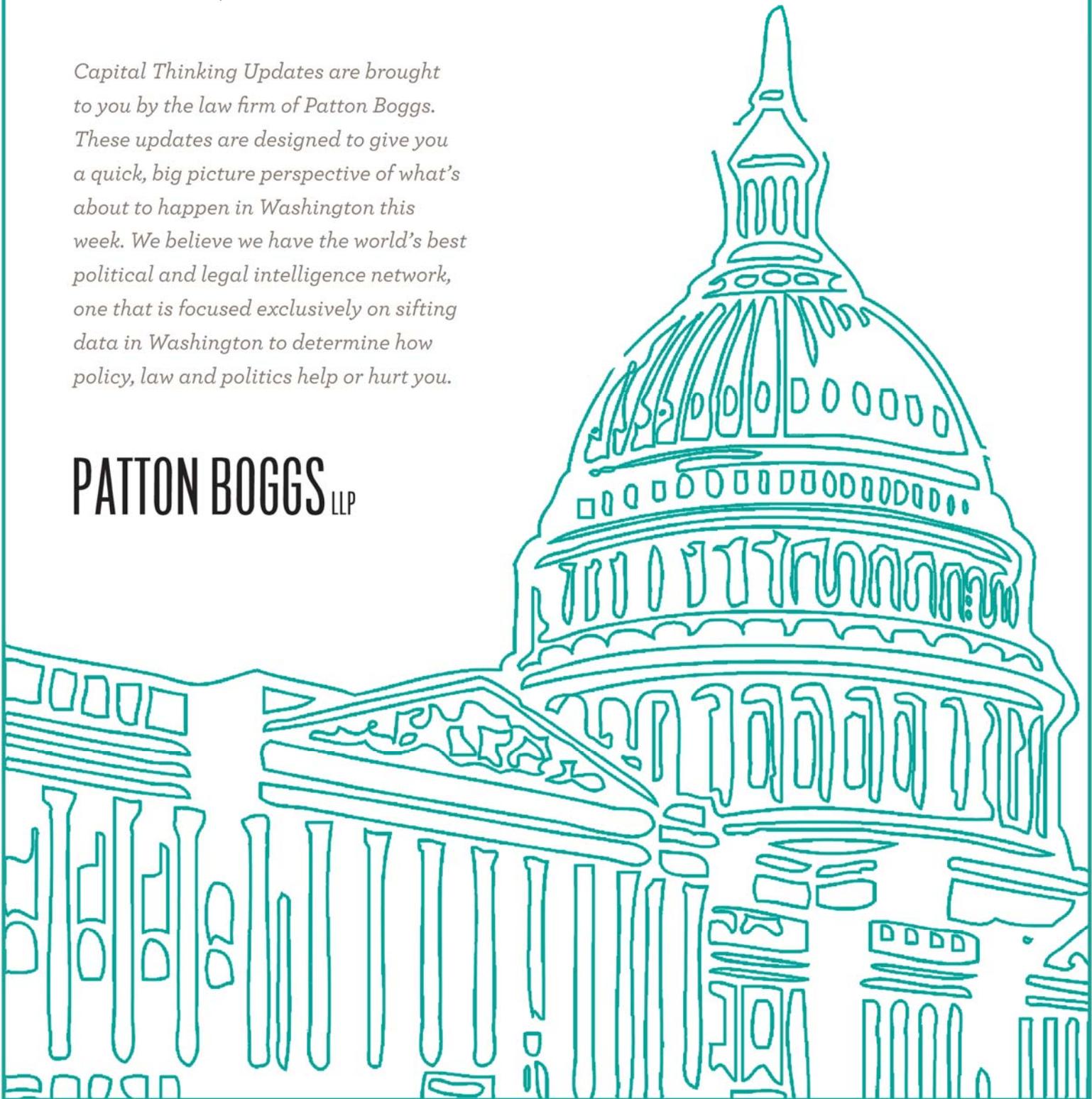


# CAPITAL **thinking** UPDATES

March 12, 2012

*Capital Thinking Updates are brought to you by the law firm of Patton Boggs. These updates are designed to give you a quick, big picture perspective of what's about to happen in Washington this week. We believe we have the world's best political and legal intelligence network, one that is focused exclusively on sifting data in Washington to determine how policy, law and politics help or hurt you.*

**PATTON BOGGS** LLP



# General Legislative

On Monday, March 12, the House will observe a constituent work week where members tend to their districts. The Senate will convene at 2:00 p.m. on Monday, March 12, for a period of morning business. Thereafter, the Senate will resume consideration of S. 1813, the Surface Transportation bill.

