# WHAT TO EXPECT: TAX POLICY IN 2019
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With a divided government, this Congress is not expected to advance many tax policy changes, but rather the next two years politically will set the stage for what may happen post-2020 election. This year, as parties and Presidential contenders clash over tax and other policy, much of the real action will remain at Treasury, as it continues implementation of the *Tax Cuts and Jobs Act* (TCJA). This doesn't mean Congress doesn't have a lengthy to-do list. These items include:

- **Infrastructure**: If there is a serious effort to move an infrastructure package (we have our doubts), it will include tax provisions, whether that's a gas tax increase, some other formula like vehicle-miles-traveled, or bonding. But with the current surface transportation law not expiring until later next year, it's hard to see Congress moving before they need to, and certainly not in a way that gives us confidence they will finally surmount the funding challenges that have plagued policymakers for years. While there does appear to be growing support for raising the gas tax – which Congress hasn't done since 1993 – amid relatively low prices – it's hard to see it getting over the finish line.

- **Debt Ceiling**: On March 1, 2019, the current temporary suspension of the debt limit will expire; Treasury will use "extraordinary" measures to buy some time – but can't do so indefinitely. At some point this year, Congress will need to raise the debt limit once again lest it risk the US defaulting. That being a revenue measure, it could serve as a vehicle for other tax policy provisions.

- **Budget Deal:** On October 1, 2019, sequestration will kick back in unless appropriators strike another deal to lift the budget caps. That could evolve sometime this Spring, and, if a deal does come together, could carry other tax, debt ceiling, or revenue provisions.

- **Retirement:** Last Congress, lawmakers passed but did not reconcile legislation to encourage further retirement savings. This will be a priority of Ways and Means Chairman Neal this year and could be an area of bipartisan support.

- **IRS Reforms & Tax Administration:** The House last Congress passed legislation aimed at improving tax administration and other IRS reforms; the Senate did not take it up, but there is bipartisan interest. Finance Chairman Grassley has also pledged strong oversight regarding the use of tax shelters and whether non-profit organizations are complying with their tax-exempt status.

- **Tax Extenders**: As mentioned above, tax extenders that have bipartisan support have expired, such as the biodiesel tax credit, and more are due to expire at the end of 2019. Legislators supportive of these – including Finance Chairman Grassley – failed to get them attached to the funding compromise that reopened the government, but will continue to push to renew them. These won't move alone – but rather on other, must-pass legislation that carries a revenue title and is negotiated at the leadership level.

- **TCJA Fixes**: There are many technical corrections from the TCJA that Republican – and some Democratic – lawmakers would like to advance, such as the Qualified Improvement Property provision. But while Ways and Means Chairman Neal has shown a willingness to examine these fixes, he wants to hold hearings on the law, and will want to see some Democratic tax priorities move alongside any technical corrections to a Republican bill. Lawmakers from high-tax states like NJ, NY and CA want to see the cap on SALT deductions lifted, for example. But a SALT fix is very expensive, and other Democratic priorities would need to be off-set, unless the House waives its recently enacted "pay-go" rules, whereas true technical corrections traditionally have no revenue impact.

- **ACA Taxes:** Absent Congressional action to delay, the unpopular tax on medical devices stemming from the Affordable Care Act is due to be applied starting next year. Similarly, the "Cadillac Tax" on high-cost, employer sponsored health plans will be applied in 2022. There will be strong pressure for Congress to delay these further – but there will be a steep cost unless otherwise waived.

MONUMENT ADVOCACY

- **Tax relief for disaster victims:** Disaster relief spending is often coupled with specialized tax provisions to aid those impacted; we could see more of these this year.

The 2020 Election

The next two years will be critical in shaping what *does* happen legislatively under the next Congress and Administration. Republicans and President Trump will continue to justify the TCJA as a bill that lowered taxes, contributed to the economic boom and streamlined parts of the code, and Democrats will continue to attack it as a hand-out to the rich and corporate America, harmful to Americans in high tax states, and something that the US can't afford given its growing national debt. If a Democrat wins the White House in 2020, Democrats are all but certain to retain the House, and may retake the Senate, if only by a small margin.

A Democratic Washington would seek to move quickly on its major priorities – whether that's related to health care or climate change or both, tax policy changes will be intertwined. We've already seen proposals from the left wing of the party to raise marginal rates to 70% for the wealthiest Americans; Elizabeth Warren recently proposed an ultra-millionaire's tax to fund universal child care.

Many provisions of the TCJA will also start to phase out for individuals and businesses, such as full expensing, beginning in 2022, creating a new type of "fiscal cliff." And the longer the Congress waits to address them – if it does at all – the more expensive it becomes. This will become a major issue as we approach 2025 as well – when many of the temporary individual provisions expire and international tax provisions tighten.