Hedgeye
Risk Management Tax Reform Update
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JT Taylor: Good afternoon, everyone. Welcome to Hedgeye's tax reform conference call series at the Tax Reform Day. As we mentioned last time around, we'll be hosting a number of these calls throughout this process with guest speakers, as well as with Hedgeye's fundamental analysts. So look out for those in the coming days and weeks.

With us today is David Hoppe, who as many of you know was most recently Speaker Ryan's former Chief of Staff, as well as the Chief of Staff to the former Senate majority leader and a number of other senators. David's definitely been in the thick of things. I think he's on Capitol Hill right now over the past couple of weeks and is going to be sharing his insights on major provisions of tax reform that were unveiled just a few short hours ago.

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As always, you can submit questions to us during the call. Emily Evans and I are going to be fielding a number of questions, and we'll get to them. Email us at QA@hedgeye.com during the process with your questions.

So we've got a lot of ground to cover in a short period of time. So we're going to break the call into two or three different parts. First, we're going to talk about the issues that we think investors are concerned about the most and the provisions themselves. Then we'll pivot to process, timelines and maybe even talk a little bit about landmines. So David, out of the gate, can you discuss where you see the corporate rate going? Right now it's dropping to 20%. Do you see that being permanent? And what number do you think we'll end up with at the end of the day, and what changes can we look forward to in the Senate?

David Hoppe: Thanks, JT. I do see that being, first of all, it got to 20%. Secondly, that will be permanent. And I think that's one of the things that we'll see sort of no matter what happens. Now there is a view that this tax reform, which takes away a lot of deductions, and credits, and substitutes lower rates may fault. Now there are some people who think it may not pass, but [unintelligible] come back and do is to do what people say are tax cuts. The most important thing to the president is lowering that corporate rate as close to 20 as he can get it, and so I think that's a very high priority and will stay.

The other thing you have, particularly on the business side that you want to look at is the pass-throughs, which will go down to 25%, and there will be--they're looking at two guardrails right now, primarily. One is that we just simply say that we classify 70% of the income as wages and 30% as income and just use a very simple and arbitrary rule. The other one would be allowing business owners to have more income classified as business income rather than wages. But that would have to be worked out on an individual basis. What they're really trying to look for here, as everybody knows, is not allow people who--you know, the best example is to take some sports figure who makes millions and millions of dollars a year and let them pay at 25%. They should be paying--that's a services contract in almost all cases, and they should be paying all of that at the highest rate. And so that's what they're trying to do, and that's what they're trying to accomplish with this.

You look at a couple of the other issues in here, and what you've got going on on the corporate side is an effort to repatriate income. And the repatriation rate is going to be 12%. And you have eight years, basically, to use that 12% to--over which to phase in that 12% repatriation rate. And that will, if you're going to do it, that's the way it would be done because there's a territorial system that they're also implementing here, which means you will pay taxes in the country you earn them as opposed to paying there and then bringing them back to the United States and paying a second time. Also, the 12% rate is on cash for repatriation, and there's a 5% rate on the illiquid investments. So you look at interest deductibility for corporations, and what they're talking about doing now is capping that at 30% of the interest. This is one of the big pay-fors [sp] people have been looking at, and they've been talking about for some time. That's where they've come down on it. I would presume that that probably stays in through the House. We'll have to see what happens in the Senate. But at this point I would think that that's also something that the Senate would probably have in their bill as we move forward on this.

JT Taylor: And the threshold for that is $25 million, correct?

David Hoppe: Yes, that's correct. So you--so those are the main pieces that they're going into. For those people who are interested in carried interest, that's not mentioned in here. They're not doing anything differently than current law on carried interest. And you look, the goal here obviously is trying on the corporate side to be as aggressive in lowering the corporate rates as is possible. Let me turn just a minute, and if people have questions I'd be happy to take them as we go along.

JT Taylor: Yeah, hold on. One question. Just go back to pass-throughs again. I believe pass-throughs and SALT were the hold-up here over the last 24 hours. Can you speak to why there is resistance on both of those fronts?