---

## Agriculture

### LEGISLATIVE ACTIVITY

- **Senate Agriculture Committee Hearing.** On Wednesday, March 7, the Senate Agriculture Committee held a hearing to examine healthy food initiatives, local production, and nutrition. Discussions focused primarily on investments and protections for programs supporting the local food market, farmers markets, and food hubs under the Farm Bill. The hearing also focused on the Supplemental Nutrition Assistance Program (SNAP), including SNAP fraud, and incentives to increase the purchase of healthy and fresh foods.
- **House Agriculture Committee Business Meeting.** Also on Wednesday, March 7, the House Agriculture Committee held a business meeting to consider the budget views and estimates [letter](#) outlining the Committee's FY2013 budget priorities, which primarily focus on the Farm Bill. The Committee approved the letter by voice vote and submitted it to the House Budget Committee Chairman Paul Ryan (R-WI). According to the letter, the Committee will seek \$23 billion in cuts over 10 years, which is the same proposal the Committee sent to the Joint Committee on Deficit Reduction last year. According to Ranking Member Collin Peterson (D-MN), the proposed cuts total more than the amount required under sequestration. The letter noted that if sequestration occurs, there would be a \$10 to \$15 billion cut in funding of mandatory programs under the Farm Bill; however, SNAP funding would be exempt. Though sequestration exempts SNAP, the \$23 billion in proposed cuts would likely include some cuts to nutrition programs, including SNAP.

The letter also stated that the Committee will continue its oversight of regulations affecting agriculture and the Commodity Futures Trading Commission as it relates to Dodd-Frank and the MF Global bankruptcy.

- **House Oversight Committee Hearing.** On Thursday, March 8, the House Oversight Committee held a hearing to examine SNAP fraud and the Department of Agriculture's enforcement of the program. Oversight Chairman Darrell Issa (R-CA) said that his concerns about SNAP fraud are based on a recent Scripps Howard newspaper series, which alleged that 32 percent of food retailers who were dropped from the program for selling or buying benefits for cash had reentered the SNAP program without detection. Committee Democrats believe Republicans are targeting the SNAP program to garner support for cutting its \$75 billion budget.
- **House Appropriations Committee Hearing.** On Thursday, March 8, the House Appropriations Subcommittee on Agriculture, Rural Development, and Food and Drug Administration held a hearing on the Food Safety and Inspection Service's FY2013 budget request. Witnesses included Dr. Elizabeth Hagen, Under Secretary for Food Safety. In his opening statement, Chairman Jack Kingston (R-GA) characterized

the budget request of \$999.5 million, a decrease of \$8.9 million below FY2012 enacted levels, as a “tight” budget, but also commented, “it is a necessary budget.”

- **House Agriculture Committee Field Hearing.** On Friday, March 9, the House Agriculture Committee held a field hearing at North Country Community College in New York on the future of U.S. Farm Policy: Formulation of the 2012 Farm Bill. The committee heard from dairy producers, beef producers, vegetable and field crop producers, wine grape producers, and apple producers to help formulate the Commodities Title of the Farm Bill. In his opening statement, Chairman Frank Lucas (R-OK) stated that the committee looks to draft a Farm Bill that works for all regions, rather than create “one size fits all” commodity programs.
- **Upcoming Hearings and Markups.** On Wednesday, March 14, the Senate Agriculture Committee will hold a hearing titled, “Risk Management and Commodities in the 2012 Farm Bill.” Chairwoman Debbie Stabenow (D-MI) is expected to select a date for the markup in late March or April. Both the April spring recess and the Memorial Day recess may be possible deadlines for the markup.

The House Agriculture Committee has scheduled three additional field hearings to help with the formulation of the 2012 Farm Bill: March 23 in Galesburg, IL; March 30 in State University, AR; and April 20 in Dodge City, KS. It is likely that the committee will hold additional hearings in Washington, D.C. to examine the Farm Bill further, after its field hearings conclude.

