



DECODING TAX REFORM

Advising the Advisor

Friday, 2 November 2018

2018 Midterm Election Preview

Listen in as AALU's tax counsel Ken Kies and Jeff Ricchetti provide insights into Tuesday's midterm elections. Along with Josh Caron from AALU, they discuss how many seats the Democrats might pick up in the House, how the Republicans will hold the Senate, and what affect the President will have as he barnstorms the country.



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Beyond the Headlines



President Trump and House Ways and Means Chairman Kevin Brady (R-TX) backed down from promises of a new, middle-class tax cut before next week's midterm elections. In a [joint statement](#) this week, the pair promised to work from the start of the new Congress to deliver more tax cuts, referencing both the discussed 10%, middle-class tax cut, and Tax Reform 2.0, a three-bill package of tax provisions that passed the House in September. Chairman Brady said this week that the next round of tax cuts could be paid for with spending cuts, and that he could look to use the reconciliation process to pass more cuts. However, that prospect hinges on Republicans keeping their majority in the new Congress.

Should Democrats take back either chamber, they will likely look to evaluate and roll back parts of last year's Tax Cuts and Jobs Act (TCJA), possibly focusing on raising taxes on the wealthy, raising the corporate tax rate, and repealing the cap on state and local tax deductions. But unless they take the House and the Senate – unlikely given the current electoral analysis – they won't be able to pass those priorities. Other areas of focus could include ending the tax break for carried interest, a carbon tax, and looking into President Trump's tax returns.

Only 4 Days Until The Midterms!

Amid predictions that Democrats will take the House and Republicans will keep the Senate, President Trump's schedule was packed with rallies this week as he attempts to energize his base leading into next week's elections. He continued his hardline rhetoric on immigration, promising an executive order to end birthright citizenship. While there is uncertainty about whether such an action would stand, House GOP candidates in centrist, suburban districts worry that the President's inflammatory statements will hurt them with their constituents. Republicans are hoping that his efforts in the dying days of the midterm campaigns will push turnout, especially as races recently considered lost to the GOP are starting to look more competitive in this late hour.

Midterms

[The Memo: GOP mulls pros and cons of Trump on trail \(The Hill\)](#)

- President Trump will have held 11 rallies in the last six days leading up to Tuesday's midterm elections. Trump loyalists point to his high level of engagement in recent weeks as a driving factor in the GOP's comeback in some races. However, other Republicans worry that the President could take credit for any midterm successes and shirk blame for any failures.

[Why Dems Are in the Driver's Seat for House Control \(Cook Political Report\)](#)

- While Democrats' prospects for taking back the Senate have dimmed in the leadup to the midterms, they still look likely to win the House. Democrats held a 7-point lead on generic congressional ballots in a recent poll, and a 43-32 percent lead in the 72 districts considered most competitive by The Cook Political Report. Additionally, in those competitive districts, the President's approval rating was shown to be 5 points lower than the national average. As Presidential approval ratings have historically been a strong indicator of midterm election results, such low approval ratings could show an uphill battle for Republicans next Tuesday. such low approval ratings could make it an uphill battle for Republicans next Tuesday.

Upcoming Events

- **Special Webinar | The Results are In; What do they mean for YOU |** November 8, 2018 | 2pm Eastern | Josh Holmes (Cavalry, LLC), & Chris Morton (AALU) | [Register Here](#)



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