David Hoppe: Yes, the pass-throughs, there were some people who were arguing for the pass-through rate to be 20%, same as the corporate rate. But as people know, there is really double taxation of corporations, and there's only single taxation of pass-throughs. And so that's the reason for the difference. Although the National Federation of Independent Business Washington office has put out a message saying they're looking at this very carefully and they don't support it right now, most of the actual pass-through businesses and other groups who represent pass-through businesses, whether it's wholesalers, or whether it's Chamber of Commerce, or whether it's NAM has some, or--there's a number of these different groups are all supportive of the 25% rate. So I don't think that will be upset because of the NFIB questioning of it. There is a, I think a rational reason for those being at 25% as opposed to 20%.

Now on the SALT, what they've decided to do on SALT is allow people up to a $10,000 deduction for property taxes, but they would no longer be able to deduct state and local taxes. This was a compromise that they reached with a number of members from the northeastern states, the Republican members from the northeastern states. Illinois was represented in that. The majority leader from California was also involved in these discussions. So presumably those states which have high taxes see this as--or a number of those members see this as a compromise that they can live with. We'll have to look as we go forward individually what different ones will say. But that, right at this point it appears--and I've had several conversations with some of the Northeastern members and Tuesday Group, which is the more moderate Republicans, many of whom come from the Northeast in the last couple of hours--and they seem to be satisfied with the way this $10,000 allowance for property taxes works for the individuals who they represent. So at this point it appears that a compromise which was reached on that over the last few days is one that will be supported by a number, enough Republicans, to be able to pass this bill in the House. And that's part of a--part of what's going on here is how do you slice this up so that you can get 218 Republican votes? They do not expect any Democrat votes in the House. They may get one or two, but they are looking to make sure they have a bill which satisfies the needs of at least 218 Republican members, and hopefully more Republican members, to be able to pass the reconciliation bill on the House floor before Thanksgiving.

JT Taylor: Go ahead, David. I didn't mean to get you off track there.

David Hoppe: Okay. Yeah, let me go to some of the individual side things right now. As people know, they didn't reduce it to three. They reduced it to four tax brackets. They kept the 39.6 tax bracket at the top. There will be a 35. There will be a 25. And there will be a 12. And the breakpoints on those, the 25% rate starts at 90,000 for married couples and 45,000 for individuals. The 35% rate starts at 260,000 for married couples and 200,000 for individuals. The 39.6% rate starts at 1 million for married couples and 500,000 for individuals. The people who are at the 10% rate, most of them are no longer going to be paying taxes because of the almost doubling of the standard deduction for individuals and married couples. That plus for those who have children, the childcare, the child tax credit I should say, is being expanded from $1000 to $1600. And so if you combine those two things, most of those people who are paying 10% are no longer going to be paying any income tax, and the 15% rate, for many people, is going to come down to be a 12% rate. So that's--there's no change in charitable contributions.

There is an elimination of student loan and medical expense deductions and the adoption tax credit on the personal side. It doesn't--it makes no changes in the rules for 401(k)s as it has been discussed over the last two or three weeks. There are no changes in it to do that. And it repeals the alternative minimum tax, and that's another simplification effort really in many ways is doing that. It doubles the estate [sp] tax exemption immediately, and it appeals the estate tax exemption in six years. Now one of the other things it does on the corporate side is establish expensing. But that will last five years and then it will end.

JT Taylor: And on the expensing side, is there--that is proactive? None of this is retroactive, correct?

David Hoppe: That's proactive. None of it is retroactive. And that's--

JT Taylor: And it expires after five years?

David Hoppe: It expires after five years. There would be--the idea would be that I'm sure that they would come back in five years and extend it. But at this point bowing to the necessities of reconciliation and the cost of reconciliation, they would--they capped it at five years, or terminated I should say, not capped, terminated it at five years. But it was--it is obviously an issue which will be talked about over the next few years as to whether it would be extended beyond the five years. But that's where it stands right now.

JT Taylor: What do you think is the Senate reaction and the Senate dynamic, if you will, to what the House revealed today?