- **Release of Baseline Figures for Farm Bill.** On Tuesday, March 13, the Congressional Budget Office is scheduled to release its new baseline figures on the Farm Bill.

## 2012 ELECTIONS

- Representative Collin Peterson, Ranking Member of the House Agriculture Committee, stated that he will run for re-election, after considering retirement from Congress. One of his reasons for running is to ensure that he can play a key role in drafting the Farm Bill, as he is unsure if Congress will pass the Farm Bill in 2012. Representative Peterson’s announcement implies he is likely to retire before the next Farm Bill reauthorization in 2017.

Representative Marcy Kaptur (D-OH) defeated Representative Dennis Kucinich (D-OH) on Super Tuesday. Representative Kaptur is a long-time member of the House Appropriations Committee and the House Agriculture Appropriations Subcommittee. She will run against Samuel Wuzelbacher, who is also known as “Joe the Plumber,” in the general election.

Rep. Jean Schmidt (R-OH) lost her primary to Brad Wenstrup. Representative Schmidt chaired the House Agriculture Nutrition and Horticulture Subcommittee.

---

# Budget, Appropriations

## LEGISLATIVE ACTIVITY

- **Senate and House Budget Resolutions.** The House and Senate Budget Committees continue to work on FY 2013 Budget Resolutions. Republican members of the House Budget Committee have yet to reach an

agreement on the framework for their budget resolution as they continue to debate the top-level spending cap for FY 2013. The Committee is expected to recommend a spending cap that is less than the \$1.047 trillion level established in the Budget Control Act of 2011 (P.L. 112-25) in order to satisfy many of the House Republicans who are advocating for a lower level of discretionary spending. While the spending levels continue to remain in flux, the House budget resolution is expected to include a proposal to overhaul Medicare based on a bipartisan plan offered in December by House Budget Chairman Paul Ryan (R-WI) and Senator Ron Wyden (D-OR). With no final decisions made on top-line figures or how to handle the \$109 billion that will be automatically cut from FY 2013 spending due to sequestration, the House Budget Committee will continue to work to reach a decision when they return from this week's recess in order to complete the budget resolution in time to meet the statutory deadline of April 15.

In the Senate, Majority Leader Harry Reid (D-NV) has directed the Senate Appropriations and Budget Committees to adhere to the \$1.047 trillion spending level enacted in the debt limit law last summer. The Senate Budget Committee, led by Chairman Kent Conrad (D-ND), continues to work on a budget resolution for the Senate despite the fact that Democratic leaders have indicated that they do not plan to bring the resolution to the floor in order to avoid difficult votes on spending issues prior to the November elections.

- **Congressional Budget and Appropriations Committee Hearings.** There are no House hearings scheduled this week as it is a District recess week. The Senate Appropriations Committee will continue hearings on the FY 2013 Budget Request, including hearings on the military construction budget, Tuesday, March 13; federal onshore and offshore energy development programs at the Department of the Interior, Wednesday, March 14; U.S. Agency for International Development, Wednesday, March 14; Air Force, Wednesday, March 14; Department of Labor, Wednesday, March 14; Department of Transportation, Thursday, March 15; Federal Bureau of Investigation, Thursday, March 15; Department of Veterans Affairs, Thursday, March 15; and the Government Accountability Office, Government Printing Office, and the Congressional Budget Office, Thursday, March 15.

---

## Education

### LEGISLATIVE ACTIVITY

- **Congressional Staff Update.** On Monday, March 5, the Senate HELP Committee named Mildred Otero as the new Chief Education Counsel for the Majority. Otero previously served as a senior policy adviser for the Bill & Melinda Gates Foundation and as a senior adviser for the State Department and the U.S. Agency for International Development under President Obama.
- **Federal Research Public Access Act (FRPAA).** The FRPAA, introduced by Congressman Michael Doyle (D-PA) last month in the House (H.R. 4004) and in the Senate (S. 2096) by John Cornyn (R-TX), would require federal research grantees to make their resulting academic papers freely available to the public within six months of publication in a scholarly journal. On Monday, March 5, a group of 81 publishers came out against the measure, claiming it could threaten their subscription income.
- **Veterans' Education Legislation.** The House Veterans' Affairs' Subcommittee on Economic Opportunity held a hearing Thursday, March 8 to review several measures related to educational benefits to veterans and

