



Partner Investor



Advocate Investor



Supporter Level Investors



**Eau Claire Energy
Cooperative**

Your Touchstone Energy® Partner



Upcoming Eggs & Issues Breakfasts

- **Friday, June 21**
Legislative Breakfast
- **Friday, July 19**
Craig Thompson, WisDOT Secretary

Reception: New EC City Council Members

- **Wednesday, May 29**
4:00-5:30 p.m. Chamber Office

Working Mothers Luncheon

- Thursday, May 23

Small Business of the Year Breakfast

- Wednesday, May 29

Business After Hours

- Monday, June 10, Staybridge Suites

Breakfast in the Valley

- Friday, June 14, Eau Claire Expo Center



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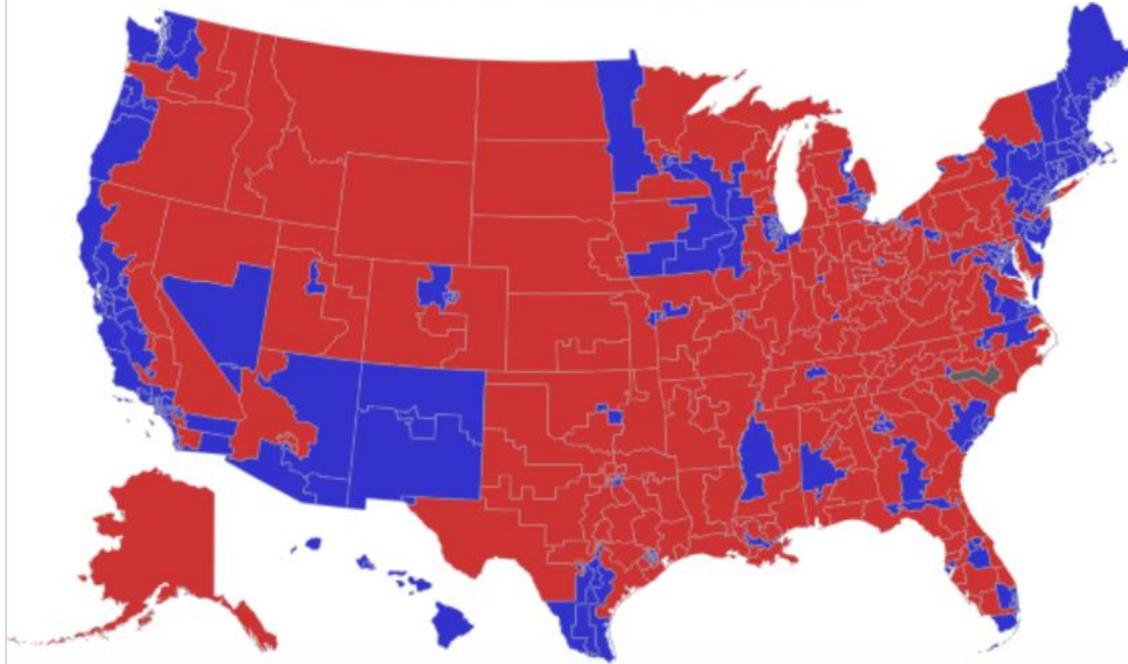
State of Play

