TAX

House Ways and Means Committee Holds Markup of Four Health-Related Tax Bills

Key Point:
- The House Ways and Means Committee favorably reported four health-related tax bills, including H.R. 3, the Lower Drug Costs Now Act.

On October 22, the House Ways and Means Committee held a markup of four health-related bills, most notably the Lower Drug Costs Now Act of 2019 (H.R. 3). Democrats contended that H.R. 3 would lower drug prices by waiving the non-interference clause and allowing the Secretary of Health and Human Services to directly negotiate for branded products that face no competition. Republicans disagreed, arguing the bill would inhibit innovation by forcing manufacturers to choose between accepting the government offered price or incurring an excise tax penalty of up to 95 percent of a product’s revenue.

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The Committee favorably reported H.R. 3 by a vote of 24-17. Reports after the markup indicated the floor vote on H.R. 3 would be delayed until November.

The Committee also favorably reported three bills to add dental, hearing, and vision benefits to Medicare Part B.

**House Ways and Means Committee Approves E-Cigarette Tax Legislation**

**Key Point:**
- The bill would place a federal excise tax on e-cigarettes and is estimated to raise nearly $10 billion over ten years.

On October 23, the House Ways and Means Committee approved legislation (H.R. 4742) to impose a federal excise tax on electronic cigarettes. The bill would place an excise tax equivalent to the $1.10 federal levy per pack of cigarettes on tobacco alternatives. The tax would apply to all nicotine vaping liquids, similar to the current tax on tobacco products including regular cigarettes. It would not apply to certain products meant to help people quit smoking, including nicotine gum. The Committee favorably reported the bill by a vote of 24-15. According a Joint Committee on Taxation (JCT) score, the bill would raise $9.882 billion over 10 years.

Additionally, the Committee approved three other health and tax-related bills. Below are the JCT scores, as well as links to the text of the bills:
- **H.R. 4716**, “To amend the Internal Revenue Code of 1986 to provide a safe harbor for high deductible health plans without a deductible for certain inhalers”. Under the bill a high deductible health plan may provide inhalers for treatment of any chronic lung disease, or any medicine or drug which is delivered through such inhaler for treatment of such disease, without satisfaction of the plan’s minimum deductible. The JCT Score determined there would be loss of $1.402B over 10 years.
- **H.R. 1922**, the Restoring Access to Medication Act of 2019. The bill allows distributions from a health savings account (HSA), Archer medical savings account (MSA), health flexible spending account (FSA), or health reimbursement arrangement (HRA) for over-the-counter (non-prescribed) medicines and drugs and menstrual care products. The JCT Score determined there would be a loss of $8.458 billion over 10 years.
- **H.R. 3708**, the Primary Care Enhancement Act of 2019. Under the bill, a direct primary care service arrangement, with solely a fixed periodic fee, will not be treated as a health plan that will make an individual ineligible to contribute to an HSA. The JCT Score determined there would be a loss of $1.764 billion over 10 years.

**Pete Buttigieg Would Return to Corporate Tax Rate to 35 Percent to Fund His Health Plan**

**Key Point:**
- Mayor Pete Buttigieg said he would repeal the 2017 corporate tax rate cut to raise an estimated $1.4 trillion, in order to his health care plan.

South Bend, Indiana Mayor and Presidential Candidate Pete Buttigieg said he would repeal the corporate tax cut in the 2017 Tax Cuts and Jobs Act in order to fund his proposed “Medicare for All Who Want It” plan, which would cost an estimated $1.5 trillion. Buttigieg told MSNBC’s Meet the Press that “the vast...
majority of funds can be recovered by rolling back the corporate tax rate cut portion of the Trump tax cuts.” According to the non-partisan congressional Joint Committee on Taxation, his plan would raise an estimated $1.4 trillion.

Senate Rejects Repeal of State and Local Tax Deduction Cap Rule

Key Points:
- The Senate rejected a motion to repeal the Treasury Department rule blocking workarounds to the SALT deduction cap.
- Democrats on the House Ways and Means Committee are said to be drafting legislation to roll back the $10,000 limitation.