military service members. Specifically, the Veterans Education Equity Act of 2011 (H.R. 3483) would expand tuition reimbursement for students who attend out-of-state public institutions under the Post-9/11 Educational Assistance Program. Another would require colleges to provide more information and counseling to veterans who are prospective students, while also bulking up reporting requirements for student complaints. Another measure, Recognizing Excellence in Veterans Education Act of 2012 (H.R. 4052), seeks to recognize institutions of higher education that provide superior support services to veterans. A third measure, Improving Transparency of Education Opportunities for Veterans Act of 2012 (H.R. 4057), seeks to improve transparency through enhanced reporting requirements related to an institution's quality of education.

## REGULATORY ACTIVITY

- **Student Loan Issues.** On Monday, March 5, the Consumer Financial Protection Bureau (CFPB) began to accept complaints from borrowers having difficulties with their private student loans. The CFPB is looking to assist borrowers experiencing problems taking out a private student loan, repaying their private student loan, or managing a student loan that has gone into default. The CFPB will be solely responsible for managing the private student loan complaints, but will work closely with the Department of Education to route complaints that fall under the Department's jurisdiction of federal student loans. Both agencies have executed a memorandum of understanding to ensure coordination.

Also on March 5, the Federal Reserve Bank of New York released a report illustrating that the outstanding balance on student loans nationwide now totals \$870 billion – higher than the country's credit card and auto loan debt totals.

---

# Energy

## LEGISLATIVE ACTIVITY

- **Congressional Hearings.** On Tuesday, the Senate Energy and Natural Resources Committee will receive testimony on the independent consultant's report on the DOE's Loan Guarantee Program. On Wednesday, March 14, the committee will consider the nominations of Adam Sieminski to be Administrator of the Energy Information Administration; Marcilynn Burke to be an Assistant Secretary of the Interior; and Anthony Clark and John Norris to be members of the Federal Energy Regulatory Commission.

## REGULATORY ACTIVITY

- **Alternative Vehicles.** President Obama announced a new \$1 billion National Community Deployment Challenge to spur deployment of alternative vehicles in 10-15 “model communities” and support development of up to five regional LNG corridors for goods transportation by alternative-fueled trucks. The President also proposed expanding and increasing the advanced vehicle tax credit to \$10,000 and establishing a new research initiative to invest in breakthrough technologies that will make electric vehicles more affordable (subject to funding). Energy Secretary Steven Chu said that the new “EV Everywhere Challenge” will focus “on advancing electric vehicle technologies and continuing to reduce costs, so that a decade from now, electric vehicles will be more affordable and convenient to own than today’s gasoline-powered vehicles.”
- **Cybersecurity.** Comments on the DOE’s intent to publish the Electricity Subsector Cybersecurity Risk Management Process guideline are due by April 5.
- **Offshore Drilling.** Comments on the EPA’s intent to reissue the proposed National Pollutant Discharge Elimination System General Permit for existing and new oil and gas source discharges off the shores of Louisiana and Texas are due May 7.
- **EITI.** The Interior Department has set public listening sessions regarding implementation of the Extractive Industries Transparency Initiative as follows: March 19 in St. Louis, March 21 in Denver, March 28 in Houston, and March 29 in Washington, D.C. In September the President committed U.S. participate in EITI, the initiative offers a voluntary framework for governments and companies to publicly disclose revenues paid and received for oil, gas, and mineral extraction. Approximately 35 countries are participating.
- **Royalties.** In June the Interior Department is expected to issue a proposed rule on reporting and payment requirements for oil and gas production on Federal leases. The White House Office of Management and Budget is currently reviewing the proposed “takes versus entitlement basis” reporting rule.

---

## Environment

### LEGISLATIVE ACTIVITY

- **Forest Service.** On Monday, March 12, the House Committee on Natural Resources, Subcommittee on National Parks, Forests and Public Lands will hold an oversight field hearing addressing the development of the U.S. Forest Service’s travel management plans, local access, the multiple use mandate and protection of state water rights. This hearing will be held in Elko, Nevada.

