D.C. DISPATCH

The midterms are over. What's ahead for businesses?

Transcript

DAVID SITES 0:05

All right, welcome to the D.C. Dispatch. I'm David Sites, head of Grant Thornton's Washington National Tax Office. And I'm joined today by Storme Sixeas, our tax legislative affairs leader here at Grant Thornton, and Colin Wilhelm, who is a manager on Storme's team. Guys, the election's over. It is done, a long time coming. And today, we're going to talk about the question that's on everybody's mind, what now for business? What does this really mean?

If I'm an executive in a business, the results are in, you know what Congress is going to look like. What does this mean? What should I be thinking about? And we're going to focus on how that outlook has changed over, I think … the way I keep thinking about it is there's three time horizons. There's the near-term, which is the lame-duck session. We've got the mid-term, which stretches out until the next presidential election. And then I want to talk a little bit about what we think the results from last week mean for longer-term tax policy planning. And we'll jump into that.

And these shifts are meaningful for businesses, right? Everybody from global, large, multinational employers, to middle-market growing companies. I mean, they're especially focused on, you know, how these elections should impact their decisions around things like capital investment, hiring, their M&A strategies, the way they look at, you know, transitioning businesses from one generation to another, the decision whether to take private equity investment. All of this matters immensely. And today's election shed light on the decisions and the factors that people are going to be thinking about and making in the months to come.

So the opportunity here for business leaders is to plan ahead rather than get behind and just react to stuff. And so that's what we're going to do today. We're going to try to separate some of the noise from the signal and help business owners understand where they want to focus and what they can act on now.

So Colin, I'm going to come to you first. It's not so much for business leaders about who won necessarily, right? Or about whether you like the results. It's really about how the rules of the road are going to kind of change. And I think in order to understand that, we need to jump in and understand what the numbers told us and why they matter.

So, Colin, I want to come to you. If you could run us through kind of a recap of the results and what that tells us about the future here on Capitol Hill.

COLIN WILHELM 2:24

Yeah, of course, David. So we saw a really, a sort of, result in midterms that we haven't seen in decades in terms of … seats flipping, especially in the House. Also a pretty historic flip in the Senate as well. This is going to be the largest House majority since the early '90s. So that's pretty significant in terms of leadership being able to whip votes. They're not going to be beholden to a handful of members, which is a dynamic that we've seen in the last couple of Congresses where it's been very evenly divided in the House in a very unusual way.

And then we're still waiting on official announcements for Alaska and Mississippi, but it is looking likely that Democrats are going to flip those seats in addition to the other seats, the seven seats that they have confirmed to have flipped in the Senate. They're expected to have 56 seats there in the 120th Congress.

It's a situation where Republicans were really counting on home field advantage for several of these states, and it didn't end up coming through. You saw basically districts, either on the House side or states on the Senate side that went double digits for Trump in 2024 flipping and really a major voter repudiation of a lot of the policy that's been set for the last couple of years.

STORME SIXEAS 4:01

Yeah, I think it's important to say that that number in the Senate is really important because they're more than just, you know, 51 votes. They have more than they need and can spare a few votes when it's things like simple majorities, like for budget reconciliation, but it's not anywhere near the 67 votes they need for overcoming a veto. It's not 60 votes to overcome a filibuster on things that aren't eligible for budget reconciliation.

So it's a majority, but a majority in the Senate is a little different than having that majority in the House. And it does always create a little tension between the House and the Senate. You can hear House rabble-rousers sort of in either party, in the case of either party, kind of harassing the Senate, you know, well, we can pass stuff, why can't you? But they don't have to get to that 60-vote threshold in the House and they can pass things with a simple majority that the Senate just can't do. So the size of the majority really matters in the Senate even more.

COLIN WILHELM 5:12

Yeah, the sound you're hearing is Senate Majority Leader (Charles) Schumer exhaling a sigh of relief that he doesn't have to placate John Fetterman on every single vote.

DAVID SITES 5:20

Yeah.

STORME SIXEAS 5:20

Yeah.