- House/Senate Dynamics
- 2018 Review
- 2019 Policy Priorities



House

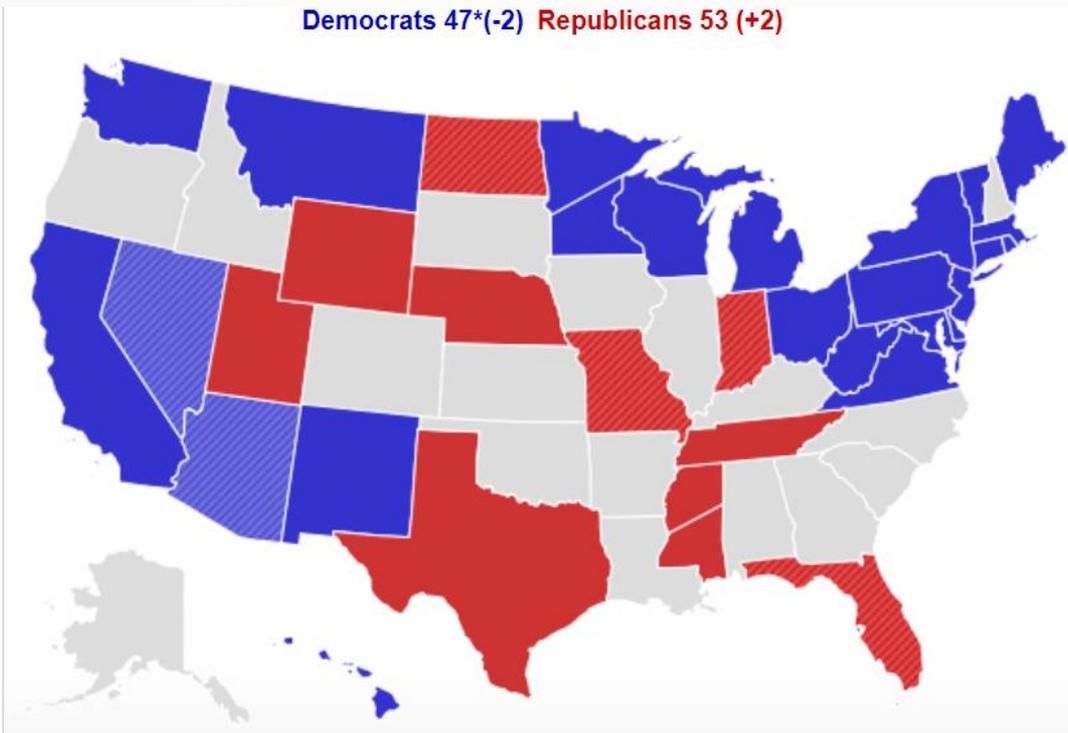
Democrats 235 (+40) Republicans 199 (-40)



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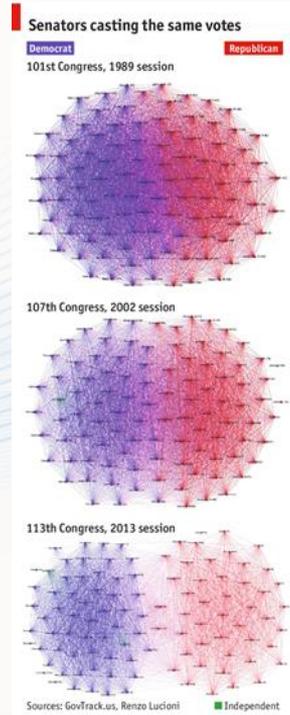
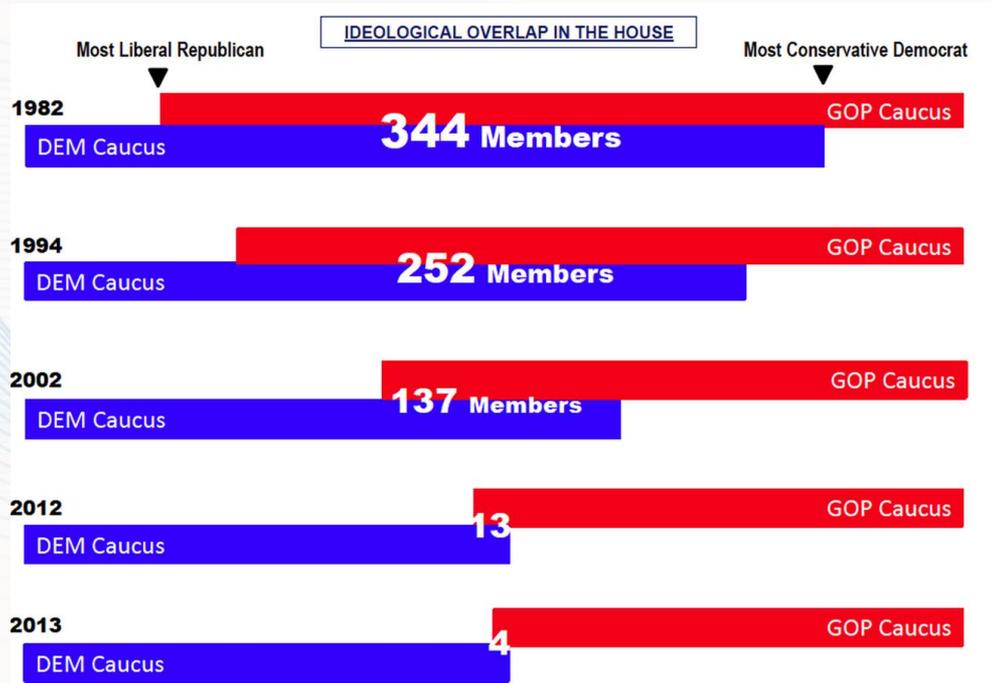
Senate

