U.S. and global perspectives on OBBBA and tariffs

Transcript

00:03

DAVID SITES

Thanks for tuning in. I'm David Sites, National Managing Principal of Grant Thornton's Washington National Tax Office. Today, we're here to talk about what's next for policy, politics and business strategy in the wake of the One Big Beautiful Bill Act, as or as I am begrudgingly referring to it, OB3.

While OB3 might have delivered some long-awaited tax clarity with its provisions, it also opened the door to new legislative activity, tariff enforcement and plenty of global reaction. We're here to break it all down and help you stay one step ahead.

So I've got a bunch of great guests with me. First, I have Storme Sixeas. Storme is a managing director and our Tax Legislative Affairs leader in our Washington National Tax Office and one of our go-to experts for all things Capitol Hill.

I have Colin Wilhelm. Colin's a manager in our Tax Legislative Affairs group in in the Washington National Tax Office, a former political reporter and editor, and he offers us on-the-ground perspective from Washington, D.C.

And finally, I have Peter Vale, who is an International Tax Partner at Grant Thornton Ireland. And Peter is tracking global tax policy from an EU perspective, looking at cross-border implications of recent U.S. developments. Excited to have you all here. Looking forward to having this discussion.

Let's start by looking at the post-OB3 policy environment. So, Storme, I'm going to come to you first for kind of a "What's the mood on Capitol Hill right now?" So, obviously, OB3, right, was a major achievement for Republicans, and particularly for President Trump. It was a drama-filled process. There was uncertainty right up until the last minute. A lot of provisions were in and then out. But now that it's passed, stakeholders are kind of looking and they're saying, well, we got some Treasury guidance potentially coming, but there's also A. shift towards focus on what other legislative priorities might be.

So, can you tell us a little bit about how lawmakers are kind of looking at the tax landscape in the wake of OB3? Is this maybe the beginning of more for some taxes? Talk about maybe what you’re interested in that didn’t make it into OB3 that might come back up on Capitol Hill?

02:13

STORME SIXEAS

Yeah, sure. So, I think the best way to describe the atmosphere on Capitol Hill right now is maybe toxic. Coming out of the bill, the partisanship couldn’t be higher. This bill was, much like TCJA and like the Inflation Reduction Act, was done on a single party vote — no votes from the other side, completely opposed. And there’s a lot of rancor coming out of this bill on some of the things that were included, and the way that Democrats were left out of the parts that even they would have been interested in.

And I think from the from the Republicans’ perspective, they got done like, I don’t know, 95% of what they would like to do on the tax front in this bill. So there’s not a ton of big stuff sitting out there, but they are talking about another potential reconciliation bill so far being called “Too Big, Too Beautiful.” If you’re a kid of the ‘80s like I am, I’ve dubbed it “Electric Boogaloo,” (but that may not resonate with a lot of people) but that I think would be largely healthcare, Medicaid focused and addressing more around spending cuts that were promised to the House conservatives, primarily, for their votes on this bill.

So I don’t think there’s a ton of tax policy per se that would be in another reconciliation bill. But there are a few things still floating around out there that have been talked about for maybe a bipartisan tax bill toward the end of the year. But I don’t think that the Democrats are at all in the mood to talk about a bipartisan bill right now.

The one thing that Democrats really have on their radar for getting done before the end of this year is extending the premium Affordable Care Act credits that are out there. Those have been … those were put in place and then have been extended twice entirely by Democrats. But there are some Republicans that are now getting some pressure on those credits, and so there could be some bipartisan room on those.

But right now, at least, the chairman of the Ways and Means Committee, Jason Smith, has said he’s not interested in doing that. They’re very expensive to extend and he says not a priority for him. And there’s just not a lot left out there that is big enough to drive a vehicle on its own. So many of the tax extenders have been made permanent in recent years. We don’t have that big package of tax extenders like we used to have toward the end of a lot of years. And so we’ll see.

05:14

DAVID SITES

So what about, Storme, let me jump in. What about, what about … there were some things that didn't make the bill that I think were good candidates, right? We had things like carried interest, the corporate SALT deduction was out there, LIFO repeal kind of always on the table, stock buyback excise tax — you know, there was some talk about potentially increasing that. Do you think we can kind of lay that to rest for a little while now, now that those things are not in OB3, or do you think those things potentially rear their head again?

