

Tax Policy Update

January 9, 2018

WORD OF THE WEEK: PARITY

Both the House and Senate are back this week, and it's déjà vu. The continuing resolution is set to expire Jan. 19 — lawmakers must come to an agreement on funding for the remainder of fiscal year 2018 to avoid a government shutdown. Sound familiar?

Congressional leaders are working out an agreement to raise the budget caps and put together a long-term spending bill (so-called “omnibus”) to keep the government running through Sept. 30. Spending numbers are at the heart of the fight between Republicans and Democrats. Republicans want to increase funding for the military, but that will require Congress to bump up the statutory caps on discretionary spending. Increasing the caps will require Democratic support. Democrats are willing to play ball so long as they get a commensurate increase for domestic spending. Negotiating for parity between defense and domestic spending reached an impasse in December.

Even though congressional leaders made some progress in their negotiations at the White House last week, another stopgap measure will likely be necessary to give appropriators more time to crunch the numbers and finalize a deal. Lawmakers must also decide whether to attach other policy riders to the omnibus, namely disaster assistance, debt limit increase, and a fix for DACA. If talks between Republican and Democratic leaders take a more productive turn, an omnibus spending bill may be unveiled in February, if not sooner.

Quick Promo: McGuireWoods has launched a new blog titled, “[Take Stock: Tax & Employee Benefits Today](#),” which focuses on legislative and regulatory issues impacting executive compensation, employee benefits, corporate tax, and estate planning. The *Tax Policy Update* team will be contributing regularly to the blog, sharing our insights and special write-ups from the world of federal tax policy.

LEGISLATIVE LANDSCAPE

No Longer a Hatchling, Old Bird Leaves Nest. Senate Finance Committee Chairman Orrin Hatch (R-UT) announced via YouTube last week that he would not be seeking re-election in 2018. It didn't take long for Mitt Romney's name to start trending on the

Internet even though the former GOP presidential nominee has yet to announce his candidacy. If and when Romney declares, he will certainly be a frontrunner for the seat.

With the Republican tax bill in the rear view and retirement on the horizon, some may regard Hatch as a lame-duck chairman; but there are still some outstanding tax issues that need to be addressed ...

Let the Games Begin. High-tax blue states are scrambling to circumvent the new limit on deducting state and local taxes imposed by the Republican tax bill. Democrats from New York, New Jersey, and California have been considering a few options to work around the limit ...

REGULATORY WORLD

It's Never Really Over. Enacting a tax cuts bill is just the beginning. Tax policy watchers are waiting eagerly for the Department of the Treasury and the Internal Revenue Service to issue guidance and rules to clarify the more technical provisions in the new tax law (P.L. 115-97). This regulatory process could take over a year. However, in the near-term, the Treasury and the IRS are expected to prioritize guidance and rulemaking on provisions that are effective immediately, including ...

IRS: No Money, Mo' Problems. As the GOP celebrates its tax victory, the IRS is gearing up to carry out and enforce the changes to the tax code. As the agency processes millions of 2017 tax returns, it will simultaneously have to interpret and implement a new system for 2017.

In the coming months, the agency will have to explain new statutes and changes in current law to businesses, individuals, and tax preparers. Before the start of filing season, it will have to update tax forms, which is a monumental undertaking due to the agency's outdated technology. During tax filing season, the IRS will have to answer questions from taxpayers and practitioners about the changes to the tax code. This task will be difficult without adequate personnel and funding,

In addition to dealing with the new tax law, the IRS must balance other priorities, including the president's May 2017 ...

LINE ITEMS

1. Tina Smith (D-MN) and Doug Jones (D-AL) have been sworn in as U.S. senators. Republicans now hold a narrow majority of 51 to 49 in the upper chamber.
2. Shannon McGahn, an adviser to Treasury Secretary Steve Mnuchin, is set to leave her post and take over as staff director of the House Financial Services

Committee. The current committee staff director, Kirsten Mork, is heading over to the CFPB to serve as chief of staff.

3. Rep. Pat Tiberi (R-OH) is leaving Congress on Jan. 15 to take over as head of the Ohio Business Roundtable. Tiberi's departure will open up a seat on the House Ways and Means Committee. At this writing, Reps. Steve Womack (R-AK) and Darin LaHood (R-IL) are in the running to take his spot on the tax-writing panel.
4. Rep. Vern Buchanan (R-FL), the chairman of the House Ways and Means Oversight Subcommittee, announced that he plans to release an IRS restructuring bill during the first half of the year. However, Ways and Means Chairman Kevin Brady (R-TX) wouldn't commit to this timeline.

COMMANDER-IN-TWEET



Donald J. Trump 
@realDonaldTrump

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African American unemployment is the lowest ever recorded in our country. The Hispanic unemployment rate dropped a full point in the last year and is close to the lowest in recorded history. Dems did nothing for you but get your vote! [#NeverForget](#)
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6:20 AM - 8 Jan 2018

IN THE QUEUE

Congressional Activity

Tuesday, 1/9

House Financial Services Committee

Subcommittee hearing on "Evaluating CFIUS: Challenges Posed by a Changing Global Economy."

House Financial Services Committee

Subcommittee hearing on “Legislative Proposals for a More Efficient Federal Financial Regulatory Regime: Part III.”

Senate Banking Committee

Committee hearing on “Combating Money Laundering and Other Forms of Illicit Finance: Opportunities to Reform and Strengthen BSA Enforcement.”

Senate Finance Committee

Committee hearing to consider the anticipated nomination of Alex Michael Azar II to be HHS secretary.

Wednesday, 1/10

House Veterans’ Affairs Committee

Subcommittee hearing on home loan churning practices and how veteran homebuyers are being affected.

Agency Activity

Thursday, 1/11

SEC

Meeting of the Fixed Income Market Structure Advisory Committee

Other Activity

Wednesday, 1/10

U.S. Chamber of Commerce

Annual State of American Business address from President and CEO Thomas J. Donohue.

Thursday, 1/11

SIFMA

U.S. Economic Outlook: What’s in store for 2018 with special guest William C. Dudley, president and CEO of the Federal Reserve Bank of New York.

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