



NEWS | Protecting Your Interests in Washington



TAXES

Tax policy will be dominated by President Barack Obama's proposals to boost taxes on corporations and the wealthy — including his bid to raise the capital gains tax and close what he calls the “trust fund loophole,” a benefit applied to the wealthy when they pass on assets to heirs, avoiding tax on the appreciation of the asset's value. White House officials will defend the proposals, which also include those to help those further down the income spectrum like a credit for child care, in congressional hearings during the first week of the month. Obama's proposals to raise taxes on multinational companies will be familiar. He's been pitching to curb interest deductions for income that hasn't been recognized, the “excess returns” of companies that shield profits by shifting intellectual property offshore and the abuse of foreign tax credits for years. Expect a lot of pleas to tackle the issues in the elusive reform of the entire tax code. The chamber will also vote on making permanent some of the tax extenders, a set of breaks that expire every year or so, including those for expanding charitable write-offs and expensing for small business. Democrats have complained about not paying for the cost of making these popular breaks permanent, so their fate will likely get wrapped into the larger extenders debate expected later in the year. On the Senate side, the Finance Committee's “working groups” on tax reform are just getting started, but the lobbying will begin to influence recommendations due in the spring.

TECHNOLOGY

Federal Communications Commission Chairman Tom Wheeler will circulate his new net neutrality rules later this week, leading to a new phase in the debate over how to ensure all Web traffic is treated equally. Wheeler is widely expected to follow Obama, who has strongly endorsed the idea of treating broadband like a public utility. That kind of approach — which would expand the FCC's oversight of Internet-service providers — will appease many consumer groups, but it's likely to spark new opposition from Republicans and major telecom companies, who fear it will lead to burdensome new regulations and chill investment. Already, AT&T has indicated it will participate in a legal challenge to FCC rules that go the broadband-as-utility route, known by its legal justification, Title II. And GOP leaders in Congress are making moves to legislate the issue, aiming to head off the FCC's stronger regulatory stance. Senate Commerce Committee Chairman John Thune (R-S.D.) is trying to attract bipartisan support for the Republican net neutrality bill but has warned he will proceed with or without Democrats on board. Once Wheeler issues his plan, the FCC will have a few weeks to review it before voting on the proposal Feb. 26. He will need the support of the commission's other two Democrats, Mignon Clyburn and Jessica Rosenworcel - FCC's two Republicans, Ajit Pai and Michael O'Rielly, oppose having any net neutrality rules.

FINANCIAL SERVICES

This spring, the regulator for mortgage finance giants Fannie Mae and Freddie Mac is expected to decide what fees the government controlled companies can charge for the mortgages they guarantee. It's the latest step in the ongoing debate over how much the government should seek to stoke the housing market and whether these efforts promote a return to the loose lending policies that helped fuel the housing and financial crisis. Lowering the fees would make it easier for more borrowers to get a mortgage, particularly since Fannie and Freddie dominate the market. The Federal Housing Administration has already lowered one of the fees it charges to insure a loan in hopes of making



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loans affordable to more borrowers. Republicans are pressing Federal Housing Finance Agency Director Mel Watt, who oversees Fannie and Freddie, not to follow FHA's lead arguing it will put taxpayer money at risk if loans go to borrowers who can't afford them. But Watt is being pressured by the housing industry and Democrats to give the home loan market a boost by keeping the fees low. His decision will be closely watched on both Wall Street and Main Street.



HEALTH CARE

Governors and state legislatures are considering whether they should expand their Medicaid programs, an option under Obamacare. Lawmakers in Tennessee, Utah, Wyoming, Montana and even Kansas are debating how to pursue that Affordable Care Act expansion and open the door to billions of federal dollars. Several governors have come out for expansion but must convince reluctant legislators. There may be some clues at the National Governors Association's winter meeting in D.C. in late February. Governors are also likely to be talking about how they could plan for the Supreme Court's expected ruling this summer on whether health insurance subsidies are legal in states using the federal marketplace. A couple of states have been public about contingency plans if the court rules against the Obama administration in *King v. Burwell*, but most have been mum on whether they will keep subsidies flowing. Millions could be affected, and the numbers will keep growing as this second enrollment season comes to an end in mid-February. Enrollment is going much more smoothly this year, and about 10 million people have signed up or been automatically re-enrolled so far. On Capitol Hill, Senate Republicans vowed that

attacking Obamacare bit by bit was a top priority of the new Congress, but the first ACA bill that will hit the Senate floor doesn't exactly do that. Other Obamacare measures that try to attack pieces of the law, such as the medical device tax and the law's 30-hour work week threshold, are making their way to the Senate floor but the timing is hazy.



