



# LEGISLATIVE UPDATE

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## Washington Brief by Nooley Reinhardt

Congress -- divided into miniature partisan and bipartisan factions and further subdivided within the House and Senate -- and the Obama administration are at odds before there is even a vague agreement of how to frame the debate on tax reform. The closest hint of a timetable is that the Senate Finance Committee plans weekly "discussions" over the next two years on tax policy.

A measure introduced by Ways and Means Democrats to revive Build America Bonds, the Section 1602 LIHTC exchange program, exempt private activity bonds and the New Markets TC from the AMT and other provisions, had barely cleared the House bill hopper before House Republican leaders announced they would block extending the programs.

The programs included in the House Democrats' bill were part of the Obama administration's American Recovery and Reinvestment Act and expired at the end of last year.

The Treasury Secretary, in Congressional testimony, suggested that it was time to "revisit the basic question about whether it makes sense ... to allow certain business to choose whether they're treated as corporations for tax purposes or not."

Republican tax-writers immediately objected to this plan they say would kill small business and new jobs. Essentially, they see it as an out-right attack on partnerships, S-Corps, limited liability companies and any flow through entities which report earnings on personal tax forms.

The secretary's testimony also triggered debate by repeating the Administration's proposal of off-setting reductions in corporate tax rates with the closing of "loopholes." Eliminating deductions (credits, tax breaks, however you prefer to refer to them) is tantamount to increasing taxes, say the Republican opponents.

This week House Republicans will begin to offer a series of bills intended to dismantle Fannie and Freddie piece by piece, rather than the broad, comprehensive plan they favored last year. One of the first bills on the path to privatizing the role of the mortgage giants would eliminate the firms' goals for affordable housing.

For those following the Budget battle over funding non-security discretionary domestic spending programs for the current fiscal year, only more short-term CRs (continuing resolutions) are in the offing. One anomaly in the Budget fight is that in



some instances the Obama administration's Budget proposal for next fiscal year (2012) are more onerous than the cuts in the House-passed versions of the CR.

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