DAVID SITES 5:21

Yes, yes, the margin is enough, right? The margin is enough. So, Storme, I know in some of your prior writing, you know, you said in the Senate, they might have the gavel, but the veto pen still is with the president, right? And so even if you could find a way to get stuff done, whether it's through reconciliation or otherwise, that's probably one of the most significant things to remember for executives is the veto pen still out there, which is going to be a real hamper to legislation in the new Congress.
So let's talk for a second about how this changes the committees. So in the House, you would expect, right, Richie Neal to (be) in line for Ways and Means Chair, right?

STORME SIXEAS 5:59
Again.

DAVID SITES 6:00
Wyden, yeah, Wyden as Senate Finance, right? And, you know, we're going to talk a little bit later, but I mean, those positions are obviously meaningful, right, for things like oversight, scrutiny of tax, different tax planning structures and other business regulation issues. But the underlying groups, and you guys wrote about this in your recent release, the underlying groups look to change quite a bit, right, on Ways and Means and maybe even Senate Finance, right? So some new players, some new faces that might impact policy. Is that fair?

COLIN WILHELM 6:38
You do have familiar faces at the top of the dais, but especially in Ways and Means, you're going to have some turnover.

STORME SIXEAS 6:45
Yeah, particularly on the, on the … particularly I would say on the Democratic side, because that margin is so much larger than what Republicans have this Congress, the ratios on the committees are going to change. So Democrats are not only going from fewer seats right now than the Republicans had, and then they've got a bunch of retirements, so they're already down some. But then that ratio is going to change. So they're going to have even more seats in the next Congress than Republicans had this year. So they're going to have, like, I don't know, more than a dozen new members potentially joining the committee, which brings a lot of new ideas, a little bit of new blood. It means that the committee doesn't look exactly like it did the last time they were in the majority, even if Richie Neal was chairman last time around and is going to be chairman this time around.

DAVID SITES 7:40
So it's fair to say Democrats have enough to kind of set the agenda, right, for both the committees and overall, but again, not enough to overcome vetoes. They can't just kind of do what they want when the new Congress starts. And so it sets up an interesting thing, an interesting dynamic.

So, all right, let's shift a little bit. So, Storme, the exit polling, and obviously one of the key issues was affordability, right, as we went into the election. And Democrats ran heavily on the concept of affordability, and it looks like voters potentially responded to that. And so does this give Democrats a mandate or a responsibility to follow a specific economic agenda? Or is this more about Democrats need to check the current administration and, you know, put forth their own ideas?
Tell me a little bit about how you think the key issues that shape the election are going to impact the policy-setting going forward.

STORME SIXEAS 8:40

The short answer is that this was much more of a vote "against" than it was a vote "for." Let's start with the tariffs, because that's where the voters most drew a direct line. About two-thirds of voters in the exit polls said that tariffs hurt the economy, and about eight in 10 of them voted Democratic when they said that. So on cost of living, voters weren't just generally frustrated; they actually tied it to a specific policy or specific policies that Republicans enacted or that the White House enacted and that Republicans didn't change.
The bigger story is how much the election was about the president. More than four in 10 voters said that part of the reason for their vote was to oppose Trump. And that's higher than it was in 2018, last time the midterms were during his during his term.
But the Democratic Party really needs to understand that just because Trump's not popular, it doesn't mean that they suddenly are. They have this edge on the economy, but it's slim. And most voters, or more than half of voters, still view Democrats unfavorably, too. So you can, he can be, the president can be unpopular, but that that doesn't keep you from being unpopular too.
So, do they have a mandate? Yes, but it's a mandate to check the administration. It's not a mandate for a specific Democratic economic agenda. People think that Congress is not doing enough to rein in the president. And that points probably to a lot of oversight, a lot of hearings, maybe some pressure on tariffs, but not, like, a sweeping Democratic tax agenda that's coming in.
They, Democrats, they found a message on affordability that worked, and now they have to figure out how to deliver on that and what exactly that means for voters.