David Hoppe: The conversations I've had--first of all there's been a fairly muted Senate reaction, which is partly just to let the House guys have their time. The Senate is encouraged, I can tell you, by what the House released this morning. And while they have some differences in the Senate as to some of the things they would like to do, they are very encouraged at the aggressiveness and the significant nature of reform that the House was able to put in the bill. Obviously the Senate and the House has been talking over the last several months, and if you look at the last two or three weeks, finalizing the bill on the House side by Chairman Brady and the Republican leadership in the House, it's really been a very House-focused product that the House members finalized here. And so the Senators were not aware, by any means, of all the things in here, and it's generally been a positive response. But it has been somewhat muted. But that's by design. Their view is this is the House's product. We'll let the House talk about it and have their day in the sun.

It would not shock me if you saw the Senate start to mark up even before the House has finished its markup next week. It would not shock me. I'm not saying it's necessarily going to be done, but the Senate is looking to move forward and potentially have marked up their bill before the Thanksgiving recess, and possibly there's even been some talk in the Senate that they would try and bring their bill up shortly after the House finished if they could do it ahead of the Thanksgiving Day recess. The reason that's possible is the Senate can do a bill--if the House hadn't gotten the bill from the House yet, the Senate can do the bill, but they instead of sending--passing it and sending it to the House, they hold it at the desk is what it's called. It's a procedural move that allows them to then accept a House bill coming in and move to go to conference without violating the constitutional requirement that all tax cuts start in--all tax issues must start by the Constitution in the House of Representatives.

So you could see some movement in the Senate actually before Thanksgiving. They may not wait for the House to finish and then take up their bill. They may actually try and move in parallel with them. But that's a decision which has not been finalized yet.

JT Taylor: I never thought I'd utter the word the Senate is moving quicker than-- I've got a question on--and I'm going to turn over the mic to Emily in a second, but there are probably three or four questions coming in on the mortgage interest reduction. And in fact, I just saw Jerry Howard, the head of the Home Builders on CNBC railing on the package. Can you talk about how influential the Home Builders would be in countering this proposal and what resistance they're going to launch on the Hill? And of course, just a minute on the caps, the 500 pay cap?

David Hoppe: Yeah, what they've done is there is currently in law a $1 million cap on deduction for home mortgages. That will be reduced under this bill. It was proposed to be reduced to 500,000. The homebuilders and the realtors are both very opposed to this. They're also extremely opposed to the doubling of the standard deduction because they fear that will remove some of the lower income people's desire to buy homes. This is going to be maybe the key issue to watch in the House markup on the Ways and Means Committee next week because it is certain that someone, I presume a Democrat but I'm not--I can't guarantee you that, will offer in the committee an amendment to continue the mortgage deduction at $1 million and perhaps even to adjust the standard deduction to a lower rate, which would then--to a lower amount--which would then provide for more people who would presumably want to take that deduction as opposed to file without itemizing.

And so the votes on this will be sort of critical to see whether the House Republicans are going to hang together for this whole bill. That's not to say this is the only issue, but I think it is as much a canary in the coal mine issue as any one you can look at as the markup goes ahead in the Ways and Means Committee next week. If the Republican members of the Ways and Means Committee are able to, if they're able to defeat amendments which would [unintelligible] home deduction back up to--mortgage deduction back up to $1 million, a million-dollar home I should say, and--

JT Taylor: [unintelligible] right, because right now an existing home is grandfathered in, correct?

David Hoppe: That's right. That's right. It's prospective. Then this package probably can hold together pretty much as it's been presented today. There may be some minor wiggles here and there on different things, but by and large the people I've talked to on the Republican side sort of across-the-board philosophically in the Republican conference think it's a pretty good bill. They seem happy with it. There are a number of members, a few in New Jersey, a few in the southern part of New York, Long Island, for whom the chan--the state and local is, and the property tax, if you will, $10,000 property tax deduction cap doesn't do very much because of the property prices and, you know, and both the state and local taxes and also what they pay in property taxes tends to be fairly high because the nominal value of their homes is quite high in those areas. But by and large you've got the people from Upper

New York, some in New Jersey, most of the Illinois people seem to be all right with it. And as I said, I know that--excuse me--Majority Leader McCarthy was involved in this and has been talking to his members, the Republican members from California about this. So those are going to be key issues to watch for markup in the Ways and Means Committee next week.