05:43

STORME SIXEAS

Now I think that those were all floating out there as potential "pay-for"s that the business community was worried about because there was … we knew that this bill was going to be so expensive on the individual side, extending all the TCJA tax cuts was so expensive that there was concern they were going to take some pay-fors from the business side of the ledger and those were the candidates that had been floated out there.

In the end, they didn't do that because of the way they did the scoring for this bill, which I won't get into. But I don't … and I think that if we do more bills under reconciliation, they're going to be spending cut bills, which is the priority now, maybe codifying some of the DOGE cuts from earlier this year, just cutting, cutting government spending across the board.

And so, they're not going to need those pay-fors. And so I think, as far as those are concerned, they're they were, they were never things that Republicans were dying to do. They were the "what would they do" if they had to find pay-fors.

06:47

DAVID SITES

Understood, understood. You mentioned the size of the bill and, Colin, I'm going to turn to you now. Obviously, the bill's passed. Maybe we don't see a lot more tax action on the Hill anytime soon, but it's election season soon and a big part of tax policy is going to be impacted by what the midterms look like in 2026. So, what are you seeing in terms of how candidates are positioning themselves? I realize it's early. I think we had a few announcements of people running for governor and I think people are starting to put feelers out, especially with politicians being home in their districts now maybe. So any surprises around how OB3 is being messaged? Or do you think it's a good message for Republicans? Tell me your thoughts.

07:31

COLIN WILHELM

I think this is going to be a major deciding factor in the midterms moving forward. The administration clearly sees a priority around this. There's a story that's out today, or at least this week that we're recording this, that they're sending out nine cabinet secretaries to go basically sell this legislation to the rest of the country. We've seen some early returns on some of these town halls, and it doesn't look pretty. But, you know, Republicans will also argue they're getting stacked with activists or people who are already kind of inclined to voice their displeasure with the way things are going in the country. But it's absolutely, it's going to be this major driving factor.

You also have tariffs, which we'll get to in a little bit, that are also going to be a major factor in midterms. And really both these things are major economic policies from the administration and Congress and, as we've seen of late, and you know this has been true for basically the entire history of the United States, the state of the economy really weighs on politics. And so how that looks and how those policies are interacting with our day-to-day economy and people's jobs is really going to be a huge factor moving forward for 2026.

08:49

DAVID SITES

Yeah. And then Storme, I want to come back to you. I know you shared some data with me about some recent polling, and I think, you know, your data kind of backs up some of what Colin was saying there, right?

09:01

STORME SIXEAS

Yeah, the polling on this bill so far is not particularly good for Republicans. More than half of those polled — and this is numerous polls, we've got one from the *Wall Street Journal*, CNN, KFF, all considered reputable sources for polling — all show that more than half of those responding thought that the bill was going to be either bad for the country, bad for their their family, or they opposed it or didn't support the bill.

Now if you if you ask about specific parts of the bill, you will get a more positive view. Obviously, if you ask people if they're happy about the TCJA cuts, you know, the individual tax cuts being extended, yes, they're happy about those. There are individual provisions in there. But when you ask about the bill overall, the messaging has not been positive.

And I think, interestingly, the Republicans clearly they recognize that the politics and the strategy that's smart to go with here: they front-loaded the stuff that is going to be more popular so they can go out and talk about that and that people will actually, maybe, feel that impact before the midterms. And the stuff that is going to be less popular and may hurt households is not going to take effect until after the midterms.

So you've got things like an increase in the child tax credit, this increased deduction for seniors to offset some of their tax on Social Security is how that was that was put out there. Those hit this coming year, and so people will feel that when they're doing their tax returns next spring. But things like cuts to SNAP and cuts to Medicaid and things that are going to affect rural hospitals aren't going to hit till after the midterms.

10:59

DAVID SITES

Yeah, that's important. So, Colin, anything else to add on this topic before I want to bring in Peter next?

11:05

COLIN WILHELM

Yeah, I think you're starting to also see this show up in the generic congressional ballot too. That had been pretty neck-and-neck going into the spring. But now you see some separation for Democrats, even though the overall approval for Democrats is not really increasing.