COLIN WILHELM 10:44

And we've seen statements already suggesting that they're going to offer legislation around tariffs, basically putting pressures on undoing them, or at least some of them, and possibly changing the presidential tariff authorities. That's likely to face a veto. You know, your mileage may vary as to how much Democrats might be able to convince Republicans to come along with them for a veto-proof majority. Certainly, that's something that we will keep an eye on in the next Congress.
And then they're also expected to put forward legislation around the ACA tax credits and making a more favorable calculation of that that was basically bringing it back to where it was before that expired after a sunset related to the inflation reduction act and some extension last year. And that will

be, you know … Democrats do want to put that check on the president that they see a mandate coming from voters for.
But they also want to, I think they are going to want to have a more kind of affirmative agenda where it's not just seen as saying "no" to everything that the administration does. I think they do feel some pressure to put forward something that can both unite their caucus and also show more of a positive message for voters.

DAVID SITES 12:04
Trade is a massive issue, right, for organizations, you know, everywhere, not just in the United States, right? And of course, the Democrats want to do something on trade, but part of the reason trade's been so difficult for businesses is it is purely executive kind of action, right? And we see the president can kind of set trade policy, change trade policy.
And of course, the Democrats can want to rein that in. But as you mentioned, the president who loves that ability has that veto pen. And so your question of a veto-proof majority is a really interesting one. It is fascinating, Storme, when you think about the messaging on affordability. You know, just what, less than 18 months ago, we were sitting here, we had passed OB3 through a Republican trifecta. It had stuff in there that was meant to appeal to the populist voter. And I wonder, you know, was it trade and everything else that kind of covered up the benefits of all that? It doesn't seem like the Republicans got much credit at the polls for OB3. What do you think?

STORME SIXEAS 13:10
They tried really hard. They even changed the name of the bill, basically. They went from the "One Big Beautiful Bill," which they loved when it first came around and which the president, you know, that was his name for it. But pretty quickly after the bill passed, they started pivoting to calling it the Working Families Tax Cuts bill. And they really hammered that name. They tried to talk all about the benefits to middle class, to families, to small businesses, particularly things like the deduction for tips, for tipped income, the deduction for overtime income, the new higher standard deduction for seniors. They talked that stuff up so much.
I haven't seen exit poll data on whether voters gave Republicans credit for those provisions, but we did see polling going right into the election that showed it was not winning them much credit. Individual provisions were really popular. So if you were a tipped worker and you benefited from the deduction on tips, then you liked that provision. But the law as a whole wasn't popular.
And so the tax cuts were real and they were popular, but they didn't break through really politically. And it … even with all that we heard — I mean, we're following this, so of course, we heard a lot about it. But even with as much as I think the Republicans tried to message on that bill, there was also polling that showed that it wasn't like — not even all voters were aware of it, were aware of the benefits, were aware of what they got out of it.
And Democrats endorsed the really popular pieces. A lot of Democrats got behind the tax deduction on tips. And so they kind of took that argument away from Republicans. And then the rising prices

that voters attributed to tariffs and the energy costs that they attributed to the Iran war, those completely outweighed what might have been a smaller tax bill last year or a small… or a bigger one-time refund … completely overwhelmed by the cost of living.

COLIN WILHELM 15:26

Yeah, I mean, you had tariffs that the New York Fed (Federal Reserve) has shown increased costs when they otherwise would have decreased over the last year and a half. And then at least in one study. And then you also had polling where I think the One Big Beautiful Bill Act was a little bit beholden to how complicated it was because of that narrow majority, you know, in the House, especially, leadership decided to really toss everything together and try to pass their, and successfully did this, pass their legislative agenda for the Congress in literally one big, beautiful bill. And because of that, I think a lot of the nuance of some of the benefits for, and on the tax side at least, was lost in that.

There was a Politico poll from July suggesting that only 26% of Trump voters from 2024 thought the bill contained substantial tax breaks for them. So this was something that Republicans really had an uphill battle in terms of convincing voters that this legislation that was touted by Republicans benefited them. You had 51% of Trump voters thinking that the tax cuts were either there to conceal larger tax breaks for the wealthy or didn't have any benefit for them. And that's Republican voters. So it's something that really was overtaken by both the process and how complex that was, which is something that we also saw with TCJA a little bit, where people thought that a higher percentage of people than actually, actually, saw a tax increase from the SALT cap, thought that they had a tax increase.

And then it was just overtaken by other events, tariffs in particular, in terms of how that affected the pocketbooks of each and every American.