Democrats 47*(-2) Republicans 53 (+2)



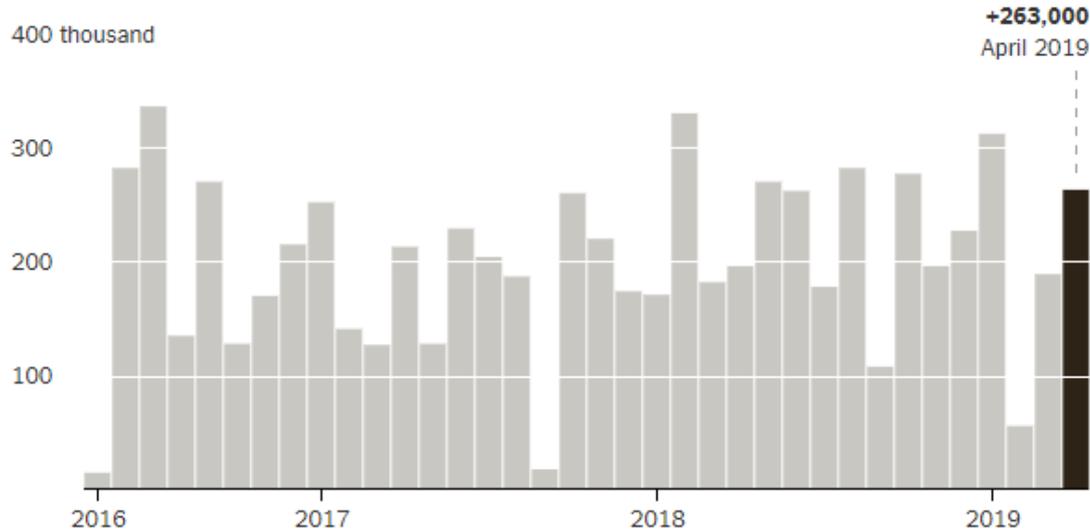
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Congressional Voting Patterns