TJ Taylor: Emily.

Emily Evans: Yeah, David, I want to talk a little bit about the long shadow of the Affordable Care Act repeal. I noticed HSA provisions, which have always made their way into Republican tax bills, is--there is nothing in the bill that addresses that. What is the thinking on that? Could that show up maybe along the way? And also, would you like to address the individual mandate controversy that emerged, I guess, two nights ago and what the prospects of that getting that repealed are maybe as a last-minute addition?

David Hoppe: I think, first let me answer the second question first. I don't think there will be a last-minute inclusion of the individual mandate. A lot of, virtually all Republicans in the House and all Republicans in the Senate would like to repeal it. But this is a bill in which it still has to go through the reconciliation and Byrd Rule procedures in the Senate. Now, by and large this House bill was not written to say okay, what could get through reconciliation and the Byrd Rule in the Senate? But this is one of the areas. Both getting rid of the individual mandate and HSAs, which are a [unintelligible] to that concern because most of the HSA work that you would do in this bill would be defining what they can do, and how they can be spent, and how they can be used, and that sort of thing. And those are issues which, just as they were subject to the parliamentarian voiding them out in the healthcare bill this past summer, they would be--this bill, they would receive that same treatment. So I think that's the reason that neither one of them is included or will be included in this. Secondly, there is still a desire among a number of people to look to try and use the FY19 budget next year and the reconciliation package that comes from that to reengage along the lines of a block grant, state block grant proposals that were being talked about in the Graham-Cassidy-Johnson-Heller bill that the Senate talked about near the end of September but ultimately did not vote on. And so that most of the issues on healthcare will be reserved for that, as opposed to being argued out here, in which place they add a level of, a degree of difficulty just in terms of the tax policy, but also a second degree of difficulty as regards the procedural requirements and restrictions of the Byrd Rule in the Senate. Note that's why you don't see those there, nor do I think they will be added.

Emily Evans: Okay. That's very helpful, the reconciliation reminder. One last question on healthcare. JT, and I'll flip it back to you. The remo--the elimination of medical expense deduction, is that not going to have the same effect on the healthcare services industry as the mortgage, the homebuilding industry? Aren't they sort of--are we supposed to look at those the same way because the deduction is--the standard deduction is higher [unintelligible] better?

David Hoppe: Yeah, I don't--I think--yeah, well, I think the difference here is that buying a house is always seen as something that's--as an option for somebody to do, whereas obviously healthcare maybe optional in some cases. It is something one has to do in many cases, and so the difference there. But also, by doubling that standard deduction they think that they will have covered what most people, most average people, might have deducted there. And so they've taken care of it in that way. And by doing this they think--and all the numbers aren't out yet; they're supposed to be releasing those later this afternoon, sort of the Joint Tax Committee analysis of this and all the numbers. But they think that there will be roughly only 10% of the taxpayers, individual taxpayers in the United States will be itemizing should this bill pass. And right now I think I'm right in saying that someplace between 35% and 40%, roughly around 40% of taxpayers itemize. And so that will be removing a very significant chunk of taxpayers from those who itemize. And by this virtual doubling of that standard deduction, that will have taken care of it. That, of course, with families with children adding on the increase in the child tax credit from $1000 to $600 [sic] gives a cushion, if you will, to most people so that they felt that they could get rid of that deduction for healthcare.

Emily Evans: Okay, great. JT, do you want to take over for process and timeline? And I guess we probably have another question on expensing, as well.

JD Taylor: Yeah, but first we have a question coming in. If we look at the individual tax rate implications it appears that high earning homeowners in high SALT states are going to get completely soaked by this change. Is this really an outcome that the Republicans are okay with?