On Wednesday, the Senate voted 43-52 to reject S.J. Res. 50, a resolution to repeal a Treasury Department rule that blocks workarounds put into place by several states to bypass the $10,000 limitation on state and local taxes (SALT) deductions. Although the resolution would not repeal the SALT deduction cap, it would repeal the new Treasury and IRS rule blocking functions of state tax laws that allow households to go around the $10,000 and deduct higher amounts of their state and local taxes from federal returns.

Democrats on the House Ways and Means Committee say they are preparing legislation to temporarily roll back the $10,000 limitation.

For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Victoria Shoots contributed to this section.

FINANCIAL SERVICES

House Passes the Corporate Transparency Act

Key Points:
- The bill would require corporations and LLCs to disclose their beneficial owners to FinCEN at the time of their formation.
- The House incorporated provisions from the COUNTER Act aimed at modernizing the Bank Secrecy Act.

On October 22, the House passed the Corporate Transparency Act (H.R. 2513), which would require corporations and limited liability corporations (LLCs) to disclose their true “beneficial owners” to the Financial Crime Enforcement Network (FinCEN) at the time a company is formed and in annual filings. The bill, introduced by Representative Carolyn Maloney (D-NY), passed the House by a vote of 249-173. The bill was favorably reported by the House Financial Services Committee by a vote of 43-16.

Earlier in the week, the House Rules Committee adopted a manager’s amendment offered by House Financial Services Committee Chairwoman Maxine Waters (D-CA) which incorporated the text of the Coordinating Oversight, Upgrading and Innovating Technology, and Examiner Reform (COUNTER) Act (H.R. 2514) into H.R. 2513. The COUNTER Act would adjust the threshold financial institution reports on cash transactions to be adjusted for inflation. It would also expand Bank Secrecy Act (BSA) penalties, enhance Treasury Department enforcement tools, and promote the use of innovative BSA compliance technologies.
Facebook CEO Mark Zuckerberg Testifies before House Panel

Key Points:
- Democrats called on Facebook not to move forward with Libra until they receive approval from U.S. regulators. They heavily criticized Facebook regarding diversity, housing discrimination, election interference, and data privacy.
- Ranking Member Patrick McHenry (R-NC) stated that he has concerns with Libra, but stressed the importance of allowing competition and innovation in the financial markets.

On October 23, the House Financial Services Committee held a hearing entitled “An Examination of Facebook and Its Impact on the Financial Services and Housing Sectors.” The Committee received testimony from Facebook CEO Mark Zuckerberg regarding Facebook’s proposed Libra digital currency.

Chairwoman Maxine Waters (D-CA) stated that Facebook’s plan to create a digital currency raises many concerns related to privacy, trading risk, discrimination, opportunities for diverse-owned financial firms, national security, monetary policy, and the stability of the global financial system. She said she and other Democrats have called for a moratorium on the development of Facebook’s digital currency, Libra, and the digital wallet, Calibra. She stated that she has come to the conclusion that it would be beneficial for all if Facebook concentrates on addressing its many existing deficiencies and failures before proceeding further on the Libra project. She argued that Facebook has failed in the following ways: (1) diversity and inclusion, as Facebook’s executive ranks and workforce continue to be mostly white and male; (2) Facebook has been sued by the National Fair Housing Alliance for enabling advertisers to engage in discrimination on its advertising platforms; (3) Facebook has refused to cooperate with the Department of Housing and Urban Development’s (HUD) fair housing investigation by refusing to provide relevant data; (4) Facebook is the subject of an antitrust investigation by the Attorneys General of 47 states and the District of Columbia (DC); (5) Facebook was fined $5 billion by the Federal Trade Commission (FTC) for deceiving consumers and failing to keep their data private; (6) on elections, Facebook enabled the Russian government to interfere with the 2016 election with the goal of electing President Trump and these activities continue to occur on Facebook; and (7) on political speech, last week Facebook announced that it would not be fact checking political advertisements, which she suggested would result in massive voter suppression of minority Democrat voters.

