last Tax Bill in the House, you can be entirely shut out on any of the negotiations, or any of the participation whatsoever.

So, being in the difference in the minority in the House and the minority in the

Senate it's astronomically different. And I think a lot of Republicans in the House have not really fully comprehended yet what that difference means.

I think also the White House has not fully understood what they're facing with a Democratic majority in the House in terms of oversight, in terms of investigations, in terms of things that can happen that they didn't have to worry about in the last cycle. So, it's going to be a substantially big difference.

When I talk to tax groups I'm reminded of the time that I spent with my Co-Chairman at that time, Connie Mack from Florida, when we Chaired President Bush's Tax Reform Commission, where we spent a-year-and-a-half working on tax reform and completed a report that was about that thick, and submitted it to President Bush, who, all of his people said, great job, wonderful work that you all did. And then they did nothing.

I remember one time walking into Bush's office, President Bush's office, and walking behind his desk, and I was looking behind his desk. And he said, Breaux, what the hell are you doing?

I said, Mr. President, I'm looking for my tax reform package that we gave you, obviously you must have filed it and lost it, because you never did anything with it. He responded: oh, get the hell out of here. (Laughter)

And the reason why it was so difficult because the charge that we had in our time, was we had to reform the tax code, which we did. We cut corporate taxes, we cut individual taxes across the board, but we paid for those tax cuts, which is what their instruction was. Do tax reform; make changes, but make sure you don't run up the deficit, and that you pay for the tax, and we did.

We did it in ways that were controversial, but ways that were in the ways we thought it should be accomplished, by eliminating a large number of the state and local tax deductions for higher income people. We put a cap on the mortgage interest deductions you could take, and we also put a cap on your health care benefits that you would receive before some of that income, some of that benefit were sought to be taxed.

That paid for the reduction in the individual taxes, and for the corporate taxes, but it also created huge political problems that they didn't want to touch, and the fact that one of the Chairmen of the Ways and Means Committee was Bill Thomas from California, a pretty high tax state, and the Ranking Member Charlie Rangel from New York, a pretty high tax state, they didn't think our idea about eliminating the state and local tax deduction was very good, and we knew that we had an uphill battle to fight. So, that's what happened then, and that's how hard it is to get these things ultimately accomplished.

I thought I would just spend a little bit of time, and I'm happy to try and answer questions after, to talk to you about where we are now, and what's likely to happen.

Number one, I think that Richie Neal and Kevin Brady have the potential to have a working relationship that could benefit to this country's interest. In the sense that they, I think they're both fairly pragmatic people, I think there are areas that they can find common ground on, and working together on infrastructure, retirement, or savings, or benefits, and I think are things that they would have a common interest in finding that they would be able to work together on. So I think that that lineup, I think is fairly good.

And in the Senate, obviously, with Chuck Grassley, who has been Chairman before, working again with Ron Wyden, is something that is not going to upset the apple cart that much from the previous Orrin Hatch's position. And I think that they have an ability to understand that if they're going to get things done with a Democratic House and a Republican Senate, that they're going to have to find areas of compromise that they did not have to do last year.

I mean, if you look at the procedures in the House last year, the Democrats were totally and completely cut out of the debate, cut out of the meetings, cut out basically of doing and having any input into the tax bills.

So, I think that time is probably going to end because of the division between the Republicans House and the Democratic -- I mean, no, the Democratic House and the Republican Senate.

I think that if you're looking at any major changes in last year's tax bill, the tax bill, the Tax Cuts and Jobs Act, I don't think that's likely to happen. And I say that, because you still have to get something that the House would pass in making changes in corporate and individual tax cuts.

I think that obviously they have to understand that they still have to try and get 60 votes in the Senate which is not likely to happen. You're not likely, in my opinion, to see any major revisions or changes in the Tax Cuts and Jobs Act Program. But I do think that what the House Democrats are likely to do is to start having hearings on the last tax bill.

In-depth hearings on what it means in terms of the deficit which indicates it's about $113 billion, 17 percent increase in the deficit as a result of the tax cut. I think they're going to have hearings on: what's the effect? What's happening out there? Are you surprised by the results of the tax cuts or the deficit?

I think they'll have hearings on that. I think they'll also look at the question of job creation, how much jobs have been created as a result of the tax cut last year which was called the Jobs Act? Is it really stimulating the economy? I think they're going to ask some very serious in-depth hearings in that particular area.