DEFENSE

Ash Carter heads to Capitol Hill for his confirmation hearing to replace Defense Secretary Chuck Hagel. A former deputy defense secretary, Carter already has been making the rounds on the Hill to meet with senators on the Armed Services Committee ahead of his hearing. While he has widespread respect on both sides of the aisle and is expected to be easily confirmed, he's likely to face some push-back. Republicans are eager to bash the Obama administration's foreign policy, particularly its battle against the Islamic State in Iraq and Syria. Carter will be back on the Hill when the committees dive into the Pentagon's fiscal 2016 budget request. Both the Senate and House Armed Services Committees will also tackle the just-released recommendations of the congressionally mandated pay and benefits commission to reform military compensation, including major changes to health care and pensions. The committees are starting off with hearings to allow the nine commissioners to explain their reasoning behind the recommendations. Then, the panels will mull which, if any, proposals to include in the annual National Defense Authorization Act.

EDUCATION

All eyes were on the Senate HELP Committee in January as its new chairman, Sen. Lamar Alexander, moved quickly to get to work on a No Child Left Behind rewrite — but the House is ready to move, too. Expect the committee to drop legislation, mark it up and potentially move it on the House floor by the end of the month. That's the timeline lawmakers including House Majority Leader



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Kevin McCarthy and Education and the Workforce Committee Chairman John Kline have sketched out. It will be make-or-break time in the Senate for Alexander and his Democratic counterpart, Sen. Patty Murray, who have limited time to negotiate a bill. Only time will tell whether lawmakers can get a bipartisan process going in the Senate and move a NCLB bill before the 2016 elections move into full swing — and change the chamber’s dynamic.



ENERGY

The budget rollout will set off months of bargaining and partisan messaging over the Obama administration’s EPA and climate agenda, Yucca Mountain and the give and take between green and fossil energy priorities. House lawmakers in February are also likely to take up a Senate-approved bill authorizing the Keystone XL pipeline. The Senate took a House-passed Keystone bill and added nonbinding language on climate change and modest energy efficiency upgrades, which requires the House to take up the Senate version or start up bicameral conference talks. A final decision hasn’t been made, but House GOP leaders appear to be leaning toward voting on the Senate bill. Republicans don’t have enough support to overcome a promised veto. And Senate Energy and Natural Resources Chairwoman Lisa Murkowski is promising hearings and relatively quick work on a broader energy package that could address oil exports, expanded offshore drilling and revenue sharing, energy efficiency, updating spending priorities for national parks and buttressing the electrical grid. A bipartisan bill expediting liquefied natural gas exports may move as part of that or on its own.

TRANSPORTATION

With the clock ticking down to a May deadline, lawmakers are beginning to put their nose to the grindstone on how to find enough money to shore up the flagging Highway Trust Fund. So far, one of the ideas that is sticking is “deemed repatriation” — where companies would get incentives to bring revenues back from overseas. The money realized from that change would then be used for infrastructure, or so the idea goes. It’s a tempting way to get enough money for a long-term bill to fund federal highway and transit priorities, in large part because it doesn’t require raising the gas tax. But it’s also not a slam dunk because some Republicans — including Sen. Orrin Hatch, chairman of the Senate Finance Committee — are only interested in moving repatriation as part of a bigger tax overhaul package, and that’s a much heavier lift.



TRADE

Late February is when Trans-Pacific Partnership ministers could meet to wrap up the deal, at an undetermined location. Negotiators met in New York City, where TPP supporters hoped they would work out the rest of the technical-level details, leaving only political decisions for the ministers. But Republicans in Congress, including Hatch, have urged the Obama administration not to close out the TPP talks before a trade promotion authority bill is passed. Hatch is angling to mark up a TPA bill, which would expedite passage of the deal in Congress, in the last week of February and could introduce it with Finance ranking Democrat Ron Wyden and House Ways and Means Chairman Paul Ryan just ahead of that. Early this month, the U.S. and European Union will hold another round of talks on the Transatlantic Trade and Investment Partnership in Brussels. The negotiating round, which ran from Monday to Friday, is the first since the two sides pledged to make a “fresh start” on the talks after the new European Commission took office.