Ranking Member Patrick McHenry (R-NC) stated that Facebook is a powerful tool for society, but it also has its downsides. He noted that this is not the first time America has had to face difficult implications of a new technology. He said a major theme of the history of innovation is the exploitation of fear. He argued that politicians enabled by special interests and a lack of understanding of new technologies use fear to justify grabbing more power for the government through new laws and regulations. He said he has concerns about Facebook and Libra, but if history has taught anything it is that it is better to be on the side of innovation and competition. He concluded that the real question is if Congress is going to spend its time trying to devise ways for government planners to centralize and control how and when innovators innovate; or if it will spend time leading the way on innovations in the next century.

Several Democrats criticized Facebook regarding its lack of diversity, allowing housing discrimination on its platform, and failing to detect and combat election interference.
Chairwoman Waters and Representative Carolyn Maloney (D-NY), Nydia Velazquez (D-NY), Emanuel Cleaver (D-MO), and Ed Perlmutter questioned whether Facebook would move forward with Libra without approval from U.S. regulators. Zuckerberg asserted that they will not launch Libra until they get regulatory approval. Representatives Alexandria Ocasio-Cortez (D-NY) and Jennifer Wexton (D-VA) criticized Facebook’s recently announced policy regarding how to address misinformation in political ads.

Ranking Member Patrick McHenry (R-NC) asked why Facebook chose Switzerland to develop Libra instead of the U.S., and whether there is greater regulatory certainty in Switzerland. Zuckerberg stated that the goal is to create a global payment system, and Switzerland is where a lot of international organizations are located. He noted that Switzerland has been very forward leaning on wanting to work on innovations like Libra. He stated that he wants to assure the Committee that as CEO of Facebook he will not launch any product until he has full support from U.S. regulators, regardless of what the international regulators say.

Senate Banking Committee Holds Hearing on the Consolidated Audit Trail

Key Points:
- Republicans expressed concern with the quantity and security of the data collected by the CAT.
- Democrats generally defended the CAT as being necessary to ensure market integrity.

On October 22, the Senate Banking Committee held a hearing on oversight of the status of the Consolidated Audit Trail (CAT).

Chairman Mike Crapo (R-ID) stated that the CAT has suffered numerous challenges and delays. He said the CAT now better leverages existing resources after hiring a subsidiary of the Financial Industry Regulatory Authority (FINRA) to do the build. He stated that he still has concerns with the costs of the CAT, the volume of information collected, and how that information is secured. He noted that last year he and Ranking Member Brown sent the SEC a letter asserting that protecting personally identifiable information (PII) is paramount to the American people. He said they are still seeking more information on how PII will be collected, used and protected. Crapo noted that last week the self-regulatory organizations (SROs) requested a modification to the CAT National Market System (NMS) Plan to exclude the collection of dates of birth, Social Security numbers (SSNs), taxpayer ID numbers, and account numbers. He urged the SEC to grant this amendment, which would reduce the risk profile of the data collected by CAT while still preserving the intent of the CAT.

Ranking Member Sherrod Brown (D-OH) said nearly 10 years after the Flash Crash the SEC still lacks a comprehensive system to oversee the securities markets. He stated that the private sector is making massive investments in technology, while the SEC lags behind. He said the SEC called on FINRA to build the CAT to allow them to have a beginning-to-end view of how stock trading occurs. He noted that the CAT is only at the first stage of data reporting and will not be fully operational until 2022. He stated that the CAT has been criticized as a target for hackers, arguing that the SEC should be able to both protect investor information and go after criminals. Brown noted that last week the CAT NMS Plan Operating Committee submitted a proposal to exclude SSNs and other PII from the data reported to CAT, describing this as a creative solution to balance the need for oversight with protecting PII. He stated that he trusts that the SEC and FINRA can work out proper controls around
access to data and how to keep information secure. He said he does not agree with SEC Chairman Jay Clayton on much, but they agree on the need to promptly complete the CAT.

