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## WASHINGTON POLICY STRATEGY Potomac Perspective

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**Congress returns this week from its Easter break to a packed agenda. The first item Congress will work on this week, Foreign Intelligence Surveillance Act (FISA) reauthorization, will not have market implications. Following on the heels of that legislation, however, are numerous bills related to economic policy. We believe many of these items deserve investor attention.**

The first item on Congress's post-Easter agenda is the reauthorization of FISA. Following FISA reauthorization, we expect Congress will address a long list of economic policy bills, some of which have been under consideration for months, while others are in the early stages of deliberation. Congress has an eye on finishing them in a year-end, lame duck session. The schedule, especially in the Senate, could be complicated by the impeachment trial of the Secretary of the Department of Homeland Security, Alejandro Mayorkas, but numerous economic policy matters are on Congress's agenda for the coming months.

- **Corporate tax legislation** – A House-passed corporate tax bill remains in limbo in the Senate and little, if any, progress was made over the Easter break. The bill, which would make temporary changes in rules regarding R&D expensing, bonus depreciation, and the business interest deduction has been on life support for weeks. Most Senate Republicans appear to be opposed to the bill, and there seems to be insufficient GOP support to pass the bill.
- **Foreign aid supplemental** – An aid package for Ukraine, Israel, and Taiwan passed the Senate a few months ago and could be brought to the House floor in the coming weeks. We think the bill would pass the House on a straight up or down vote, but it still faces key political hurdles. Conservative opposition to the bill might trigger a vote to remove Mike Johnson as Speaker of the House. Even if Johnson ignores the threat, getting the bill to the floor in a form that can pass the House is not a sure thing. The conservative opposition holds key seats on the House Rules Committee, and they can block the bill from being considered under regular order. Alternatively, Speaker Johnson could circumvent the Rules Committee, but this option would require a two-thirds vote to pass the House. Johnson might attach legislation to overturn the Biden administration's moratorium on liquefied natural gas exports which could drive away Democratic support. Some progressive Democrats might also vote against the bill over the lack of conditions on the Israeli aid component. Thus, achieving a two-thirds majority vote in the House is iffy at best. Separately, some House members have filed a discharge petition to bring the Ukraine bill to the floor.
- **China trade legislation** – Negotiations over trade legislation regarding China remain in the early stages. If a bill is to pass, it seems likely it would be punted to a lame duck session following the election. The bill could include data security provisions, a notification requirement for certain outbound investments by American firms in China, changes in *de minimis* import rules, as well as changes in Generalized System of Preferences (GSP) rules in order to close loopholes to Chinese imports. Relatedly, the Biden administration could announce at any time the results of its review of the 2018 tariffs on Chinese imports. The exact timing of that is unclear, but we continue to believe that most tariffs will be extended. A limited number of existing tariffs could be dropped while the administration could add new tariffs on politically sensitive products like electric vehicles.

- **TikTok** – Support exists in the Senate for legislation to force ByteDance to sell TikTok’s U.S. business to an entity not controlled by the Chinese government. Some bipartisan resistance to the legislation remains, and TikTok’s popularity could make for a tough vote for some senators. Some lawmakers are also concerned about being perceived as soft on China. No vote has yet been scheduled in the Senate, but chances of the bill passing are growing.
- **Rural internet subsidies** – The Affordable Connectivity Program (ACP) is scheduled to expire at the end of the month. Although Republicans typically oppose these types of government subsidies, many Republican districts in rural areas benefit, so there could be an avenue to extend the program. Congress will need to find a legislative vehicle for the ACP and the Federal Aviation Administration (FAA) reauthorization bill could be that vehicle.
- **Cannabis banking** – The FAA bill could also be a vehicle for cannabis banking legislation. We think the chances are low that Congress will include a cannabis banking bill in the FAA legislation since many of the issues that have doomed past efforts to pass cannabis banking legislation remain unresolved, but there are efforts to include it in the FAA bill.
- **Bank executive compensation clawback** – As part of any deal to pass a cannabis banking bill, either in the FAA bill or a year-end bill such as the NDAA, Congress could also include legislation to give banking regulators more power to clawback compensation from executives of failed banks.
- **Stablecoin legislation** – Similarly, legislation to regulate Stablecoins is being negotiated in the House and could possibly be included in a grand bargain of financial services legislation that would be added to a year-end bill.
- **Francis Scott Key Bridge funding** – In the coming weeks, Congress will debate a Biden administration request for fund to rebuild the Francis Scott Key Bridge. Congress typically approves such requests on a bipartisan basis. While we expect some Republican opposition to the funding request, we anticipate a bill will pass Congress in the coming months.
- **Insulin pricing** – The Senate might consider legislation to cap prices on insulin covered by private insurance. The Inflation Reduction Act capped insulin prices under Medicare, but the law does not address pricing policy on the private sector option. We think there is bipartisan support to expand the IRA’s cap to private insurance plans, but this might be a post-election item.

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