Economic Update

Monthly change in jobs



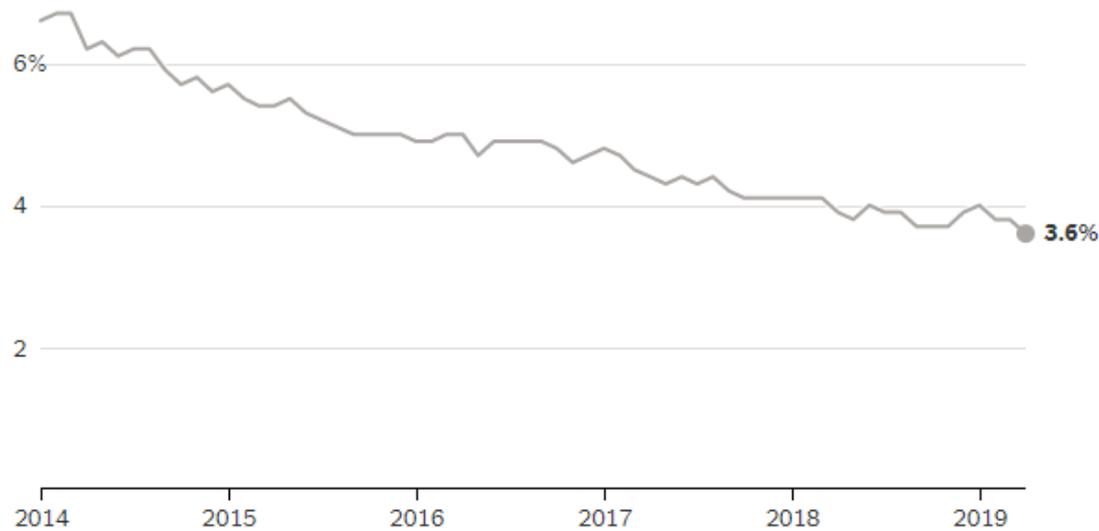
Source: Bureau of Labor Statistics



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Economic Update

Unemployment rate



Source: Bureau of Labor Statistics

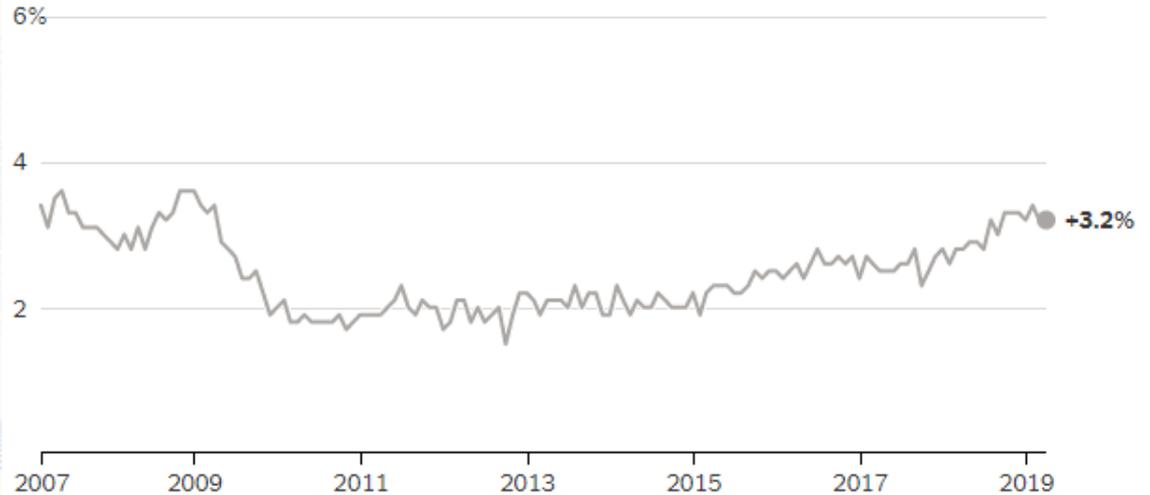


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Economic Update



Year-over-year wage growth



Source: Bureau of Labor Statistics



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Key Issues

- Regulatory Reform
- Tax Reform
- Health Care
- Infrastructure
- Trade/Tariffs



Regulatory Reform

- Since 1976, federal agencies have issued over 180,000 new regulations

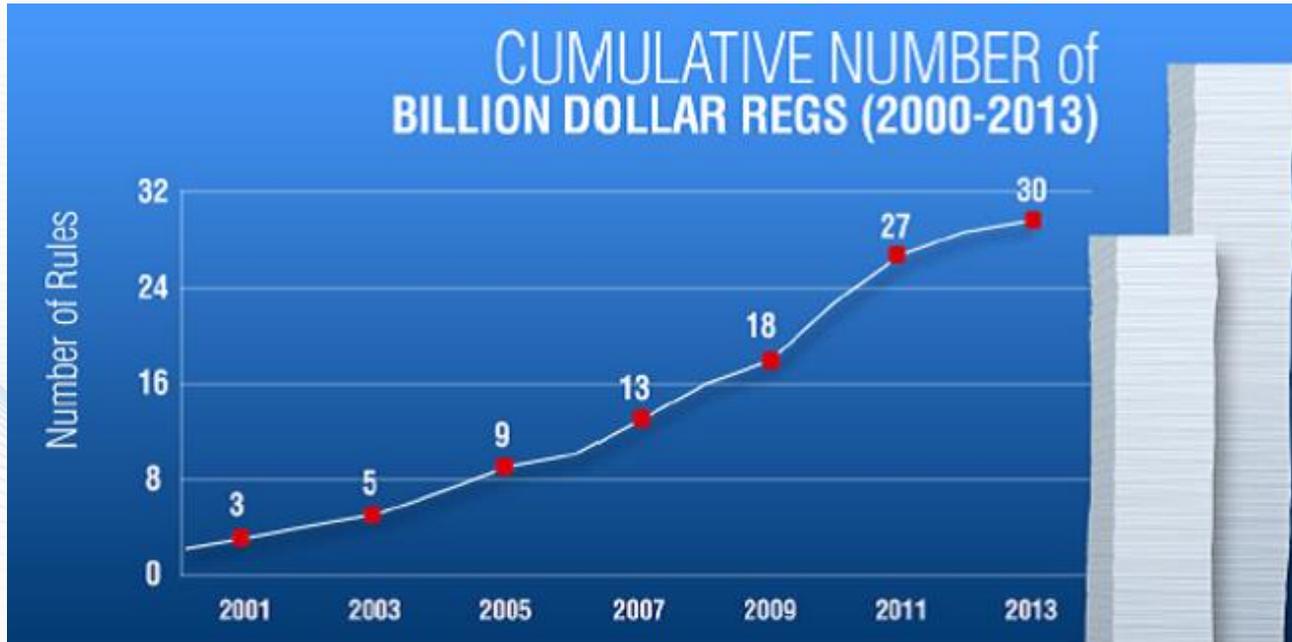
Figure 1. Cumulative Federal Rules Since 1976