Crapo and Senators Tom Cotton (R-AR), Mike Rounds (R-SD), and John Kennedy (R-LA) raised concerns with the security of the data collected by the CAT. Cotton stated that he has been skeptical of the CAT for a long time and he is now “downright opposed to it.” He expressed concern that 3,000 people will have access to the data collected by the CAT. Cotton and Kennedy suggested that the CAT could be subject to hacks by China, North Korea and Russia. Kennedy also argued that the cost of the CAT is too high. Brown and Senators Chris Van Hollen (D-MD), Mark Warner (D-VA) and Catherine Cortez-Masto (D-NV) defended the CAT as being necessary to ensure the integrity of the market. Cortez-Masto argued that an appropriate balance can be struck between collecting PII and preventing market manipulation. She noted that there will be end-to-end encryption of all data held by the CAT.

Van Hollen and Cortez-Masto argued that the CAT should be expanded to include data on futures transactions, suggesting that this data is necessary in order for regulators to have a complete view of the market.

House Financial Services Committee Holds Hearing on Housing Finance

Key Point:
- Democrats criticized the Trump Administration’s housing finance reform plan, arguing that it would negatively affect affordable housing.

On October 22, the House Financial Services Committee held a hearing entitled “The End of Affordable Housing? A Review of the Trump Administration’s Plans to Change Housing Finance in America.” The Committee received testimony from Treasury Secretary Steven Mnuchin, Secretary of Housing and Urban Development Ben Carson, and Federal Housing Finance Agency (FHFA) Director Mark Anthony Calabria.

Chairwoman Maxine Waters (D-CA) stated that the Trump Administration’s housing finance reform plan would be disastrous for the U.S. housing system. She said the Administration is threatening to end the conservatorship of the government-sponsored enterprises (GSEs) without Congressional action to provide an explicit government guarantee. She argued that if the reform is implemented in this way it will create turmoil in the housing market and prevent many Americans from obtaining 30-year fixed rate mortgages, and block families across the country from attaining home ownership. She added that the Administration’s plan would abolish the affordable housing goals which help to support affordable home ownership and rental housing, and replace them with a mortgage fee which has not been explained in detail.

Ranking Member Patrick McHenry (R-NC) stated that now is a good opportunity to get something done on housing finance reform because both parties agree that there is a problem, and the Administration has expressed a desire to cooperate with Congress on the issue. He said creating lasting reform for the U.S. housing finance system will not be accomplished unless both parties and both branches work together. He stated that legislative and regulatory inaction puts taxpayers at risk. He highlighted a few parts of the Trump Administration’s proposal that he believes the Committee should focus on, including: (1) a new housing finance system must set clear boundaries between the respective roles of the GSEs and the Federal Housing Finance Agency.
Housing Administration (FHA); and (2) Congress needs to encourage competition by leveling the playing field and creating an open chartering process to provide a path for other companies to obtain these benefits.

Secretary Mnuchin testified that Treasury is not proposing, and indeed opposes, reducing or eliminating the GSEs’ longstanding support for affordable housing. He explained that Treasury’s plan advocates for continued government backing for, and widespread availability of, the 30-year fixed-rate mortgage loan, and the GSEs or their successors should continue helping to fund multifamily housing for low and moderate-income and other renters. He added that Treasury’s Plan does not include specific recommendations to alter the duty to serve the specified underserved markets or the affordable housing contributions. He said the Treasury seeks to preserve the national service requirement, but with some added protections. He stated that further, the plan recommends that FHFA continue to coordinate with the FHA and Ginnie Mae, who have primary responsibility for providing housing finance support to low- and moderate-income families that cannot be fulfilled through traditional underwriting, to ensure an efficient and appropriate federal role in affordable housing. He concluded that that the Administration’s preference is to work with Congress to enact comprehensive housing finance reform legislation.

