

November 5, 2010

The Ways & Means Agenda

(1) Extension or permanence of the '01/'03 tax cuts for ALL taxpayers.

A central plank of the Republicans jobs agenda, this is likely the first item up, though timing and scope will in part depend upon what, if anything, happens in lame duck on this front. If, for example, they do a one-year straight extension of all of the '01/'03 tax cuts during lame duck, it is likely that an early bill out of committee would be legislation making '01/'03 cuts permanent, or at least extending them for several years. If they do nothing in lame duck, I think it's pretty clear that the first bill out of committee will be permanence (or at least a significant extension) of all of the tax cuts (marginal rates, capital gains and dividends, etc). If there is an extension of two or more years in lame duck, I think the timing and scope of a bill is less certain.

(2) Jobs legislation

There is a good possibility that there will be activity on the tax front beyond '01/'03 in an attempt to kick-start jobs growth. It is in this context, for example, that repatriation of foreign source income to the U.S. at a temporary reduced tax rate has been mentioned.

While timing and scope of such a bill is unclear, as a jumping off point both the Republican Pledge to America and the Republican alternative to the stimulus bill in '09 included a 20 percent small business deduction, which would probably be the central plank of such legislation. There would also likely be other provisions helpful to partnerships and S-corporations, as well as provisions targeted to the broader business community (again, as an example, repatriation).

(3) Repealing "ObamaCare"

Mirroring one of the major themes highlighted by Republicans during the campaign, Camp has been talking a lot about the need to repeal and replace the health care overhaul legislation that passed earlier this year. The real issue is how they reduce this to legislation. There are several options, beginning with full repeal, which some in the caucus, and presumably many of the new members arriving in January, would like to do (obviously such legislation would never be signed into law). However, it's equally plausible that they will want to pick and choose issues within the healthcare bill - for example, they may not want to touch some of the insurance reforms in the bill (such as guaranteed issue), but rather focus on issues that are widely unpopular (the Form 1099 tax issue, individual mandate, etc).

It is likely that we will see multiple runs at this over many months, and in various iterations (e.g. beginning with full repeal, then moving to various pieces of the law). Of course, other committees will have something to say about the non-tax portion of this as well (most notably Energy & Commerce, and, on the oversight level, Oversight & Government Reform). It is quite likely that Appropriations will come into play here as well.

To summarize, the following is all in play:

-Stab at full repeal (potentially)

-Beyond that, lots of slicing and dicing as discussed above

-Use of the appropriations process in an effort to halt implementation at the Department and Agency levels (e.g. approps riders, as in "no funding shall be used for the purpose of implementing X, Y and Z....").

-Massive oversight (presumably from a number of committees, including Ways & Means, E & C, and Gov't Reform)

Also note that the Pledge specifically talks about the 1099 issue, so quite possible we see that early in some form or fashion (though, again, no decisions have been made about precisely how to approach this -- for example, they must decide whether to do a stand alone or as a part of larger legislation (this is largely a political calculation). This is a major decision point that has not yet been reached.

(4) Debt limit increase/Cutting Spending

As another obvious major theme of the campaign, reducing the deficit will be an issue of central importance to House Republicans in the early months of 2011. I suspect Camp will have to come up with some spending reductions from programs within his Committee's jurisdiction (Medicare, etc).

In addition, Ways & Means has jurisdiction over the debt limit, and will need to move legislation fairly early in 2011 to raise the debt ceiling from the current \$14.3 trillion limit. That will be a tough vote. They will probably seek to do something on the spending side as part of it, or at least parallel to it, in order to make it more palatable (as they begin reduce campaign rhetoric to legislative reality). How much on the deficit reduction side comes from Ways & Means is unclear, with most of the attention thus far focusing on incoming Speaker Boehner's suggestion that they decrease discretionary spending to 2008 levels.

(5) International Trade

Movement in this area is likely only if Obama leads on passage of the pending FTAs: South Korea (which is by far the most commercially significant of the three pending Agreements); Colombia, (which carries special geopolitical significance); and Panama all being in the queue. South Korea would be the likely first agreement to be considered, but only if further concessions on autos and beef are worked out (those talks are occurring, and will continue at the G20 meeting in Seoul this month).

(6) Other Items

Again, depending on whether and how such issues are resolved during lame duck, I'll speculate that we could see Committee action on the following, either as stand-alone bills or as part of broader legislation: estate tax; tax "extenders;" and, quite possibly, energy legislation.

(7) Some other fast facts:

-The House Republican Steering Committee will meet in early December to select Chairmen. Mr. Camp, who is popular within his caucus will not be opposed.

-There will be a lot of new Republican members on the Ways & Means Committee, and some currently-seated Dems probably drop off as the ratio changes from 26 D's/15 R's to something like 24R/15D (I'm making that ratio up - but it will be in that range).

-They hope to do selection of new Committee members throughout the month of December or by the latest by very early in January, so that the Committees are fully populated from the get-go come 2011 (until they have new Members, they can't so much as organize as Committee Democrats would outnumber Committee Republicans).

-There will be a large turnover in Committee staff. House Committee budgets are generally stacked 2/3 majority to 1/3 minority (rather than meted out in proportion to the overall party ratios, as is largely the case with Senate Committees). Camp will have room to hire more a lot more staff.