Source: *Federal Register*



Regulatory Reform



Regulatory Reform

- The Obama Administration enacted 14 new major regulations annually, totaling around \$12 billion each year. In comparison, the Trump administration said it cut 176 regulations in fiscal year 2018, more than four times as many as it created, saving a total of \$23 billion. Since the start of the administration, more than 2,200 regulatory actions have been withdrawn or delayed.



Congressional Review Act

- 14 successful Congressional Review Acts (used only once before).



Regulatory Accountability Act

- Provides more Congressional oversight
- Allows for earlier public participation in shaping most costly regulations
- Requires agencies to choose lowest cost option
- Allows for on-the-record administrative hearings for high-impact regulations
- Places restrictions on agencies' use of interim final regulations





THE PATH TO PRO-GROWTH TAX REFORM

STEPS

*Initial House Passage
of Budget Resolution*

*Initial Senate Passage
of Budget Resolution*

*Completion of
Budget Resolution*

*Ways and Means
Markup of Tax Reform*

*Initial House Passage
of Tax Reform*

*Finance Committee
Markup of Tax Reform*

*Initial Senate Passage
of Tax Reform*

*Senate Passage of
Final Tax Reform Bill*

*House Passage of
Final Tax Reform Bill*

*President Signs
Tax Reform*

1

TAX REFORM HAS BEEN DELIVERED

10

TIMELINE

10/5



COMPLETED

10/19



COMPLETED

10/26



COMPLETED

11/9



COMPLETED

11/16



COMPLETED

11/17



COMPLETED

12/1



COMPLETED

12/20



COMPLETED

12/20



COMPLETED

12/22



COMPLETED

www.TaxReformforAmerica.com



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What's in it for businesses?

BUSINESS

21% RATE

Top corporate tax rate,
effective 1/1/18.

20% DEDUCTION

Deduction for pass-through
business (S-Corps, Partnerships,
LLC, Sole Proprietorships).

5 YEARS

Immediate expensing of
capital investments for 5 years.

- ▶ Reduces top pass through tax rate to 37%.
- ▶ Move to a territorial tax system – ending worldwide system that encouraged companies to locate abroad.
- ▶ Repeals corporate alternative minimum tax (AMT).

- Ends double taxation
- Repatriation of nearly \$4 trillion: 15.5% on cash locked abroad, 8% on physical assets



What's in it for you?

PERSONAL

\$12,000

Increases the standard deduction from \$6,350 for a single filer.

\$24,000

Increases the standard deduction from \$12,700 for a joint filer.

\$2,000

Increases the child tax credit from \$1,000 per child.



Reactions (Nation & World)wide

- China, Germany, EU examining lowering rates
- Companies already reinvesting:
 - Boeing, AT&T: Capital investments/training/charity
 - Comcast, Nationwide, Southwest: Bonuses/401ks
 - BofA, Wells Fargo, Fifth Third, US Bank: Raises



2017 Health Care Reform Attempt

- Strike One: House Failed to pass in March
- Strike Two: Senate Failed to pass in August
- Strike Three: Senate Failed to pass in September



Association Health Plans (AHP)

- AHP's allow small businesses and the self-employed to join together, by industry or geography, to enroll in a group health plan, similar to larger employers.
- CBO estimates some 400,000 currently uninsured will be able to attain coverage due to the expansion of AHP's.
- Estimated 4 million Americans will enroll in and benefit from new AHP's.
- Update: Federal Court blocked key provisions of AHP's



AHP Chamber Impact

- State and regional chambers of commerce and other associations can now offer meaningful AHP coverage at a cost that member companies and their employees can afford—while preserving important consumer protections and nondiscrimination provisions.