And that's a little bit of an early warning sign for midterms. And it's part of the calculus here of, you know, you jam so many different things into this one particular bill that helped get it through Congress and narrow majorities in the House and Senate. But at the same time, when you do that, something that plays well in in one area of the country might not necessarily play well in another. And so you have Republicans defending these policies that, you know, one of their colleagues might have really pushed for, but it wasn't something that they particularly wanted.

And that's going to create a kind of an awkward dynamic moving forward as they run on this bill. It also kind of explains some of the exhaustion that's there on Capitol Hill right now and why there might be some skepticism over how much momentum a Too Big, Too Beautiful has where everybody's just a little bit kind of, you know, catching their breath from this breakneck process that brought this law into being signed by the president.

12:22

STORME SIXEAS

Yeah, they did multiple overnights. They're tired.

12:25

DAVID SITES

Well, yeah. Oh, yeah. And there was a lot of horse trading right up until the end, so I can understand the sentiment about having to defend some stuff that maybe you just had to kind of vote for, right?

So, Peter, you've heard all the talk about maybe how Americans are viewing it and what the outlook is for tax policy here in the U.S. I'd love to hear what you're hearing from international clients or international firms across the EU. You know, is this bill seen as something that gives reason for optimism, skepticism, cautiousness? And I know there's a lot going on right with EU-U.S. trade right now, but I'm focused specifically on this massive piece of legislation.

13:08

PETER VALE

Probably, I would say, David, a bit of all three, to be honest. Like I think when a lot of those original provisions came in in 2017 in President Trump's first term, there's probably a lot of concern at the time in Europe as to what it would mean for U.S. overseas investment. And at that time, after a period of maybe six months of inertia and little investment be made, things did get going again, even though the tax burden had increased for many.

This time round, there's probably general positivity on the certainty providers, you know, regarding the permanency in particular of GILTI changes. There certainly would have been a concern that it could have been a lot worse given the general sentiment coming from Capitol Hill regarding IP onshore, held offshore, I should say, with countries like Ireland in mind. But say there was a concern, it could have been worse and maybe on the other side of the House, maybe, you know, perhaps it would have been worse in terms of a higher rate.

It's interesting that GILTI is still less than the Pillar 2 15% rate. I know the calculations are different, but you know many large groups will be paying tax in Europe at a rate higher than the GILTI rate. So you wouldn't expect much additional GILTI exposure, although obviously that depends on the company's overall tax profile.

On the R&D changes, they did get a lot of coverage when they came in first, and probably not surprising that U.S. domestic R&D is now treated more favorably than non-U.S. R&D. But that does remain an issue for many multinationals that do a lot of their R&D outside of the U.S.

And look, what else is going on? I know we'll talk about tariffs. I mean, you look at things like Apple's $100 billion investment in the U.S. and other similar investments. You know, what was that driven by? How much of that was driven by OB3 or by tariffs? And what does it mean for U.S. FDI – foreign direct investment – into Europe or elsewhere? And it maybe would have happened anyway. But that's, that level of future investment into Europe as a result of OB3 and tariffs, that's a key concern at the moment in Europe.

15:10

DAVID SITES

Yeah, absolutely. And I wonder, I mean at some point, right, with the disparate treatment of R&D as you mentioned, there's going to be a real decision point for companies of "Do we continue to do this R&D offshore?" Of course, there's other costs and things that you want to look at, but I'm sure providers in Ireland and a big sector of your economy is concerned about does that work start to shift back to the United States to take advantage of the more favorable provisions?

So exciting, exciting times and we're going to pull you right back in because I want to turn the topic a little bit here to tariffs. And just today as we're recording this, a slew of new tariffs took hold, I believe at midnight. Colin. Colin, you're kind of our tariff go-to expert. And I read a Bloomberg economic estimate that said the average tariff rate in the United States is around 15.2 after these tariffs take effect. Highest number since, I mean like 80, 90 years, I believe, back to World War II, maybe further. In the run-up to this kind of deadline we saw the EU for example, Peter, and Japan and South Korea strike deals and settle on, you know, ostensibly 15% rates with other, you know, commitments to spending. I understand Mexico, Canada and China are still kind of in ongoing negotiations with kind of interim measures in place. We've got sectoral tariffs, right, that are kind of separate. It's very confusing.

So I guess the question for you is, maybe just to help get the audience started, give us a year summary of where we stand, what we're still looking at, what the major things are. Tell me what I missed there.