STORME SIXEAS 17:11

Yeah, and even before the tariffs and the energy prices got worse this year, the Democrats did a really good job of seizing on the spending … on the spending cuts in the bill that were healthcare related. And so even people that got to keep their lower tax rate or got some of these benefits, somehow the Democrats were able to break through the messaging on like Medicaid cuts and the harm to rural hospitals and things like that.

DAVID SITES 17:27

Right.

STORME SIXEAS 17:27

And that got a lot more attention, actually, from voters who thought that it was affecting their healthcare prices. And maybe they were getting a tiny bit of benefit from this tax bill, but the

healthcare messaging kind of overwhelmed it even before the tariffs and the energy prices made it worse.

DAVID SITES 18:04
It is fascinating, you know, as you look at kind of the messaging and what led up to the vote that we had last Tuesday, and you ask yourself, how will this impact Democrats going forward? And they've got to say, "all right, we've got to get the overall economy right, not just tax policy, not just this policy, not just healthcare, right? We have to make everything kind of affordable and get things back on the rail." Inflation, obviously, a huge concern, I think, for voters.
So, Colin, we're moving into the lame duck right now that now that we're through the election. I think we got about eight weeks here. It's really the Republicans' last chance with a trifecta to do things, to get things through. And there are some things, right, that are on the table. Maybe talk a little bit about, you know, for example, government funding, I think, is set to expire in the middle of December. So there's going to be some stuff, right, that's going to move.

STORME SIXEAS 19:04
Maybe …

DAVID SITES 19:04
Maybe … maybe? You know, what's the outlook for tax and business policy? And could something move with a funding vehicle? Could something move on its own? What do you think?

COLIN WILHELM 19:15
Yeah, I mean, the Dec. 11th government funding deadline is really the major date that's circled right now for this lame-duck. I think that most members want to avoid a shutdown. And we'll see. Certainly we have seen other shutdowns during lame-ducks, or at least one. So that is certainly something to watch. That could be a vehicle. I think there would be, you know, if…

DAVID SITES 19:42
Let me pause you. Sorry, Colin, let me pause you for a second. I want to pull Storme in because the prospect of a potential shutdown, right, the prospect of a potential shutdown is meaningful for businesses. And Storme, I saw your reaction that our listeners can't see and I wanted to pull you in to see if you had perspective. I mean, we got to Dec. 11th, we have to do something or the government's not funded, right? And we at least have a partial shutdown …

STORME SIXEAS 20:04
I think the, no … I think the chances of a shutdown went way up last Tuesday, or last Wednesday, when this election happened. I think there is a debate going on just starting now that… now that the parties are back in Washington and actually talking to each other in person and digesting

the results, but there's a big discussion going on about whether or not Democrats should use the government funding bill and the opportunity to shut things down — or maybe it's not the opportunity,, the possibility of shutting things down — to, as leverage in trying to stop the war in Iran. They want to cut off funding for that war. And that is really the only tool that they have to affect that right now.
And so there's definitely a conversation going on about ... letting a shutdown happen because of the Iran War funding. And so I think that there is a danger, there's a big danger in my mind, that we could see that happen in the next month.

DAVID SITES 21:20
If I'm a business sensitive to, obviously, a government shutdown, which a lot of businesses are sensitive to a government shutdown, I've got that date, as Colin said, circled on my calendar, too because that's a really important day to watch. You know, is this going to happen? What does that mean?
So, Storme, just to put a point on that. So the thinking, I guess, on the Republican side would be, well, the election's over, you know, because they could presumably during the lame duck drive something forward. They don't have a filibuster-proof majority. Do they need one for a government funding bill?

STORME SIXEAS 21:49
Yes.

DAVID SITES 21:50
Do they need to attract Democrats?

STORME SIXEAS 21:51
Yeah, they need 60 votes for a funding bill to get out of the Senate. And so that's why Democrats do have leverage right now. So, much as Republicans would like to get a funding bill through in December while they still have the majorities and while those funding numbers maybe lean a little bit more Republican way, they need some votes, a lot of votes, you know, eight ... seven or eight votes from the Democrats right now. And Democrats don't have to give that to them.

DAVID SITES 22:24
Right.