Of House Democrats' plans, the most likely to gain GOP support are improving infrastructure and cutting drug prices

Democrats' legislative priorities for the 116th Congress



Reform campaign ethics and voting rights

- Lessen the effects of lobbying on policy and enforce ethical campaign financing
- Require presidential nominees to release tax returns from the three most recent taxable years
- Expand voting rights, end partisan gerrymandering



Address climate change

- Establish measures to cut carbon pollution and counteract the Trump administration's rollback of environmental protections
- Enact a Green New Deal, which would transition all electric power to renewable sources in 10 years



Cut drug prices and fortify Obamacare

- Decrease drug prices, in part by allowing Medicare to negotiate prices and requiring manufacturers to be more transparent about pricing
- Fight litigation that could strip away the ACA's protections for people with preexisting conditions



Revamp US infrastructure

- Improve transportation infrastructure, water systems, broadband and more
- Demands for any infrastructure to include clean energy tax credits and provisions for research of new technology



Roll back GOP tax reforms

- Increase the corporate tax rate from 21% to as high as 28%; increase rates for high-earning individuals



Raise the minimum wage

- Pass legislation for a \$15 per hour federal minimum wage, up from \$7.25



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Infrastructure

- A modest increase in the federal fuel fee
- Expand financing options, like public/private partnerships, for local communities
- Streamline the permitting process to get projects off the ground
- Develop a skilled workforce to build these projects.



Immigration

- Green card reform and implementation of temporary worker programs for high-skilled and lesser-skilled workers.
- A national employment verification system that is workable for employers.
- Improved enforcement to protect our borders while facilitating the flow of trade and travel.
- Tough, but fair process for the 11 million undocumented people who are living in our country today to earn a legal status.



Building Workforce Now and in the Future

- Boomers working past 65; 10,000 retire every day.
- Veterans transferring into the job market.
- Greater postsecondary education and training options.
- Prison reform: 53,000 nonviolent federal inmates to be released over the next 10 years (low-level drug offenses).





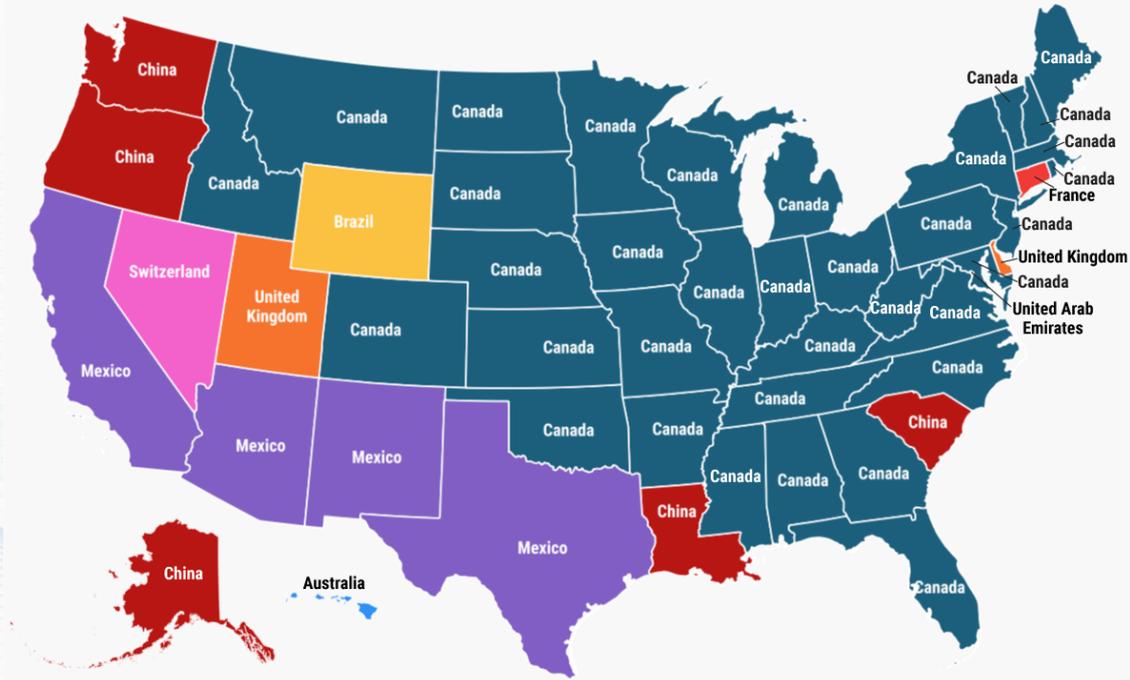
Tariffs (Taxes)

Trade Works. Tariffs Don't.