### REGULATORY ACTIVITY

- **Urban Waters Initiative.** The Urban Waters Federal Partnership, made up of 11 federal agencies, has announced a program in seven cities intended to accelerate on-the-ground projects critical to improving water quality and public health, restoring forest resources and fostering community stewardship in urban watersheds. Sponsored by the U.S. Environmental Protection Agency (EPA), the U.S. Department of Agriculture, and the U.S. Department of the Interior, the Urban Waters Ambassadors program will work with state and local governments, non-governmental organizations, and other local partners. The first Urban

Waters Ambassador has been selected for the Los Angeles River watershed pilot project with additional ambassadors to follow for the Anacostia River watershed (Washington, D.C. and Maryland), the Patapsco River watershed (Baltimore, Maryland), the Bronx and Harlem River watersheds (New York City), the South Platte River (Denver, Colorado), Lake Pontchartrain (New Orleans, Louisiana), and Northwest Indiana.

- **Drinking Water and Wastewater Systems.** The EPA has announced it will provide up to \$15 million in funding for training and technical assistance to small drinking and wastewater systems, defined as systems that serve fewer than 10,000 people, and private well owners. Most of the funding will provide training and technical assistance to small public water systems maintain compliance with the Safe Drinking Water Act and to improve water quality. More than 97 percent of the nation's 157,000 public water systems serve fewer than 10,000 people, and more than 80 percent of these systems serve fewer than 500 people. Many small systems face challenges in meeting federal and state regulations. These challenges can include a lack of financial resources, aging infrastructure, management limitations, and high staff turnover. Applications must be received by EPA by April 9, 2012. The EPA expects to make awards by Summer 2012.
- **Greenhouse Gas Tailoring Rule Step 3.** The EPA has issued a Proposed Rule concerning the third step in the EPA's Greenhouse Gas (GHG) Tailoring Rule. The agency is proposing to maintain the applicability thresholds for GHG-emitting sources at the current levels. The EPA is also proposing two streamlining approaches for the administration of GHG Prevention of Significant Deterioration (PSD) and Title V permitting programs. The first proposal addresses the implementation of GHG plantwide applicability limitations (PALs). The EPA proposes to allow permitting authorities to issue GHG PALs on either a mass-basis (tpy) or a carbon dioxide equivalent (CO<sub>2</sub>e)-basis and to allow PALs to be used as an alternative approach for determining whether a project is a major modification and whether GHG emissions are subject to regulation. The second proposal would create the regulatory authority for the EPA to issue synthetic minor limitations for GHGs in areas subject to a GHG PSD Federal Implementation Plan (FIP). Comments must be received on or before April 20.

---

## Financial Services

### LEGISLATIVE ACTIVITY

- **House Moves Legislation to Help Small Businesses.** On Thursday, March 8, the House approved a package of bills aimed at easing regulatory and reporting requirements on small businesses. Among other provisions, the bills would increase the shareholder threshold for SEC registration and would permit "crowd funding," allowing companies to pool securities issuances up to \$1 million without Securities and Exchange Commission (SEC) registration. The package has received support from House Democrats and the Obama Administration. However, supporters now await Senate consideration, where Democrats may introduce their own versions for each bill, thereby slowing the pace for ultimate passage. Similarly, the House approved the Jumpstart Our Business Startups Act (JOBS Act). The Senate is expected to present its own version of the bill in the upcoming week.
- **Senate Banking Subcommittee to Discuss Housing Market.** On Thursday, March 8, the Senate Housing, Transportation, and Community Development Subcommittee will hold a hearing, "Strengthening the Housing

Market and Minimizing Losses to Taxpayers.” Witnesses will include Federal Housing Finance Agency Inspector General Steve Linick, John Dilorio, CEO, First Alliance Lending; Mark Calabria, Director of Financial Regulation Studies, CATO Institute; and Laurie Goodman, Senior Managing Director, Amherst Securities.