I think the Ways and Means Committee has indicated, and I know they have, that any new tax cuts they're going to have to have offsets. And let me tell you, that is something that it's easy to cut taxes if you don't have to worry about paying for it.

That's so simple. I'd love to do that as a politician, I'll be cutting your taxes. Oh, I have to pay for it too? Oops! And that's the problem. And that's why I mentioned what we tried to do in the Bush Reform Commission because we paid for it. Easy to cut the taxes, but if you're going to have offsets on it, then you've got a real problem.

I remember when I was a Freshman on the Finance Committee, Bob Dole became the -- I think he might have been Chairman or the Ranking -- he must have been Chairman at that time, I had a proposal which was benefiting the energy industry being from Louisiana, and I remember that I offered my amendment, and I had a Pay4, and my Pay4 was limiting the deductibility of country club dues on your income tax return. I mean you no longer could do that.

And that was my Pay4. I had the Pay4, and I had my bill of amendment, and I offered it, had my Pay4. And so what happened, Bob Dole looked over at me and says, I think that's a great idea. He took my deduction, my offset and applied it to his amendment, and it passed.

And so I didn't have my Pau4 anymore, and so I learned very quickly, never offer and offset until it's time, and I offered mine much too early, and Bob Dole picked it up and ran with it, and I didn't have my offset for my amendment, and my amendment failed. His passed, with my deduction.

So, I think that what they're looking at is a procedure whereby there will be in-depth hearings on what's happened with the Tax Cuts and Jobs Act, and oversight hearings on it, particularly on the size of the deficit, and also another job creation that you're going to have. I think they're also talking about any technical corrections, any technical corrections. I don't think they're going to be that happy with doing it without some hearings on it.

I mean, bear in mind that the mistakes were made by the Republicans who were in the majority without the Democrats' participation, so when they come to the Democrats in the House, and say, all right, we need these technical corrections, because we screwed up on some of these positions that we took in the drafting areas, so that has some technical corrections.

I think there's going to be a lot of Democrats who are going to say, wait a minute, hold up, and we're just not going to wholesale pass the technical correctors right now without some hearings on many of these that were your doing. Let's hold off and find out what the effect is. And I think one of them that could be is an appreciation on shopping centers and businesses improvements which I think everybody will understand, and realizes was a draft -- pretty much a drafting mistake.

And I think that something like that could be corrected. It's obviously bipartisan; both sides understand that that was something that was done. But I think there's going to be a little bit of hesitancy on doing a wholesale of technical corrections, certainly in the lame duck, I don't think it's going to happen. But in the corrections, or any extenders, I think obviously, that they do next year will be made retroactive to cover the beginning of the 2018.

So, I mean, that's kind of where I think we'll go. I think IRS and Treasury will continue to do rules. I know we just had a rule, I think yesterday, on the foreign tax credits, I think it moves in the right direction. I'm not sure if it's efficient or enough from what I'm hearing from the industry as far as the clarification on the foreign tax credit. And I think that may require additional work from Treasury and IRS on that particular aspect.

Let me just run through a whole bunch of other things, and I think are all on the plate for what might or might not be done. As I said, the tax extenders, they don't have enough votes to pass the tax extenders as a package in the Senate with 60 votes in my opinion. Do they put it on a spending bill, and try to get it done as a spending addition to a spending bill? That's a possibility.

It's going to be tough enough to avoid a shutdown of the government because of Trump saying, I want $5 billion on the wall, and the Congress I think is not likely to do that. If they can do something that would say, we'll give you half now and half later, maybe that's a possibility.

But the continuing resolution is going to be complicated enough when I tried to add all the tax extenders to it, so it may be something that will have to be provided in the next, the beginning of the next Congress which would of course, I think, be made retroactive until the beginning of 2018.

But in the wholesale passage of Kevin Brady's Bill, I think is -- it's to going to happen in the Senate, they have no appetite for making some of those tax cuts permanent.

One thing that I think is a possibility is something on retirement enhancement and savings, the ERISA Program, which I think there's strong bipartisan support for, Democrats and Republicans both are going to seek a way to enact that retirement enhancement savings process which I think is feasible.