STORME SIXEAS 22:25
Now, there's an argument that Democrats, you know, maybe they want to clear the decks and have a clean slate to start in January. But there are also a lot of people who think you've got this leverage. This is the only tool you've got. Use it.

DAVID SITES 22:44

Perfect. So that's just the next eight weeks, guys. Like, there's a lot going on just in the next eight weeks. I do want to shift out and talk about, you know, the new term under a divided government. And obviously, there's checks on what the Democrats can do. We mentioned the veto pen here. But they do have more oversight.

And Colin, you know, I want to come to you to talk a little bit first about, you know, is there a realistic opportunity for something bipartisan on tax and what legislation could come out? I mean, I, I'm hoping maybe, you know, Colin, but tell me what your thinking is, or is this more about oversight, perhaps some influence on some regulatory agencies, investigations, and really messaging leading up to the next presidential election. What do you think is going to come out of kind of this new term?

COLIN WILHELM 23:38

It's early, but I think the X factor here is going to be the administration and how they respond to these significant Democratic majorities coming into the House and Senate. We did see some change-over or at least anticipated changeover for the Chief of Staff of the White House. Stephen Miller, who's the incoming chief of staff, is certainly seen as somebody who likes to mix it up with Democrats, to put it lightly. So it might be, in terms of personnel being policy, I think that maybe puts a damper on deal-making …

STORME SIXEAS 24:17

Yeah, I wouldn't consider that a hand across the aisle.

COLIN WILHELM 24:19

In terms of oversight, I would anticipate a lot of really aggressive oversight by Democrats aimed at not only the administration, but ways that the private sector has interacted with the administration. Certainly, we're already seeing letters go out from different senior Democrats to companies, telling them to preserve documents or potentially send documents already in anticipation of this. And that will continue to be an area of focus for congressional Democrats for the next couple of years.

DAVID SITES 24:54

I'm interested in your thoughts, Colin and Storme, on this one. I'm getting a lot of questions from taxpayers about what does this mean for enforcement? What does the IRS look like? Are we going to see an immediate shift towards maybe increased funding, increased enforcement capabilities, different focus areas for the IRS?

And I would point out, like the administration still, you know, controls the agencies, if you will, but Congress obviously can influence and controls the purse, I believe. So what are your thoughts? Do we see a more gradual shift, no change? Does it depend on funding and what gets passed? I mean, what

are we thinking? Should taxpayers, you know, double down on the fact that we might see a period of increased enforcement in the near future.

STORME SIXEAS 25:43
I think that you're not going to see it overnight, but there is certainly going to be a push, whether it's through hearings, whether it's through some funding push, letters, trying to influence the IRS to focus more on areas of enforcement that Democrats feel like have not gotten that focus in recent years. Mostly around, I would say, high-net-worth payers, complex partnerships, complex international businesses, large corporations, all these entities that they believe haven't gotten enough scrutiny.
And part of that is personnel. We saw a big cut in the numbers of employees at IRS during the first few months of the new administration, in particular, during the during the DOGE process and through some attrition. But the IRS was down by more than a quarter of its staff last year. And so they just don't have the numbers necessarily to focus on those things, even if they wanted to. And it's not clear that that's where they wanted to focus anyway.
But I think we'll see Democrats trying to fund the IRS more than it has been in the last few years. Maybe try and get back some of the money that was rescinded that Democrats had originally gotten for the agency in the Inflation Reduction Act, which is now almost all gone. But trying to give it back, some of that funding, with the thought that it needs to be focused on enforcement.

DAVID SITES 27:22
Right, right, right. It's an interesting area.
In addition, I would point out the OB3 regulatory process. continues. I'm still calling it OB3 Storme.

STORME SIXEAS 27:32
Absolutely.

DAVID SITES 27:32
You just told me that it's got a new name, but I got to stick with OB3.

STORME SIXEAS 27:35
Yeah, no, we're going to, we're going to stick with the OB3, yeah.

DAVID SITES 27:37
I got to stick with OB3. It's TCJA and OB3. So let's look a little bit beyond. So you guys taught me that the day the election's over, the campaigning starts for the next cycle, the next cycle is a presidential election. So what do we expect that businesses might care about? What do we expect those policies to look like over the next two years? What policies are the parties going to put forward as messaging bills to kind of support their prospects in the next election? Any ideas, any thoughts on what proposals we might see as people gear up for 2028?

