

Weekly Update December 11, 2015

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*David Turch and Associates*WASHINGTON UPDATE
DECEMBER 11, 2015**CONGRESS PASSES FIVE-DAY CONTINUING RESOLUTION AVOIDING A GOVERNMENT SHUTDOWN**

In a last minute move to avert a government shutdown at midnight tonight, and buy more time for congressional negotiators to strike a deal on a \$1.1 trillion omnibus appropriations bill for Fiscal Year 2016, Congress passed a five-day Continuing Resolution (CR) through December 16. House and Senate leaders, along with key White House staff, are in the midst of trying to resolve a host of highly contentious Republican policy riders that cover a gamut of hot-button issues, including defunding Planned Parenthood, overturning Dodd-Frank Wall Street regulations, repealing Environmental Protection Agency (EPA) rules on water and clean air, and severely restricting, if not halting, President Obama's plans to admit 10,000 Syrian refugees.

As if this juggling act is not precarious enough, a slew of corporate and individual tax/credit extenders, that expired at the end of 2014, have been thrown into the mix. Democratic members are trying to leverage their support for a tax package pushed by the GOP for more palatable terms on the omnibus. Senator Barbara Mikulski (D-MD), ranking member on the Appropriations Committee, was quoted as saying, "We want to meet in the middle. But remember, we are willing to compromise but not capitulate." The ten-year cost of enacting the tax extenders has been estimated at around \$750 billion, much of which is not offset. The fallback plan is a two-year extension of the tax breaks with a cost \$108 billion.

Speaker Paul Ryan (R-WI) wants to wrap up an omnibus deal this weekend in order to provide House members with the requisite three-day layover to read the bill. Adopting an omnibus appropriations bill and a tax package by the middle of next week is a daunting political task, but Speaker Ryan and Senate Majority Leader Mitch McConnell (R-KT) are determined to demonstrate to the country that the GOP controlled Congress can govern effectively and responsibly.

HOUSE PASSES PERMANENT INTERNET TAX FREEDOM ACT

In a surprise maneuver, Representative Kevin Brady (R-TX), the new chairman of the House Ways and Means Committee, the tax writing panel, inserted a provision to permanently extend the Internet Tax

Freedom Act in the conference report to accompany H.R. 644, the Trade Facilitation and Trade Enforcement Act of 2015, a bill to reauthorize and modernize customs enforcement measures. The Internet Tax Freedom Act prohibits state and local governments from taxing Internet access and bans “multiple and discriminatory” taxation against digital goods and services delivered over the Internet. The provision in the conference report phases out by June 2020, instead of immediately, exemptions in the original Internet Tax Freedom Act (PL 105-277) that allowed a number of states to retain existing levies on Internet access.

The US Conference of Mayors and the National League of Cities oppose making the temporary ban on taxing Internet access permanent. Moreover, the National Retail Federation is urging Congress to reject the trade and customs bill unless it includes a provision to allow states to require online merchants to collect sales taxes. Senator Michael Enzi (R-WY) and Representative Jason Chaffetz (R-UT) have been working with like-minded colleagues to pair the Permanent Internet Tax Freedom Act with their own legislative initiatives to overturn a 1992 Supreme Court ruling that allows sales tax on most online purchases to go uncollected. Enzi and Chaffetz have repeatedly maintained that the best way to level the playing field between online retailers and brick-and-mortar stores is to combine their legislative efforts to authorize the collection of online sales taxes to congressional passage of the Permanent Internet Tax Freedom Act.

Earlier today, the House passed the conference report on H.R. 644 by a vote of 256 to 158. The Senate is expected to take up the measure before the end of next week.

PRESIDENT OBAMA SIGNS MAJOR EDUCATION BILL

President Obama yesterday signed into law the bipartisan Every Student Succeeds Act (S. 1177), legislation that replaces the No Child Left Behind Act by significantly reducing the federal government’s role in K-12 education. The new law is a turnaround from 14 years of federal education policy focused on raising students’ performances through an emphasis on standards, testing and accountability. Under the Every Student Succeeds Act, federal mandates are limited to: requiring schools to test 95 percent of students annually from the third through eighth grades and again in high school; requiring schools to report test scores for minority groups to ensure academic improvement; and requiring State intervention if a school falls into the bottom five percent, graduated less than 67 percent of students, or if subgroups persistently fall behind. Federal K-12 funding will now come with fewer strings attached and more built-in flexibility, allowing States to shape their own educational priorities without federal interference.

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