I think that taxation of the digital economy: I'm not sure if any of you all are following that very much, but I mean it's a very important concern that I think everybody has expressed concern about Grassley, and Orrin Hatch, and Ron Wyden have also expressed concerns about what the EU maybe doing in trying to move on tax and revenues from digital commerce, and have indicated very strongly that we have some real problems with that, and think it's probably WTO inconsistent, and have made our positions very clear to them on that.

Some of the other things, tax returns, I've asked: somebody tell me, whether we going to get Trump's tax returns. I don't know that Richie Neal is going to start off his agenda trying to go after Trump's tax returns. I think he has other things that he thinks are more important right now.

I, for the life of me, we were talking about that in the back, about, you know, Trump says, I'm not going to -- you can't see my tax returns because they're in audit. And I'd like to have the IRS come up and say, is any reason why someone whose taxes are on the audit can't show those tax returns? The answer is no. They can show them.

And you know that, Commissioner. There's not rule that says you can't show them.

SPEAKER: (Crosstalk) on the tax returns.

MR. BREAUX: Yeah, you know. And then how long does a tax audit last? I mean is it decades? I mean how long -- you know, I'll show you my tax returns as soon as the audit is over. Well, when is that? After you're no longer President? I mean, how long does it take to do the audits? I know they're complicated, but there's no rule that says that you can't show them. But I don't think Richie Neal is going to move in that direction that quickly.

There's something on non-profit donor disclosure requirements. I know the House Democrats are really ready to move against a policy change on the 501(c)(4), you know, charitable foundations not having to list the names or their donors on their tax filings, I think that there are Democrats who would like to have that that change.

There's also a change in the so called Johnson Amendment. Democrats may push to protect the whole Lyndon Johnson Amendment from Republican attempts to repeal it. And that was kind of an interesting deal where the tax code provision forbids non-profits such as religious groups from endorsing a political candidates, that's a --

I know I ran for the Senate in Louisiana. I used to travel around particularly to churches, and you talk about participate in politics; some of the churches in the south were very aggressive. I mean, if you were invited to the church during your election and the preacher recognized you; that was positive.

You know, if you were asked to come up and make remarks that was even more positive, but if after your remarks the preacher got up and endorsed you, that was really significant. And many times it depended on the size of your contribution to the church collection as to how far you got up in the stream. (Laughter) But it's not supposed to happen, and a lot of folks were thinking that they shouldn’t be engaged in that.

I think stock buyback oversight is probably something the Democrats would like to look into, which I think is important. And then I mentioned the deficit of the last tax return. And state and local tax deductions that may come up as far as some people wanting to get back and putting -- removing those caps. But that's going to be difficult to do.

So, I mean that's kind of a quick overview of where I think we're going. I think that with a divided government, let me conclude with that, that with a divided government, and that the both sides are going to have to realize, unlike the last Congress, that unless there's some legitimate compromises between the two sides, absolutely nothing will get passed into law.

And I think the people in the leadership understand that and know that, the leaders of the Finance Committee and the Ways and Means Committee, I think they're going to be sort of forced to be more cooperative than they have been in the past. And I think that's, you know, good news for everybody.

With that, thank you very much. And I'll be happy to answer a question or two if that's okay.

SPEAKER: (Inaudible)?

MR. BREAUX: Yeah, just anybody. Stand up and holler at me. Yes, sir, in the back, way back there?

MR. MERRION: Thanks. I'm Paul Merrion, from MLex US Tax Watch, and --

MR. BREAUX: I'm sorry, where you're from?

MR. MERRION: MLex US Tax Watch, we're a subsidiary of LexisNexis.

MR. BREAUX: Sure.

MR. MERRION: And there's been a lot of discussion about the impact Richard Neal will have on tax policy in the process, but nobody has mentioned Mike Quigley who is going to be New Chair of the Financial Services Appropriations Subcommittee, overseeing the

IRS budget. In short, what do you think the appetite is for an increase -- significant increase in the IRS Budget in the Fiscal '20 Appropriations coming up?

MR. BREAUX: That's a question I don't have a good answer for, quite frankly. And I think that if they could show that there was a need for it, I think you'll have a more sympathetic group of members of particularly Richard -- I mean Richard Neal and them being favorable to that, with Quigley being more I think inclined to make sure they have enough money to run the program, and not be so anti-government. I think there's a possibility that's probably better now than it was in the previous Congress, as far as getting necessary funding.

Yes, sir, your turn?

QUESTIONER: If some compromises are reached to get something done on The Hill, what do you think are the chances of the White House scuttling that for the wall or some other reason?