16:54

COLIN WILHELM

You covered a lot, but a lot is going on. Through the sheer volume of action, it feels like that meme of, like, pointing to all the different connecting points because you have all these different variables that are getting introduced into our international trade relationships and in the economy because this is all impacting imports and supplies and inputs from other parts of the globe. But yeah, we happen to be recording this on Aug. 7th, and that is the date that all these country-specific new tariff rates that were announced by the administration on July 31st go into effect. I won't go through the full list, but there were some pretty notable ones. EU at 15%. We had increases to Japan, South Korea, India, just several other countries. We are in a holding pattern right now with Mexico and China, two major trade partners after Canada and the EU, but …

18:02

STORME SIXEAS

What about increases in India today?

18:05

COLIN WILHELM

Yeah, and more increases in India. Well, effective later this month, but yeah, announced yesterday because of their purchases of Russian oil. We're still sorting out what the exact details of the investment numbers that we're seeing in these agreements with other countries are between the Trump administration and the various countries they have been talking to. There has been some dispute from foreign officials over these numbers, and so it's a little bit unclear as to how concrete they are, if they are an up-to number, if they're an investment number versus a loan number. There's just a lot of floating details out there because we haven't seen any official paper on this, aside from fact sheets.

18:50

DAVID SITES

So you're referring to, for example, in the deal there was an EU commitment supposedly to purchase $750 billion of U.S. energy and invest $600 billion in the U.S. economy, right? From the "EU." We don't know really what that means. We don't know the timeline for those energy purchases. Is it up-to, is it contingent on anything? And we also don't know whether the investment looks like loans or other types of investments. Is that what you're referring to?

19:19

COLIN WILHELM

Exactly. We don't know what the details of that are. We don't know what that's going to look like moving forward, how real some of those numbers are. Back during the first Trump term, the de-escalation of the first trade war with China involved this phase one agreement that also had a very large purchase amount in it, but China did not end up adhering to that. And you know, I think you can see some of the carryover of ill will coming from that in the second Trump administration.

But I think it's really notable that we had seen these threats of retaliation from the EU, from some of these other jurisdictions weighing that and right now that appears to be off the table. And I think that does have some companies maybe breathing a little bit easier that we are not looking immediately at an escalation to the services industry where the U.S. is really dominant in terms of exports that could, you know, look like digital services taxes across the EU or some other jurisdictions. So that's something that may give parts of the U.S. economy some initial peace of mind, you could say.

20:33

DAVID SITES

Yeah, I think, some people think, well, perhaps we've averted an immediate trade war and perhaps we have a little bit of a room for pause. I'm dubious, right. Seems like there's no room … no breathing room in this tariff thing. Peter, I want to turn to you. Obviously, the EU is heavily involved and I'm sure there's reaction from your side of the pond. I've talked to several people. Tell me, what's the reaction to the to the tariff developments from your perspective?

21:03

PETER VALE

Yeah, which day? I think at a high level, David, the general reaction in the EU has been there wasn't a great deal for the EU, even though, you know, there is an official line that we did get certainty, which to some extent we did. But I will put that certainty in bold and vertical commas because I don't think anybody believes we really did get certainty.

So a lot of concern in the EU as to what might happen in the future and you know, pharma and semiconductor sectors probably most exposed in this regard, with the threat of 250% for pharma at some point, maybe within the next two years and 100% tariff and semiconductors at some point that we don't know in the future. But even for other sectors, you know is 15% really a cap?

And I think, I think to Colin's point, if there are further changes, then there is a significant risk that the EU will take its retaliatory tariffs out of the freezer and we'll have a full-scale trade war again, and digital service taxes will be chips in this battle. And that's clearly not going to be good for either of the economies or their consumers.

And I think the other view in the EU is that there's probably been a failure to understand the complexity of supply chains and exactly what goes into making products. You know, in many cases there are different components that travel the globe several times before the finished product is made and where some of these components are made is really a function of geography, the existence of specific minerals, for example, and some of the travel of those components. It's also a function of where cutting-edge processes take place, and you're certainly not going to change geographies and even moving where some of those critical processes take place. I think it's probably unrealistic, if not impossible.