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BIGGEST EXPORT TRADING PARTNERS



SOURCE: US Census Bureau

BUSINESS INSIDER



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WISCONSIN

249,000

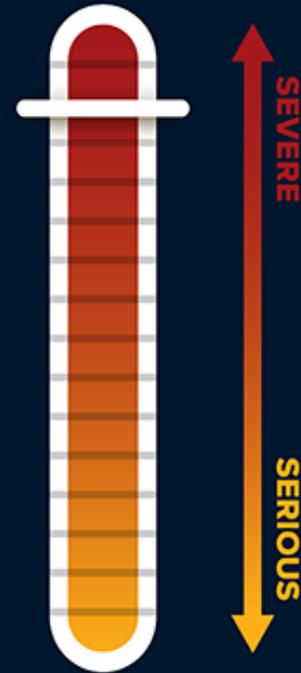
Jobs at risk if U.S. withdraws from NAFTA

46%

Share of exports bound for Canada and Mexico

\$9.6 Billion

Value of exports to Canada and Mexico



NAFTA eliminated tariffs on all tariffs on goods traded between the US, Mexico and Canada by 2008

Key elements of the North American Free Trade Agreement



NAFTA is a **free trade treaty** between the United States, Canada and Mexico that went into effect in January 1994



It also opened the **border and interior of Mexico** to US truckers and streamlined border processing and licensing requirements for commercial ground transportation



NAFTA was created to **eliminate tariff barriers**, remove investment restrictions and protect intellectual property rights



The three NAFTA countries agreed to **strengthen and standardize** health, safety and industrial standards



Around **50% of tariffs** were abolished immediately and the remaining tariffs were gradually eliminated



NAFTA also created commissions with the power to **impose fines against signatories** if they failed to implement the agreement's labor and environmental standards



NAFTA accounts for 16% of global trade and supports 14 million American jobs

Key numbers for the North American Free Trade Agreement



370%

Percentage by which total trilateral trade between Canada, Mexico and the United States grew between 1994 and 2016



16%

Percentage of global trade generated by NAFTA countries



\$12.5 billion

U.S. trade surplus with Canada in 2016



\$55.6 billion

U.S. trade deficit with Mexico in 2016



14 million

U.S. jobs that depend on trade with Canada and Mexico



58%

Percentage of international tourists to the U.S. who come from Canada or Mexico; 56% of all trips US tourists take abroad are to those two countries



The US, Canada and Mexico reached an agreement to replace NAFTA called the US-Mexico-Canada Agreement (USMCA)

Key elements of the USMCA (1/2)

	Topic	Under NAFTA	USMCA
	Auto rules of origin: <ul style="list-style-type: none"> Percent of specific vehicle components needed to be produced in North America to qualify for zero tariffs 	62.5%	75%
	Wages for auto-workers: <ul style="list-style-type: none"> Percent of auto parts made in factories paying workers at least \$16/hour to qualify for zero tariffs 	N/A	30% starting in 2020, 40% by 2023
	Dairy <ul style="list-style-type: none"> The status of Canada's milk and dairy tariffs 	Canadian government restricts the production of dairy, and limits imports	Canada eliminates pricing scheme
	Special dispute process <ul style="list-style-type: none"> Creates a channel for resolving certain trade disputes over dumping or countervailing duties 	The U.S. side wanted it removed; Canada and Mexico advocated for its inclusion	Chapter 19 stays intact
	Auto and steel tariffs <ul style="list-style-type: none"> The status of American Sec. 232 auto and steel tariffs on other countries 	25 percent steel tariff on Canada, and the threat of auto tariffs on Canada and Mexico	Canadian steel tariff stays intact, Trump administration pledges not to impose auto tariffs



The US, Canada and Mexico reached an agreement to replace NAFTA called the US-Mexico-Canada Agreement (USMCA)