STORME SIXEAS 28:19

I don't think you're going to see a single unified Democratic proposal at this point. One of the challenges that I think Chuck Schumer — assuming that he's the incoming Democratic majority leader in the Senate — one of the challenges he's going to have is he could have as many as eight of his members running for the presidency, hoping to become the nominee. And they're all going to try and set themselves apart a little bit. They're all going to have their own platform. And whether they're the candidate at the end standing or not, they want their idea to become the idea that goes into the election next time around.

And so you're going to see a lot of messaging, posturing, whatever you want to call it, but there are already a lot of proposals out there. I think there's some common themes, but they're not on the same page yet. And I think a couple of the common themes are looking at, particularly looking at high-net-worth individuals' taxes, whether that's income tax rates or wealth taxes, which haven't been tested yet, and trying to … in an interesting twist, a lot of the Democrats now are trying to exclude more and more taxpayers from income taxes.

So it used to be that they kind of felt like everybody should have, or most people should have a little bit of skin in the game, and that taxes were the price that we paid to provide all these great benefits from the government. And now there's this move to try and exclude more and more people by raising the standard deduction very high or raising the level at which you would start paying income taxes and excluding more people from the system. And I think that's a new thing in the last couple of years from Democrats that we're going to have to watch as well.

And then there are some who want to see the corporate rate go back up. When it went from 35 to 21 (percent), a lot of Democrats agreed that it needed to come down to make businesses more competitive, but they thought 21 was way too low, and 25, 28, somewhere in there, would be more fair. So I think you're going to see some messaging around that too.

COLIN WILHELM 30:36

Yeah, I agree that you're going to see Democrats try to put forward both a combination of some sort of tax increases on the wealthy and corporations and also continue to kind of elaborate on some of these populist proposals that we've first seen from OB3 of tax exemptions on tips, overtime, some of the other kind of populist policies within that, but probably more as messaging. I think leadership is going to want to try to keep out anything that could potentially divide their caucuses from any sort of bill that is meant to address affordability or other kind of economic concerns of voters.

STORME SIXEAS 31:22

Yeah, I mean, I think we will see them …

DAVID SITES 31:21

Certainly, Storme, I was going to just, to your point, I mean, certainly, you know, taking a wide swath of taxpayers out of the tax system with a higher standard exemption or a higher income, you know, exemption, that would seem that it would have a strong affordability thread to it. You could message on that. A wide swath is a good thing when you're thinking about elections and voters.

And the question is, really, what I'm hearing from both of you is how do you pay for that? Corporate tax receipts are less than 10% of the total take, right? So while I'm all for discussing whether the corporate rate should be 21, 25, I certainly don't think it should be 35. We have seen a lot of businesses come back to the United States, at least, anecdotally. I don't have statistics. I probably shouldn't say stuff like that without statistics, but it feels like some of the Tax Cuts and Jobs Act and OB3 policies have encouraged businesses to be here in the United States.

And so certainly, you know, you're balancing all that, but I certainly do think we need to see some sort of increase in that high-net-worth space to offset what they want to do, maybe at the lower end of the exemptions and things like that. That should be fascinating to kind of watch how that gets messaged and how that translates into the next election. And I think a lot of it will, you know, have to do with the economy, right, and whether the persistent inflation and high gas prices persist or whether voters start to feel some relief from some of the economic challenges that we've had in the past.

But let's bring it back. I'd be interested to hear from you guys. How should businesses … what should businesses be watching? What should businesses be thinking? And I'll start off with my perspective, then maybe I'll get a short snippet from you guys before we close out with any final shots here. But if I'm a business leader, I'm thinking maybe not a lot of legislation in the next two years, but a potential that we're trending upward.

And Storme, I said this to you in a prior conversation. I don't feel like tax rates are going down anymore, given the deficit, given the situation that we're in, given the cuts we saw, you know, over the …

STORME SIXEAS 33:41

I agree.