I think, look overall in terms of some questions with the view in Europe, I think probably everywhere, is they will raise costs and that, you know, they probably won't achieve the desired objective because of the factors that I just outlined. They probably won't achieve the damaging desired objective in the U.S. And ultimately, you know, it will be potentially for both of our economies … but not just for both of our economies, but for global trade. So, you know, how long they will last, based on all that? I don't think anybody knows.

23:02

STORME SIXEAS

These feel to me less like …

23:03

DAVID SITES

Yeah, it's a lot to wrestle. Go ahead, Storme. Go ahead.

23:06

STORME SIXEAS

Sorry David. These feel to me less like trade agreements than they do like temporary cease-fires of the retaliation and the escalation back and forth of tariff increases. Like, you know, we say permanent, you know, there's certainty, but certainty in this particular environment feels like it could be certainty for less than a week or less than a month.

23:35

COLIN WILHELM

Right.

23:36

DAVID SITES

Yeah, I'm so glad you said that, right. Because the number one thing I hear from businesses around the world on this tariff issue is, "Can we just decide what it's going to be so we can move on and plan our business?" And there's a lot of reactions to increased cost around tariffs, Peter, right? People have looked at cost-cutting automation, you know, AI always comes into the conversation when people look to cost cutting. Supply chain realignment is just one of those reactions. And as you mentioned, in a lot of cases, supply chain realignment just doesn't meet the business needs, right. And so you've got to look at a way to defray the cost. It's really hard to make these decisions without certainty, though. I think that that's the message.

24:13

PETER VALE

One hundred percent. You can't make a long-term decision based on what's happening at the moment. You just can't. You certainly don't have all the full facts. That's incredibly difficult.

24:21

DAVID SITES

Right. So Colin, when's this going to be all settled out so people can start making long-term decisions?

24:27

COLIN WILHELM

Oh man, that's … that answer is above my pay grade. A lot of this really does stem back to a lot of the feeling of this can change on a dime and that feeling is real. (It) stems back to the administration's use of IEEPA, the International Emergency Economic Powers Act, to implement these. That's never been used before for tariffs. It's a sanctions law and it's something that is lending itself to the very quick nature of a lot of these tariff orders and why they feel kind of … I don't want to say knee-jerk, but like kind of "whiplashy" for some companies in terms of when they go into place.

Um, and we have more legal uncertainty there because that is being challenged in court by certain companies and certain organizations here in the U.S. So far, they've had initial success in the couple of different separate rulings, but that's being appealed by the administration. The courts have allowed these tariffs to remain in place pending appeal right now, and there's a lot of anticipation that this is going to go end up before the Supreme Court and that will drag out the process, but also drag out uncertainty around this.

And so, I think you're also going to see the administration continue to build out some of the Section 232, Section 301 tariffs that they have investigations active on. Those look like the aluminum, steel, copper tariffs that are in place right now, semiconductor and pharmaceutical tariffs that Peter was alluding to before, and basically trying to use some of the more established rails around tariffs and trade enforcement to build a more concrete foundation in case they do lose these IEEPA cases.

So, you're still going to see, even if there is success in challenging the statute, the use of the statute that's been used to put some of these country-specific tariffs in place. I think you're still going to see a lot of a heightened tariff environment for the U.S. moving forward, but it'll be a question as to, you know, what gets holes poked in it.

26:14

DAVID SITES

Yeah, I think the message, right, for listeners is there is really … there's some more certainty after this most recent date, but there's still a lot of uncertainty and people need to stay abreast of what's going on, how it's impacting their business. And I would encourage listeners to visit the D.C. Dispatch website at grantthornton.com. And you can find our tariff materials there to follow along.

So, I want to switch gears a little bit. So, we've been talking about kind of the popular things that everybody's talking about, tariffs, OB3, fallout. So, Storme, I'm going to come to you first. Tell me what executives might want to be thinking about that maybe isn't grabbing some national headlines but could have impacts on businesses.

27:24

STORME SIXEAS

Let's see. I think there are two things I would point to. One is, if you are in the energy space, particularly in the solar and wind space, you already took it on the chin in the OB3 bill. But there's still, I think, more pain to come, potentially. The president signed an executive order to try and encourage Treasury to write its guidance for implementing the changes in the energy tax credits in a way that might phase out wind and solar even faster, or at least make them … make projects harder to get the credit for, even under the very short timeline that they still have left. And that's causing a lot of consternation amongst some Republicans who paid, who supported the bill, but who wanted a bit of a transition time for wind and solar, and they feel like the administration is now trying to pull that short transition time even out from under them.