Secretary Carson stated that in the years since the financial crisis, the federal government has continued to play an outsized role in the nation’s housing finance system. He said it is imperative that Congress act with the Administration to refocus federal agencies, insuring and guaranteeing mortgages to their core role of supporting equity and wealth building through sustainable homeownership and ensuring these government programs do not overlap with, and crowd out, fully private capital in the conventional mortgage market. He said federal policymakers should take steps to enable both the FHA and Ginnie Mae to refocus their core missions and make sure both agencies have the tools needed to manage their significant portfolios, strengthening their ability to support the housing market, and minimizing the likelihood of any future taxpayer funded bailout.

FHFA Director Calabria stated a fundamental cause of the housing affordability problem is local policies that make it harder and more expensive to build new housing. He said examples include zoning and land-use restrictions, environmental regulations, onerous building codes, and permitting requirements. He noted that Fannie Mae and Freddie Mac exist to ensure mortgage credit availability through the economic cycle. He stated that in their current condition, Fannie Mae and Freddie Mac will fail in an economic downturn. He stated that the Treasury and HUD plans are broadly consistent with Chairwoman Waters’ stated principles for housing finance reform: (1) maintaining access to the 30-year fixed rate mortgage; (2) ensuring sufficient private capital is in place to protect taxpayers; (3) providing stability and liquidity so that we can withstand any future financial crisis; (4) ensuring a smooth transition to a new finance system; (5) requiring transparency and standardization in a way that ensures a level playing field for all financial institutions, especially credit unions and community banks; (6) maintaining access for all qualified borrowers that can sustain homeownership and serving homeowners of the future; and (7) ensuring access to affordable rental housing.
Senate Banking Committee Holds Hearing on Data Privacy

**Key Point:**
- The committee discussed data ownership and privacy rights.

On October 24, the Senate Banking Committee held a hearing entitled “Data Ownership: Exploring Implications for Data Privacy Rights and Data Valuation.” Chairman Mike Crapo (R-ID) said as a result of an increasing digital economy more personal information is available to companies than ever before. He said private companies are collecting, processing, and sharing data for various purposes. He stated the common questions are how data is collected, with whom it is being shared, and how it is being used. He said individuals need real control over their personal information. He noted the committee’s past hearings regarding possible frameworks for facilitating privacy rights to consumers, but nearly all included references to data as a new currency or commodity, and not who owns the data currency. He said debates have taken place about data ownership of monetary value of personal information and its role in data privacy. He highlighted the argument that privacy and control of information could benefit from being considered a property right to personal data like owning real or intellectual property. He noted that some think the nature of data is different from other intangible assets or goods. He said the European Union’s (EU) General Data Protection Regulation (GDPR) grants an individual the right to request and access personally identifiable information. He said Senator John Kennedy (R-LA) and Senator Mark Warner (D-VA) have both introduced legislation that would assign property rights to data and provide consumers with details on the value of their data and how it is being used in the economy.

Senator Sherrod Brown (D-OH) noted Facebook's plan to create a global cryptocurrency. He said the bottom line is that Facebook can no longer be trusted with Americans’ personal data because of its inability to protect user information. He said that every time a new company in Silicon Valley comes up with a new business model it results in the same thing, where companies want more access to citizens’ data, spending habits, and location, which means more money in their pockets while everyone else gets hurt. He asserted that Americans should have more control over their private information. He contended that corporations should not be allowed to invade U.S. citizens’ privacy. He said Big Tech does not want to protect information, but instead makes a profit off of it. He said it costs Big Tech money to protect citizens’ data and they are not going to do it. He asserted that it is not acceptable that all data is at risk.

Upcoming Hearings and Meetings

**October 29**

**Discrimination:** The House Financial Services Committee’s Subcommittee on Oversight and Investigations will convene for a hearing entitled, “Financial Services and the LGBTQ+ Community: A Review of Discrimination in Lending and Housing.”

**October 29-30**

**Markup:** The House Financial Services Committee will hold a markup of pending legislation. The agenda for the markup has not yet been announced.