David Hoppe: There are going to be some people in that situation, yes, who will be--but first of all, I think if you look at everything that's being done, getting rid of the alternative minimum tax and some other things, it's not--you're sort of pulling [sp] one side deductions they're losing. But at some point in lowering rates you've got to pay for part of them, or as much of them as you can, and this is an area in which their view is that overall those people, because they have various types of income; it's not just--especially in the upper, those that are making, tend to make in the hundreds and thousands and millions of dollars, tend to also have investment income, dividends, those sorts of things, and that getting rid of the alternative minimum tax and some of the other things that are being done in here will, in fact, balance out for them so that they aren't just losers in this.

But that's--there are certainly people who are going to be paying more on some of the taxes they pay than they do right now because of, because they will no longer get their--because their property tax deduction is way above $10,000. And so they will be paying anything above the $10,000, and their state and local taxes that they pay and have been deducting for years, they will no longer be able to deduct. But it's not all loss for them. But the balance here is overall in the system are you going to be able to get a significant reduction of corporate rates, pass-through rates and personal rates, and for not everybody, obviously keeping this fourth rate, but for an awful lot of people. And that's--there's give-and-take in this, and that's a give. There's no doubt about it.

Emily Evans: Okay, then one last question. I want to--got to go back to the expensing provisions and the interest deduction provisions. That's, I think, been an area of lots of negotiation, too. What do you--what is your sense about the thinking in the House and the Senate versus that? I think you said already overall everybody seems to think it's a good bill, but that specifically because it is, you know, is a big deal. What do you think the thinking is there?

David Hoppe: Once again, I think they're--they've already, on expensing they're taking it out as long as they can given the numbers. And I would be shocked. I can't guarantee it because I don't sit there with them, but I'll bet you a dime on the dollar that they spent many runs of the joint committee on taxation and others making a run of this in looking at expensing and how long they could take it and what the cost was, you know, if you kept it permanently, if you know, kept it all the way through as opposed to cutting it off. And their view was politically it is very important in helping to stimulate the economy, especially among smaller and medium-sized businesses immediately, and that it's something that if it works in the way they hope it will to stimulate the economy, that they will be able to come back later on and keep it, but that politically it was--this was something that they could get the economic effect they wanted by doing it immediately. And hopefully, by working in the coming years to keep it and make it permanent or extend it beyond the five years, that they will be able to, once again, keep it--politically be able to achieve that goal. I think that's one.

And the second one is on interest deductibility. There are a whole lot of people who are saying one or the other, what we do? And what they ultimately did is take the interest deductibility and sort of dialed it around. And so they've come up with capping it at 30% of interest. And that's, I'll tell you, once again, it's my guess since I'm not in the room, but my guess is that what they did is did a lot of runs at different rates of percentage of how much you--at where they would cap the interest deduction. And 30 came up to be the number they needed to fit into the dollars of the bill, in addition to which there are some who think that allowing both indexing and interest deductibility full-out is, in fact, going to be, you're almost doubling up on the benefits you're giving to some people to do that. So I would expect interest deductibility. It may be an issue that's discussed, but at this point, if I were a betting, I would bet that if it's not 30 it will be very close to that. It may stay right at 30 as the cap for the deductibility--interest deductibility on the percentage of adjustment.

JT Taylor: Thanks, David. Just to remind everyone, you can send those questions at QA@hedgeye.com. I think we've got a couple more to get through. Then we'll go to process and timeline. So it looks as if the House leaves the 401(k) structure untouched.

David Hoppe: That's right.

JT Taylor: What do you think the attitude is in the Senate towards Rothification? And is there any weight to, I think, the White House looking to lower those caps at all?

David Hoppe: On the latter question, no, I don't think so. I don't--I think both what has been--what the House did on 401(k)s, which is no change, I think the Senate would like to be there, as well. So my guess is the Senate bill is going to look very much like the House bill, and I don't think that--there may be people in the White House who would like to do that, but I think you've--the expectation would be right now that 401(k)s will be left the way they are right now, and Roth accounts will be left the way--you know, IRAs, 401(k)s, those will be left the way they are right now.

JT Taylor: Untouched, right?

David Hoppe: That's my expectation.

JT Taylor: What aspects of tax, of the tax reform process aren't getting enough coverage or are underappreciated in your opinion?