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LABOR AND EMPLOYMENT

The Labor Department is supposed to issue two major rules this month, one governing who is eligible for overtime and one governing which financial advisers bear fiduciary responsibility for pension investors. But it would be a minor miracle if either of these rules actually arrived on schedule. Both must be evaluated by the White House Office of Information and Regulatory Affairs, and it's doubtful OIRA will finish weighing costs and benefits before March. The Obama administration has been jittery about the overtime rule, weighing in with a fairly modest increase in eligibility. Backlash from Democrats in Congress and economists — not all of them liberal — may or may not inspire greater boldness when the proposed rule is finalized.



AGRICULTURE

The Senate Agriculture Committee will soon schedule a hearing to take on EPA's Waters of the U.S. rule. In the group's first meeting of the 114th Congress, Chairman Pat Roberts (R-Kan.) declared that reducing EPA regulations that harm farmers would be the panel's first priority. Also expect the battle over school lunch standards to resume. The School Nutrition Association fired the first shot last week releasing a position paper that asks Congress to ease produce-related requirements. SNA has a lot of friends in both chambers, but look for the produce industry to rally its own set of supportive lawmakers.

CYBERSECURITY

The new Congress is returning with renewed vigor to consider a cyber-threat information-sharing law. But a similar bill to provide liability protection for companies sharing such info with each other and the federal government stalled in the Senate last

Congress, so what are the chances this time around? Senate Homeland Security Chairman Ron Johnson signaled his committee would be in the lead this year, taking the baton from the Intelligence Committee, whose proposal never made it to the floor last session. But turf considerations could still complicate things in the Senate. At least two other committees, Judiciary and Commerce, might have jurisdictional claims on the bill — and many senators continue to believe that National Security Agency reform should come before information sharing. The president's proposal has privacy protections to satisfy objections that stymied the bill last session, but the privacy crowd is still deeply skeptical. Even the moderate Center for Democracy and Technology says that barriers to information-sharing are best removed by a series of discrete, narrow amendments to existing laws that might create liability, rather than through a broad new exemption.

UPCOMING PROSPECT EVENT



INTRODUCTION TO THE MIDWEST COUNCIL Protecting Your Interests in Washington

With Complimentary Lunch
Thursday, February 26
11:45 a.m. – 1:15 p.m.

UNION LEAGUE CLUB | 65 W. Jackson Blvd, Chicago, IL

SPEAKERS | **TOMMY THOMPSON**
Midwest Council
Former Governor of Wisconsin
and Secretary of Health
and Human Services

JOHN CULLERTON
Illinois Senate President

RSVP BY FEBRUARY 19 | Tyler Foti 608.227.0420



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TRANSPORTATION SUMMIT & BOARD MEETING | THE MIDWEST COUNCIL

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Friday, March 6

Medical College of Wisconsin | 8701 West Watertown Plank Road
Milwaukee, WI 53226

10:30 – 11:15 a.m. | MIDWEST COUNCIL BOARD MEETING
History of Medicine Room

11:30 a.m. – 12:45 p.m. | LUNCHEON
Discovery Classroom
Honoring former Congressman Tom Petri for his work on Transportation Issues, hosted by Wisconsin Transportation Builders Association and Transportation Development Association of Wisconsin.

1:00 – 3:00 p.m. | TRANSPORTATION SUMMIT
Discovery Classroom
Moderated by Tommy G Thompson
Former HHS Secretary and Governor of Wisconsin

RSVP by February 26 | Nancy Magestro 608.227.0420

Members

Alliance of Automobile Manufacturers ★ Alliant Energy ★ Altria Client Services ★ American Lending Solutions
★ Anthem ★ Century Link ★ Coca-Cola ★ Dairyland Power Cooperative ★ Diageo ★ LKQ ★ Marcus &
Millichap Real Estate ★ Medical College of WI ★ Midwest Food Processors Association ★ National Seating &
Mobility ★ PhRMA ★ River Valley Ford ★ University of Wisconsin-Whitewater ★ UW System ★ WI Insurance
Alliance ★ Wisconsin Association of Independent Colleges and Universities ★ Wisconsin Petroleum Marketers
and Convenience Store Association ★ Wisconsin State Telecommunications Association ★ Xcel Energy

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