Key elements of the USMCA (2/2)

	Topic	Under NAFTA	USMCA
	Labor and environmental rights <ul style="list-style-type: none"> Upgrades to existing provisions 	N/A	Mexican trucks that cross the border must have higher safety regulations; Mexican workers must be able to organize unions
	Intellectual property protections <ul style="list-style-type: none"> The status of IP protections in NAFTA 	N/A	IP chapter is now 63 pages long and has stronger protections for patents and trademarks
	Pharmaceutical competition in Canada <ul style="list-style-type: none"> Length of time U.S. drug companies can sell pharmaceuticals in Canada without facing generic competition 	8 years	10 years
	Chapter 11 <ul style="list-style-type: none"> Gives investors a way to fight government decisions 	Gave companies and investors a process to resolve disputes with a NAFTA signatory government	Chapter 11 eliminated entirely for Canada and mostly for Mexico
	Sunset clause <ul style="list-style-type: none"> Date at which the agreement would automatically expire unless renewed 	N/A	16 years, new talks in 6 years



USMCA eliminates some Canadian provisions regarding dairy

Key elements of the new agreement between the United States and Canada on dairy



U.S. negotiators had criticized Canadian dairy policy that limited foreign imports and domestic production



Dairy imports were one of the main obstacles to negotiations between the United States and Canada



Canada's domestic milk policy was designed to boost its dairy industry; Canadian producers oppose any changes to the policy



The U.S. will now be able to export the equivalent of 3.6% of the Canadian dairy market, whereas they were only able to export the equivalent of 1% before



The United States currently has an oversupply of milk that Trump said made business "very difficult" for American dairy farmers

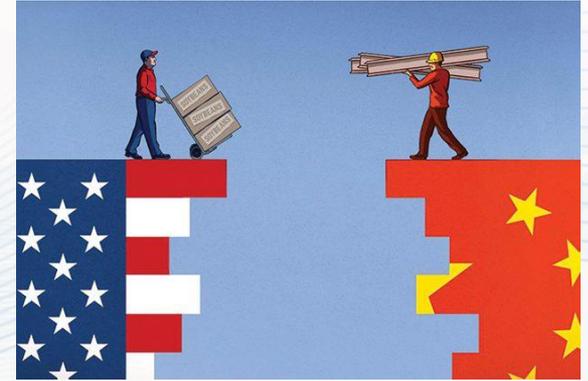


U.S. dairy farmers will be able to send more milk protein concentrate, skim milk powder, and infant formula to Canada



Tariffs, Tariffs, and more Tariffs

- The U.S. has imposed \$250 billion worth of tariffs on good imported from China
- Update: U.S. has imposed \$60 billion in new tariffs on China
- China has retaliated with tariffs on \$110 billion of U.S. goods
- Update: China has retaliated with tariffs on \$60 billion of U.S. goods
- Steel and aluminum tariffs remain in effect, including China, Canada and Mexico
- \$150 billion: total value of retaliatory tariffs from China, Canada, Mexico and the EU
- \$20 billion from Canada and Mexico alone



Wisconsin Jobs Supported by Trade: 800,800
Total State Exports Threatened by New Tariffs: \$2,397,331,050

Total Exports to Canada Threatened by New Tariffs: \$717,988,528

1. Handkerchiefs, Tissues & Towels Of Paper Pulp Etc: \$117,095,440
2. Toilet Paper: \$58,418,040
3. Bread, Pastry, Cakes, Etc & Puddings: \$45,620,800

Total Exports to China Threatened by New Tariffs: \$1,447,866,935

1. Computed Tomography Apparatus: \$97,627,951
2. Fire Fighting Vehicles: \$69,039,609
3. Whey & Modified Whey: \$47,018,353

Total Exports to EU Threatened by New Tariffs: \$97,560,144

1. Kidney Beans & White Pea Beans, Dried Shelled: \$21,750,119
2. Cranberry Juice Not Fortified Unfermented No Spirit: \$15,506,116
3. Pipe Etc, Stainless Steel: \$9,985,046

Total Exports to Mexico Threatened by New Tariffs: \$133,915,443

1. Cheese, Including Cheddar And Colby: \$31,476,563
2. Cranberries, Prepared Or Preserved: \$15,495,679
3. Fans: \$14,511,398



Thank You For Being Involved!

Questions?



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