DAVID SITES 33:41

Yeah, I think everybody agrees, right? So as a business leader, knowing maybe I'm headed in an increasing tax environment, that can have some impacts on timing of transactions, decisions to invest, not invest, divest. And so I think that's the clear signal here to watch is, as the policy unfolds over the next two years, as we start to see what ideas are out there for Democrats, if Democrats continue to trend towards maybe having the trifecta, as a business, I've got to believe tax rates are going up and maybe I think about planning accordingly. Are you guys seeing it differently?

STORME SIXEAS 34:20

I think there's definitely some modeling to be done.

DAVID SITES 34:21
Yeah, yeah.

STORME SIXEAS 34:22
Yeah, I think modeling for a higher rate. And to be honest, we told businesses this before, when President (Joe) Biden came into office and the last time the Democrats did have the trifecta. Quite honestly, it was a surprise when the Democrats couldn't get the corporate rate increase that most of them wanted then. They had a very small majority, though. They needed every one of their senators to vote for that corporate tax increase, and they couldn't get all 51 of them or 50 of them plus the vice president. They're going to have a few more votes to play with this time around if they were to do something through reconciliation and they had that trifecta.

STORME SIXEAS 40:39
So, um ... that kind of modeling that companies did back then is probably worth doing again, revisiting and looking at what would a higher rate mean. I do think you'll see probably things like expensing generally protected both by Republicans and Democrats. Now, I think we are seeing some debate around whether there are certain sectors of the economy, read: maybe AI data centers, that shouldn't get those broad business tax benefits. But generally speaking, I think there's a pretty good alignment between the two parties that full expensing is a good mechanism for businesses and that it helps them grow their business.
Things like R&D, we've already seen a little bit of a split on that, you know, the domestic versus the foreign R&D. But some of those broader tax incentives for business … probably going to see protected, but that rate is not necessarily the safest thing.

DAVID SITES 36:05
Yeah, Storme, we talked for over 40 minutes before somebody said AI. And not only did you say AI, you said "AI data center" altogether. So I think that obviously I hear you on that very controversial topic right now, the topic of AI data centers. But you're right, AI spending is significant and there's all kinds of tax policy wrapped up in there. I think it's interesting …

STORME SIXEAS 36:32
I do think that's one to look at in the next, I do think that's one to look at in the next Congress. There are a lot of proposals coming out right now from both sides of the aisle related to AI data centers, and it feeds into that affordability argument. They heard a lot about that from voters who feel like, even if they're not entirely sure, they do feel like AI data centers are causing higher energy costs where they live or are having some sort of impact on their community and their local taxes or their state taxes. So it hasn't quite come around to completely strange bedfellows from both sides of the aisle all in complete agreement on what we should do about that. But there are a bunch of tax proposals out

there related to AI data centers that I think are certainly going to be under a lot of discussion in the coming Congress.

DAVID SITES 37:24
Colin, I want to come to you on your fastball. What do you think about trade? How should business leaders be thinking about trade policy in the next Congress and maybe longer term?

COLIN WILHELM 37:36
I think that we could see some détentes between the administration and Canada. The U.S. Trade Representative started to make noise about that in the last couple of weeks. In terms of actual tariff authorities getting limited, you know, it's an uphill battle for Congress to do that right now, given the supermajority that's needed to override a veto and how closely held tariffs are as a belief for the president. And having that authority is as a belief for him, too. He really likes the ability to act unilaterally on this issue and sees it as beneficial to how he approaches trade with other countries. That being said, tariffs are about as unpopular of a policy as I think I've ever seen in covering D.C. and covering Congress. So there is a possibility — and certainly when you talk to elected Republicans off the record, they will say, "We don't like these. They're bad politics, they're bad policy." So there's some possibility of maybe some of these members who are returning and having survived re-election at, you know, a 51 to 49 vote saying, "Hey, this is a way for us to address the affordability concerns of voters that's also consistent with our own ideology."

DAVID SITES 39:11
Yeah, it's going to be great, guys. This has been a really awesome conversation. Thanks for joining and sharing your thoughts on this. And thanks to all of our listeners for tuning in to this edition of the D.C. Dispatch. We'll see you next time.

STORME SIXEAS 39:20
Thanks, David.

COLIN WILHELM 39:21
Thanks, David.