28:34

DAVID SITES

Yeah.

28:34

STORME SIXEAS

So keep an eye on that. And then the other thing I would point to is the IRS staffing levels. Between the start of the 2025 filing season – so late January – and June, the IRS workforce fell 26% and they had a 37% drop in funding. So, the people who have to write the regs coming out of OB3, the people who have to write all the … change all the forms for next year's filing season and who have to make all the IT ready for next year's filing season and who have to answer phones for taxpayers with questions and for filing professionals and all that, they are short supply.

And I think that is a problem that is not going to be sorted out incredibly quickly. And I think the staff that is still there is more junior, less experienced and I think that's going to cause some challenges for the tax process going forward.

29:42

DAVID SITES

Yeah, I'm so glad you brought that up. I mean, the IRS funding and staffing situation is a huge issue that I think businesses have a lot of question marks around. What does it mean for enforcement? What does it mean for levels of services? What does it mean for my ability to get certainty on some tax positions? And we're going to just continue as OB3 rolls out to see more and more uncertain areas. They're already starting to crop up. Colin, quickly, what about you? What are you looking at as we kind of move forward that maybe isn't dominating the headlines?

30:12

COLIN WILHELM

Yeah, sure. So, we did talk about how there could be this second reconciliation package of Too Big, Too Beautiful. I will keep using that terminology because it's …

30:22

DAVID SITES

I love it. I love it.

30:24

COLIN WILHELM

I have … it gives me visions of Vin Diesel legislating from the House well for, like, "2 Fast 2 Furious" fans out there. But there's also a bit of momentum now around legislation for cryptocurrencies and digital assets. We actually saw already a new law for regulations around stablecoins that passed in July, and was signed into law …

30:51

DAVID SITES

That was the Genius Act, I believe, right?

30:52

COLIN WILHELM

Yeah, the Genius Act. Yeah, yeah. And now the House of Representatives has passed, on a pretty strong bipartisan basis, the Clarity Act, which would really codify what qualifies as a commodity versus security and also some safe harbors for capital formation, and that matters for disclosure reasons. Financial disclosures, securities have a much higher obligation than commodities.

And then you also potentially have changes to tax treatment there that are kind of … there's a push for changes to create a de minimis threshold for crypto transactions, potentially address some changes to wash trading activity within digital assets and also tax treatment of assets that come from crypto mining or staking, which are, you know, pretty unique to that technology, because it's a combination of computer science and a financial asset. It's kind of this like platypus within the financial world.

So, I think you're going to see some more activity on that. We think there might be a markup on clarity some time in the fall on the Senate side. They're probably going to want to make some changes. That could also become a vehicle for some tax changes with regards to cryptocurrencies, too. So that's something to watch in the last quarter of the year from Congress.

32:17

DAVID SITES

Awesome. Yeah, a lot of movement on crypto. I think if you look at the price of Bitcoin, you know, you can see kind of some optimism in that market, although I think it's pulled back a little bit. But Peter, maybe shifting gears, I mean, so talk to me a little bit about what you're hearing and how Europe is meeting this moment and from a planning perspective, you know what's out there in front of you guys and what are the kind of the most critical issues as you move into the second half of 2025 here?

32:46

PETER VALE

Yeah, I mean, look, we've talked about OB3, we've talked about tariffs. There are two big boardroom issues, David, for companies in Europe. There's lots going on in Europe aside from that. Some of your listeners may be familiar with BEFIT (Business in Europe: Framework for Income Taxation), which is some of the hallmarks of CCCTB (common consolidated corporate tax base), some of the hallmarks of Pillar 1 and will be a fundamental change to how profits are allocated within Europe. That hasn't gone away. Certainly not everybody's on board with it, but it hasn't gone away.

And there are other similar initiatives or potential directives that boards will need to consider, certainly track their progress over the coming months and years. And of course, Pillar 2. So, Pillar 2 hasn't gone away, despite some comments in Europe regarding its status and what happened to G7, it hasn't gone away. And I think the chances of Pillar 2 being shelved, to be honest, are pretty remote. So that's very live at the moment. But like the G7 agreement in itself, I mean that's created more uncertainty and how is that going to be implemented? Will we need a new directive in Europe to implement that? That's not at all clear, but that's probably likely.

