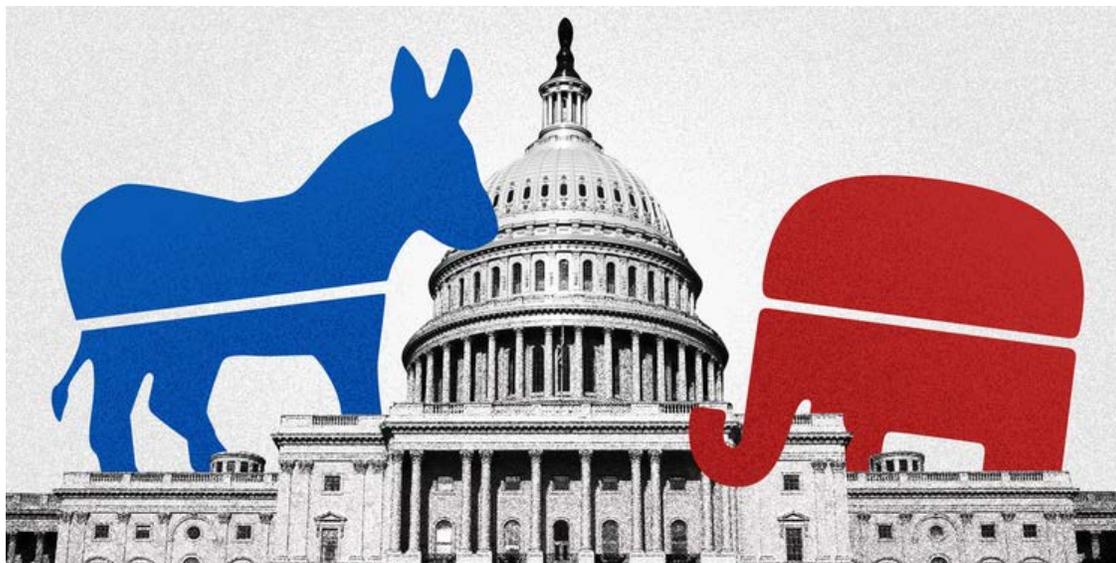


DECODING TAX REFORM

Advising the Advisor

Friday, 09 November 2018

Beyond the Headlines



While the 116 Congress will not convene until January, the freshman class will arrive in D.C. next Tuesday to begin their orientation. As of this morning there are twelve House races and three Senate races still too close to call, but regardless of their outcome this

group of new lawmakers will be the biggest since 2010. There will be at least 93 new members of Congress.

If you want to cut through the noise and get the lowdown on the 2018 midterms, but missed yesterday's webinar with Josh Holmes, Chris Morton, and Josh Caron, you can get the audio [here](#).

Both House Democrats and Republicans will have to elect new leaders for the 116 Congress. Republicans will elect new leaders next Wednesday (11/14). House Democrats have scheduled their leadership elections for November 28. The Senate leadership is stable at the top with both Senator McConnell and Senator Schumer expected to continue in their roles.

Fun Fact About Congress: Members of Congress get their office room assignments the same way you did in college. They participate in a lottery by class seniority and the freshmen pick last. The office space lottery for new members of the House will be the week after Thanksgiving.

The Lame Duck Session must address a government funding bill, with the current CR expiring on December 7. The menu of legislative items that may be addressed in the lame duck includes: Farm Bill, Retirement Tax Package, Tax Extenders, Tax Technical Corrections, Flood Insurance Program, Violence Against Women Act, Expiring Immigration Provisions, and Medicare Extenders.

A divided Congress means the legislative outlook for the next two years is murky. The Venn diagram of mutual priority and agreement between President Trump, a Republican-led Senate, and a Democratically led House is fairly narrow. The Senate will continue its work on Executive and Judicial branch appointments. The House will certainly exercise their oversight function. The must do list for the next two years will be limited to the ongoing funding of our government, the debt limit, any federal program with an expiration date during the Congress, and responding to whatever crisis may evolve. The new Congress will also have to deal with the new U.S.-Mexico-Canada Agreement next year.

Beyond that, each body will pursue legislation laying out markers and precedents for future action. Casual observers and the press often dismiss this legislative activity based on its short-term outlook, however, many of those ideas are like planted seeds that can sprout later as fully formed laws. Take for example the 2014 Camp draft of tax reform that formed the base of the Tax Cuts and Jobs Act of 2017.

Midterms

- [Five Takeaways From Democrats' House Triumph \(Cook Political Report\)](#)

After all the races are called, Democrats will have picked up 35-38 House seats, well over the 23 they needed to retake a majority. Democrats picked up seats in suburban districts that voted for Hillary Clinton in 2016, but failed to win a single Republican seat where President Trump won at least 55% of the vote. Many Republicans who were successful in tough races established themselves as moderates long before election day.

- [Impact of the 2018 Mid-Term Elections on Financial Services Regulation \(Arnold & Porter\)](#)

Gains by Democrats nationally and in state elections will bring change to the financial services landscape. Their success in governors' races may increase the movement in consumer financial regulation in some states. Nationally, Rep. Maxine Waters (D-CA) will take of the chair of the House Financial Services Committee and will likely use her new power to exercise oversight over the federal financial regulators.

- [5 Tax and Spending Takeaways from the Midterm Elections \(Fiscal Times\)](#)

With the Republican effort at Tax Reform 2.0 effectively over, Democrats have already signaled that they will look to roll back parts of last year's TCJA. While any changes

favoring Democratic priorities will be difficult to get through the Senate, there remains a possibility that Democrats could work together with President Trump to alter smaller parts of the new tax law.

Upcoming Events

There are no upcoming events at this time.



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