MR. BREAUX: Well, I mean, yeah, the question is, as they come up with something that both sides can agree to, does that mean that Trump will necessarily sign it? Absolutely, no. I mean you never know what he's going to do from day to day. And I mean, his statements on General Motors, taking away their tax subsidies, that is, it's a law on tax subsidies for alternative vehicles and electric cars.

It applies to everybody's electric cars, not just GM. So how do you say, all right, we're going to take away the subsidy for one company and give it to everybody else, because the law is pretty clear that the incentives for electric car vehicles, et cetera, apply to all manufacturers, not just to GM.

So he just announces that he's going to take away the tax subsidies for GM on their electric cars and alternative vehicles. So you never know. The bottom line is you never what he's going to do. But I think he's going to have to come to the realization which I think he doesn't understand so far, that this is a different day come January the 3rd.

It's a different political landscape that he has to deal with. And it's not enough for him to say, look, I'm not going to do this, because he has a divided government now, he's going to have to realize, despite his lack of experience in government that this is a different day.

And hopefully some of the members on the Republican side can convince him that these things that they've reached an agreement on, in a bipartisan fashion should be signed. And that's my hope, to convince him that this is a different day.

I mean he could say, no, I'm not going to do this in this Congress, but in the next Congress, it's a different ball game. So, hopefully they'll be able to come up with some bipartisan answers that he will be willing to sign.

I'm a big fan of Richard Neal. I think he's pragmatic, I think knows how to get things done, and I think he'll be able to work with Kevin Brady and Grassley. Grassley is going to -- I think, you know, Grassley was an Oversight King when he was Chairman of the Committee. I mean, we oversaw everything.

I mean we had more companies brought in. I think they're going to be very aggressive on the Oversight from the Finance Committee under Grassley, much more so than they were under Chairman Hatch. So, it's going to be some interesting times.

Yes, sir. You can just holler out, I'll hear you.

QUESTIONER: Thank you very much. A little off topic, but since you brought it up. The powers of the presidency, do you think the Congress will revisit the kinds of things that this President has done that we all thought would require congressional approval? For example, on immigration, on tariffs, on taxes, I mean, you can go on, Executive Order? I mean, he seems to have broken every norm. Do you think Congress will revisit the powers that we give to this President, or any Presidents?

MR. BREAUX: I'll add to that, the national security findings on the tariffs. I mean, the fact that we're importing automobiles is a national security threat? I mean, so I'm going to put a 25 percent tariff on imported cars because it's a national security threat, or that steel coming from Canada is a national security threat.

I mean, he just makes these declarations without any, I think, reason to back it up from a legal -- from the legal parameters that are required to have those national security findings, among others that you just mentioned.

So I think the answer is yes. That the House of Representatives is not going to be able to pass a lot of things that they would like to pass because you have a Republican-controlled Senate. But they can have hearings and oversight hearings on all of these areas with the subpoena power for the various departments on implementing programs that people feel are not following the law of the land.

And this is going to be pretty difficult, if they get the secretaries to come in and try and defend some of their positions that they feel are contrary to an existing law, I think that they're going to have a hard time defending some of these positions that they have a shared public light on it.

That was not possible in these past two years, because the House was just absolutely refusing to do any type of legitimate, incredible oversight. So, you've got some Chairman of the Oversight and Intelligence Committees that are absolutely committed to exercising their authority, and hopefully to do it in a very real and proper manner, to do oversight on all of these issues that you just mentioned.

QUESTIONER: (Inaudible) on legislation?

MR. BREAUX: Legislation with a Republican Congress -- I mean a Republican Senate won't go anywhere. I mean, if you have an effort to pass -- so you pass a bill in the Senate -- I mean in the House and it restricts the President's power to do something, whatever the issue is, pick out the one that's probably the most vulnerable, and you pass it in the House, the Senate is not likely to take it up, the Senate is not likely to -- certainly not likely to pass it, and so you still have that stalemate.

But I think the public pressure from the Oversight Hearings could work in a very strong manner, and to try to get public support behind the changes that need to be made. But it's going to take that kind of public hearing of the abuses in order to get the public support in order to make any changes, I think.

Somebody else was waving at me goodbye, or they were asking a question. I forgot which one it was. If not, I thank you all very much for attention. Thank you. (Applause)

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

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