**November 4**

**SEC FIMSAC Meeting:** The Securities and Exchange Commission (SEC) Fixed Income Market Structure Advisory Committee
(FIMSAC) will hold a meeting that “will include updates and presentations from the subcommittees and discussions on secondary market trading in government securities.”

November 6

Data Collection: The Consumer Financial Protection Bureau (CFPB) will hold a symposium on Section 1071 of the Dodd-Frank Act (DFA), which imposes small business data collection requirements.

November 7

Investor Advisory Committee: The Securities and Exchange Commission (SEC) will hold a meeting of its Investor Advisory Committee. The agenda for the meeting includes panels on: (1) Discussion Regarding Whether Investors Use Environmental, Social, and Governance (ESG) Data in Investment/Capital Allocation Decisions; and (2) Discussion Regarding the SEC’s Concept Release on Harmonization of Securities Offering Exemptions.

Energy and Environmental Markets Advisory Committee: The Commodity Futures Trading Commission (CFTC) will hold a meeting of its Energy and Environmental Markets Advisory Committee (EEMAC). The agenda for the meeting includes panels on: (1) the global energy transition: evolving standards impacting physical markets; (2) exchange-traded environmental derivatives contracts; and (3) the impact of the global energy transition on market participants’ use of the energy and environmental derivatives markets.

For more information about financial services issues you may email Joel Oswald or Alex Barcham.

HEALTH

Ways and Means Marks Up Drug Pricing Bill; Floor Timeline Slips

Key Points:
- The House Ways and Means Committee marked up the “Lower Drug Costs Now Act” (H.R. 3) and favorably reported the bill, as amended, by roll call vote 24-17.
- Leadership had intended to consider the bill on the floor the last week of October; however, that timeline has now slipped to mid-November.

On October 22, the House Ways and Means Committee held a markup of the Lower Drug Costs Now Act of 2019 (H.R. 3). Consistent with the previous week’s hearing, debate featured a sharp contrast between Democratic support and Republican opposition to the bill. The Committee favorably reported the bill, as amended, by a roll call vote of 24-17. Representative Lloyd Doggett (D-TX) was the only Member not to vote with his or her party, choosing instead to vote present on final passage.

Chairman Richard Neal (D-MA) strongly advocated for H.R. 3, contending it would allow U.S. consumers to pay comparable drug prices to those offered in other developed countries. His Democratic colleagues echoed this sentiment, espousing the provision which would waive the non-interference clause and allow the Secretary of Health and Human Services (HHS) to directly negotiate drug prices. Republicans countered by arguing that H.R. 3 would reduce innovation by placing an undue burden on industry. They raised particular concern about the excise tax penalty, saying it would reduce the flow of private capital to markets for innovative or rare disease products that require high prices to recover investments. Ranking Member Kevin Brady (R-
TX) decried the partisan nature of the bill and predicted it would be “dead on arrival” in the Senate.

The substitute amendment mirrored those passed in the House Energy and Commerce and House Education and Labor Committees. The amendment made the following modifications: (1) increasing the minimum number of drugs on which the Secretary of HHS is required to enter negotiations; (2) clarifying that a drug will remain subject to negotiation until two generic competitors enter the market; (3) adding a negotiating mechanism for launch prices exceeding the median family income on products expected to require future negotiation; (4) introducing a financing option for consumers that exceed the out-of-pocket cap in one prescription fill; and (5) mandating that manufacturers submit justifications for price increases or high launch prices. The Committee considered a number of other amendments that were either withdrawn or rejected. Doggett continued to push for a more progressive approach to negotiation that would increase the number of drugs for which the Secretary would be required to negotiate prices.

The House had intended to consider H.R. 3 on the floor the week of October 28 before leaving for a one-week recess. However, the timeline has now slipped pushing floor consideration to, at the earliest, the week of November 11. There are reports the Congressional Progressive Caucus will push for additional floor amendments including to increase the number of drugs subject to negotiations.

