



# DECODING TAX REFORM

Advising the Advisor

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Friday, 16 November 2018

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## Beyond the Headlines



The midterm election results are looking better for Democrats after a number of unsolved races were called over the last week. In the House, Democrats have now picked up 31 seats, giving them a 231-198 advantage with 6 races yet to be called. In the Senate, Democrat

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Kristen Sinema's victory in Arizona means Republicans currently have a 51-47 advantage with two races still outstanding in FL and MS—though Republicans are favored to win both seats. The incoming class of the 116th Congress will be one of the biggest on record, and reflects some of the major demographic changes that helped drive the results across the country. House Democrats dominated in suburban and urban districts, whereas pickups by Republicans in the Senate were fueled by high GOP turnout in rural areas of a number of states.

Speaking at the Tax Council's Annual Meeting this week, Ways and Means Chairman Kevin Brady (R-TX) discussed his legislative priorities for the lame duck session. Chairman Brady said he is hoping for movement on a technical corrections bill, a tax extenders package, measures to "fine tune" last year's Tax Cuts and Jobs Act (TCJA), and natural disasters-related tax relief. He also said he was "cautiously optimistic" that a compromise could be found on retirement savings. Brady would like to address the TCJA's sunset provisions, but intimated that the goal was aspirational.

Democrat Chief Tax Counsels Kara Getz (House Ways and Means) and Tiffany Smith (Senate Finance) discussed priorities on the other side of the aisle. Smith noted the good work done on IRS restructuring, and said that tax extenders are a priority for Senate Democrats. Getz discussed incoming Ways and Means Chairman Richie Neal's focus on retirement issues, and that he would want hearings on the TCJA tax cuts before addressing technical corrections. All panelists agreed that there will be legislative language on technical corrections and tax extenders before the end of the year.

Amy Swonger, the White House Assistant for Legislative Affairs, indicated that funding for a Southern border wall is on the top of the list of priorities for President Trump, along with confirming executive and judicial nominees. The President met with Senate Appropriations Chairman Richard C. Shelby (R-AL) and other GOP leaders on Thursday to talk about ways to fund the government. Shelby indicated that the President saw the need to avert a government shutdown, but he did not commit to signing a bill without border wall funding. Senate Majority Leader Mitch McConnell (R-KY) has made it clear that he wants to avoid a government shutdown.

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## Midterm Results

- [Historic class storms Capitol \(The Hill\)](#)

The 116th Congress will be most diverse in history, with a record number of women, the first two Native American women, the first Somali-American lawmaker, the first two Muslim women, and the first Palestinian-American woman. Many of the new Democrats are younger and more progressive, providing a contrast to more moderate Democrats and potentially a leadership challenge to expected Speaker of the House Nancy Pelosi.

- [How Trump's tax cuts hurt the GOP in America's wealthy suburbs \(Yahoo Finance\)](#)

The new limit on state and local tax (SALT) deductions may have driven Democratic pickups in high tax states. Of the top-25 districts in which the highest percentage of taxpayers claim the SALT deduction, 6 of 8 that were held by Republican incumbents flipped to Democrats in the midterms. All were located in outlying districts around major cities Washington D.C., New York, Chicago, San Francisco, Los Angeles, and San Diego.

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## Upcoming Events

- **TRANSFORM 2019, An AALU Experience** | April 28th - 30th, 2019 | Marriott Marquis, Washington D.C. | [Register Here](#)



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