David Hoppe: Well, what I mentioned earlier, and that is how will this House bill, which is very prescriptive in certain ways, how will the House bill fair under the Byrd Rule, because the Byrd restrictions not only exist on healthcare or spending. They also exist on taxes. Now, having said that, back in 2001 a tax bill was passed in the House under reconciliation, was taken through the Senate under reconciliation. So there is, if you will, a previous point at which this was discussed, and so there are precedents that already exist on this. But I think one of the big issues will be how do some of these changes that have been made in the House bill, how will they fare when they are subjected to the Byrd Rule in the Senate? So that's maybe the biggest unspoken thing.

I think you will see a Senate bill that will look, I would argue probably look very much like this House bill. They're not going to be exactly the same, but I think there was so much work done together, you know, in April, May, June, July, August, September. The Big Six was working, which meant you had the White House, the House and Senate all working together. Since you've gotten here to October and really even the last [unintelligible] weeks of October that you've seen the House have to go more on its own to say okay, we've got to write a bill, and we've got to be able--we want to make sure that bill can pass in the House. So the House is, if you will, closed in and had their discussions at the House level only. And that's just, frankly, part of the process and necessary to do. But, so much of sort of what made up the base of this bill was done as a joint product of White House and Treasury Department, obviously, including that and the Administration, or Administration, Senate and the House. So I think a lot of the things you've seen here would be the same things you'll see in the Senate bill.

JT Taylor: It looks like a couple of folks missed what you said on repatriation at the beginning of the call. Can you just recap that? And again, I don't know that we talked about the outcome might be in the Senate when all is said and done.

David Hoppe: Yeah. There will be a one-time tax on US companies' repatriated foreign profits. On cash it will be 12%, and it will be 5% on illiquid investments. And there's an eight-year repatriation payout.

JT Taylor: And then prospects in the Senate? What are you hearing?

David Hoppe: Well, interestingly, over the past two weeks the Senate has spent a great deal of time, the Republicans in the Senate have spent a great deal of time having members of the Finance Committee who are obviously very involved in this, just as Ways and Means members have been on the House side, sit down with small groups of their colleagues who are not--Republican colleagues who are not on the Finance Committee and go through the details of this bill. And I think one of the reasons you've seen, for example, a week ago Sunday, so 10 days ago or whatever it is now, you saw Senator Susan Collins who was one of the people who was in the end opposed to the healthcare reconciliation bill was saying very positive things about the tax bill. One of the reasons she was is that she had been walked through all the detail why they made the decisions, but decisions they've made. And so there's been more, if you will, spade work done in the Senate than many people know, and it's been done really in the last two to three weeks very aggressively.

So I think that there are a lot of House members who think the Senate will blow this thing up and has no chance of passing it. I disagree with them. I think it will be very tough in the Senate, but I think there is--I'm still--until I see the markup in the House, I'm at 53% possibility of passing this before the end of the calendar year. When I see what happens on markup in the House I'll either go up or down significantly. If they hang onto the House bill pretty much as it's been proposed today, then that number to me will go up probably to the 60% range. If, however, they do things like, you know, reverse themselves on the mortgage deduction and do some other things of that nature, then I think you're looking at the possibility of passage this year going down below 50%, and of a tax reform bill, passing a tax reform bill dropping that same way.

And they could still come back with a tax cut, which would be focused on four things. If they fail at this I think the four things they would focus on are reducing the corporate rate as low as they could get, it hopefully between 20% and 25%, repatriation, territorial and doubling the personal exemption and putting a credit in for kids--personal deduction and putting a credit in for kids. Those would be the four things which would be called a tax cut package that they would try and salvage if they fail in doing this tax reform bill.

But at this point I think--frankly, I'm somewhat more encouraged by what I've heard today thus far, but I still, until I see that markup in Ways and Means, I'm holding at 53% possibility that they can pass a tax reform bill like the one we saw introduced this morning, or announced this morning, through, before the end of the year.