And I think, you know, it's interesting how it looks like it's going to be treated by way of this, you know, side-by-side system, which sort of suggests that, you know, people are happy that your GILTI effectively mirrors an IRR (income inclusion rule), even though your regime is based on the blended rate, so potentially, Europe becomes … is at a competitive disadvantage versus the U.S. under this new regime. And then you know, what does it mean for Pillar 2 fragmentation? Do other countries like China look for a similar carve out? Like that's, again … nobody knows the answers to these questions, but you know we're going to have to have answers over the next few months, certainly before year end. So that's … I mean there are the sort of live boardroom issues.

34:29

DAVID SITES

Yeah, absolutely. Pillar 2, right, could be its own podcast and probably will be at some point. That is a fascinating area that I think is leaving a lot of tax people and financial people at companies, you know, just kind of with their arms in the air about, "What do I do? Is this thing going away? Is it not going away?" Kind of reminds me of the famous quote, you know, "Reports of my death have been greatly exaggerated," or whatever the quote is, and that's kind of true. That's kind of true for Pillar 2. So, we'll continue to watch and monitor as things come out, Peter. Maybe we'll have you back when we when we get the next round updates on Pillar 2 news so you can get the European reaction. All right, it's time for kind of like a lightning round a little bit. So, I'll give you guys maybe 10-15 seconds. What's one kind of regulatory or political signal that you'll kind of be watching now or an issue that you'll be watching between now and perhaps year end? Storme?

35:27

STORME SIXEAS

I'm going to say redistricting. The Republicans are looking to redistrict in Texas in a way that would give them potentially five more seats in the House. And given how slim the margins are right now and how few seats are competitive these days ,that could make the difference in the upcoming midterm elections. And if the Republicans are able to hold the House, they are almost certainly going to hold the Senate. And we know that they have the White House for another two years. So, if they're able to hold the House, that would give them this trifecta again for another two years of Congress. More opportunities to legislate on a completely partisan basis through reconciliation. So big deal if they do that. And if Democrats cannot answer with, say, redistricting in California, it could be game over.

36:21

DAVID SITES

Yeah, yeah, huge ramifications going into the midterms. Colin, what's your watch point?

36:27

COLIN WILHELM

I've got five quick ones. So …

36:31

DAVID SITES

Make 'em quick.

36:32

COLIN WILHELM

Yeah, I know. Unemployment, inflation, dollar value, the manufacturing sector and exports. And I think those are going to be some key and let me add the stock market, too. I'll cheat and add that. I think those are going to be key metrics that the administration's watching for the rest of the year. And I think those are going to be metrics that the rest of the public's going to be watching in terms of midterm elections.

36:55

DAVID SITES

Yeah. So, in summary, it's the economy, stupid, right? Isn't that the saying, right?

36:59

COLIN WILHELM

Yeah, exactly. You know, very original thought.

37:02

DAVID SITES

Yeah, yeah. Peter, what were you watching between now and the end of the year? What's kind of the highlight issue for you?

37:07

PETER VALE

Yeah, yeah. Like, it's a great question. I think probably noises from the EU, probably the first one. There is some indication that the EU is becoming a bit more business-friendly and maybe some of what we've talked about may get dropped in favor of simplicity and less complexity. It'll be interesting to see what we hear from them over the next few months.

And then digital services taxes and any noises we hear from countries that have them in terms of their future. Again, lots of uncertainty around that. Again, I think they will be bargaining chips, but interesting to see what different countries might say about their respective digital services taxes. They're pretty precious to many countries, so that ought to be interesting to track.

37:41

DAVID SITES

Yeah. Very interesting times indeed. Well, I want to thank all three of you, Storme, Colin, Peter, and I want to thank our audience for tuning in. If you guys have any questions or want to learn more about tariffs or OB3, again, don't hesitate to go to granthornton.com on our D.C. Dispatch page or reach out to a Grant Thornton advisor that you're friendly with. And be sure to follow the D.C. Dispatch for timely updates on tax and regulatory developments that matter. Until next time, thank you.