Upcoming Hearings and Meetings

October 30

**Surprise Billing:** The Bipartisan Policy Center will hold an event on “Surprise Medical Billing.”

**Pharmaceuticals:** The House Energy and Commerce Committee will hold a hearing on “Safeguarding Pharmaceutical Supply Chains in a Global Economy.”

**Medicaid:** The Senate Finance Committee will hold a hearing on “Medicaid: Compliance with Eligibility Requirements.”

For more information about healthcare issues you may email or call Nicole Ruzinski Bertsch or George Olsen at 202-659-8201. Thomas McGrath contributed to this section.

TRADE

China Trade Developments and the “Phase One” Deal

Key Points:
- Phase One of the deal will include intellectual property provisions as well as agricultural purchases.
- USTR will be accepting exclusion requests for List 4A starting next week until January 2020.

USTR recently announced that it will begin accepting List 4A exclusions starting October 31, 2019 until January 31, 2020. List 4B tariffs, which take effect in December, could be “off” if the Phase One talks go well, according to White House economic advisor Kudlow. Whether “off” means permanently eliminated or just delayed remains unclear, but the latter is more likely based on how the Trump Administration has proceeded to date.
According to statements made by White House trade advisor Navarro, the Phase One agreement will include “virtually the entire chapter” of intellectual property protections that had been agreed to in the previous agreement until things fell apart in May. If true, this would mean that the U.S. could retaliate against China for intellectual property violations without fear of China retaliating back. Additionally, Phase One includes Chinese purchases of at least $20 billion in U.S. agricultural products within a year. President Trump has claimed several times now that China has agreed to buy $40-50 billion in the second year if all tariffs come off. There are reports China will ask for tariffs to be removed to facilitate their agricultural purposes, a move the Trump Administration has heretofore resisted.

The two sides are hoping to have an agreement in writing for President Trump and Chinese President Xi Jinping to sign when they are in Chile for the Asia-Pacific Economic Cooperation meetings in mid-November.

USMCA Discussions Appear To Be Reaching a Conclusion

Key Points:

- The House USMCA working group Democrats claimed negotiations are nearing an end.
- Many Republicans remain skeptical that Speaker Pelosi will have a vote on a final deal before the end of the 2019 legislative calendar.

The working group of House Democrats assigned by Speaker Pelosi (D-CA) to address USMCA issues with the Trump Administration has in recent weeks accelerated the pace of USMCA negotiations, meeting more frequently with U.S. Trade Representative (USTR) Lighthizer and exchanging paper at a more rapid pace. The working group has continued to cite differences on the deal’s labor, environmental, pharmaceutical and enforceability provisions as obstacles. Representative Gomez (D-CA), who is leading the negotiations on labor, told reporters after the Wednesday meeting with USTR Lighthizer that the group was now in the difficult final part of negotiations where the wording has to worked out “line by line, detail by detail.” House Ways and Means Chairman Neal (D-MA) told reporters on Wednesday after discussions with USTR Lighthizer that he believed only “a few more meetings” would be needed. He said that differences have “narrowed…considerably” but that it will still take a few more meetings to finalize all the details of the deal.

However, with only 20 legislative days left on the House Calendar many Republicans are watching the deadline closely. Senate Finance Committee Chairman Grassley (R-IA) said on Thursday that he was “very worried, for the first time,” about USMCA’s chances. He told reporters, “I think it’s fair to say that the clock is ticking, and time is running out.” Others have expressed doubt that Speaker Pelosi wants to bring the USMCA to the floor for a vote because it would benefit President Trump politically. They contend that Speaker Pelosi is more interested in impeaching President Trump than legislating, arguing the trade deal would pass if put to a vote.

The main tension is whether the Congress and White House can keep the USMCA process and the impeachment inquiry on separate tracks, and proceed on both in parallel, or whether the politics of the impeachment make cooperating on any policy matter too difficult. Both sides profess that it is possible to keep the issues separate, but the answer will become clear in the coming month or two.
For more information about tax issues you may email or call Christopher Hatcher at 202-659-8201. Cullen Neely contributed to this section.

This Week in Congress was written by Alex Barcham.