JT Taylor: And I understand, and tell me if I'm off-base here, but that the legislation as it was unveiled to the Republican members of the House in their conference meeting this morning was generally well-received. I mean it didn't seem--I mean, you've been in that room before where there's a lot of moaning and groaning and--

David Hoppe: It can be--people don't hold back on their emotions in that room I've found in my time up here on the Hill being in that room. Yeah, it was well-received and well-received by all factions of the party. And those who have specific interests in different tax policies, by and large it was well-received by those who have a, you know, if you will, are focused on one or other certain specific parts of tax policy. So I think it was generally a very positive response, and that the heavy work remains to be done.

JT Taylor: And just sort of to wrap up here with process and timelines again, and I know you covered some of this, but markup in the House, and as I understand it over the next couple of days Ways and Means members are still going to be able to tweak this before they go to markup on Monday in the Senate finance as well next week?

David Hoppe: Well, finance is a possibility next week. It's still to be determined, but Monday they will start in Ways and Means Committee with the markup. There--you are right that there could be some tweaks, but I suspect that they will be very minor tweaks between now and then. But we'll have to wait and see. As--it would not shock me if the Senate, before the House finished its markup, the Senate started its markup next week. But that's not far from a sure thing. They're sort of watching themselves and talking to their own members. Senate Republicans are talking to Senate Republicans, you know, are you ready to go? What you think? Is this a good product? What do you think of the House bill? Here's where--you know, you know where we are on some of these things that are different from the House bill. They're doing that sounding right now, and that will be probably the thing that is most determinative of whether the Finance Committee would start a markup next week. But if they don't--

JT Taylor: And the markup [unintelligible]

David Hoppe: --start marking up next week, I would expect them to start marking up the week after that.

JT Taylor: And so we're looking at potentially something out of both Houses before Thanksgiving?

David Hoppe: The grandest hope is to get both the Senate and the House to pass bills and be ready to go to conference before Thanksgiving. But if the House is--the House would very much like to pass a bill before Thanksgiving, and in fact if they don't they will have fallen behind. And the Senate may wait until after Thanksgiving when they come back to take the bill up on the floor. But right now at the latest they would like to focus on that is that week that they come back, the week of the 27th of November, after Thanksgiving, that Monday, to start to--they would hope to be getting to the Senate floor with a bill that week, if not before.

JT Taylor: David, it seems as if no one is talking about the skunk at the tax reform garden party here, and that's December 8th, and the potential calamity there with the CR and a couple of other provisions expiring. I know the debt ceiling vote or limit might be pushed out until January or February now, but do you see that as a potential pitfall in this entire debate and [sp] a chance for tax reform?

David Hoppe: Well, it's certainly a complicating factor. There has been some talk now, however, of potentially doing a short-term CR of maybe seven or eight weeks, which would take you into sometime in early February. And the Treasury Department is saying, said yesterday, that their extraordinary measures on the debt limit will run out. It will, third week of January. Now, which is sooner than a lot of people thought they might. But that--so you could have a situation where you have some degree--if you push off the big fight, if you will, on exactly how they're going to do funding at the government to, into late January or February, the debt limit itself might come up as a part of that. There's various scenarios right now. None of this has been decided yet, and I can tell you that the defense guys really don't like doing another, even a short-term CR. And, but it may be necessary as a part of this.

Do I think that all of that, which can be very complicated-- is it a complicating factor for taxes? Yes. Is it a factor which will have like a fundamental change in their ability to pass taxes? No. There are other things which are far more important to the passing of tax reform than that. And while it may be a complicating factor, I don't see it as one that could derail tax reform. You never like complications when you're doing pretty important things.

JT Taylor: So, David, thank you. We are going to be doing this likely weekly between now and the end of tax reform as long as there is something to talk about. So stay tuned for a call next week as the bill or the legislation makes its way through the House Ways and Means committee. David is also the leadoff speaker next week at Hedgeye's Macrocosm event in New York City at the Paley Center next Wednesday, November 8th from 1:00 to 5:00. So we have a really great lineup in store. So contact sales, sales@hedgeye.com if you're interested in attending. And David, thank you for your time, and look forward to hearing from you in the coming days and weeks.

David Hoppe: My pleasure.

JT Taylor: And thank you, everyone, for listening in.