## REGULATORY ACTIVITY

- **SEC Commissioners Criticize Volcker Rule.** This past week, Securities and Exchange Commissioner Troy Paredes criticized the proposed “Volcker Rule” issued by Federal regulators. The Volcker Rule, required by the Dodd-Frank Act, would prohibit and restrict proprietary trading and certain interests in, and relationships with, hedge funds and private equity funds. Commissioner Paredes also indicated he believed the proposed rule would need to be re-proposed after considering the 15,000 comments received on the recent release. Recently appointed Commissioner Daniel Gallagher also voiced concern that the Volcker Rule might need to be re-proposed in remarks delivered this week.

---

## Health Care

### LEGISLATIVE ACTIVITY

- **Senate Approves Pandemic Preparedness Legislation.** Last week, the Senate approved S. 1855, the Pandemic and All-Hazards Preparedness Act Reauthorization that updates and extends parts of the original bill including the Project BioShield Special Reserve Fund. The House passed their version of the legislation in December of 2011, so the two chambers will now work to resolve the differences for final approval.
- **House Medicaid Reform Packages.** This week was the first glance at a stand alone Medicaid reform package introduced by House Republican Study Committee (RSC) Chairman Jim Jordan (R-OH) and Committee members Reps. Todd Rokita (R-IN), Paul Broun (R-GA), and Tim Huelskamp (R-KS). The legislation, the State Health Flexibility Act, would repeal the Affordable Care Act (ACA) and combine funding for Medicaid and CHIP into a single block grant. Additionally, Rep. Bill Cassidy (R-LA) recently offered details on a Medicaid reform proposal he is drafting that would replace the current FMAP funding system with an approach that sets per capita spending caps for states based on the risk-adjusted costs of particular population groups and individuals within the each state’s program. The proposal, which has yet to be officially introduced in the House, would also implement bonus payments for states that achieve certain quality outcomes and would integrate Medicare and Medicaid funding for dual eligibles. Rep. Cassidy has apparently vetted his plan with House Budget Committee Chairman Paul Ryan (R-WI) and House Energy and Commerce Chairman Fred Upton (R-MI), and has stated that there is interest among lawmakers. His office is still working out the details of the legislative language, but the bill could be introduced in the near future, or incorporated into the Rep. Ryan’s FY2013 budget proposal.
- **IPAB Repeal.** This week, both the House Committee on Energy and Commerce and the Committee on Ways and Means approved a bill to repeal the Independent Payment Advisory Board (IPAB) required by the Affordable Care Act (ACA). H.R. 452, the Medicare Decisions Accountability Act of 2011, could be considered by the full House as soon as their return to session on March 19. While the bill had a measure of Democratic support, the Senate is unlikely to take up the measure, and the Administration has already publicly announced its opposition to the bill.

- **Senate Hearing on Great Apes Protection and Cost Savings Act.** On Tuesday, March 13, the Senate Committee on Environment and Public Works Subcommittee on Water and Wildlife will hold a legislative hearing to consider seven bills including S. 810, the Great Apes Protection and Cost Savings Act of 2011. The panel will hear from Dr. James M. Anderson, Director of the Division of Program Coordination, Planning and Strategic Initiatives at the National Institutes of Health (NIH) and Dr. Martin Wasserman of the Physicians Committee for Responsible Medicine, among others.
- **House Appropriations Hearing.** The House Committee on Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies scheduled a hearing on Tuesday, March 20 on the FY2013 NIH Budget.

## REGULATORY ACTIVITY

- **Exchange Regs.** The Centers for Medicare and Medicaid Services (CMS) are expected to release the final rule on the health insurance exchanges required by the Affordable Care Act (ACA) this afternoon. The final rule is hotly anticipated by states that are looking towards the January 1, 2013 deadline to have an exchange set up or trigger the feds putting one in place for them. CMS' approach has been to allow for a significant amount of flexibility for the states which unfortunately means the final rule will be unlikely to offer specific details on what the exchanges will look like.

---

## International, Defense, Homeland Security

- **Russia Developments.** Vladimir Putin's March 4 election to a third term as president provides a challenging background for advocates of U.S. Permanent Normal Trading Relations (PNTR) status for the Russian Federation, as Russia prepares to accede to the World Trade Organization (WTO). Those advocates include U.S. Trade Representative Ron Kirk and Senate Finance Committee Chairman Max Baucus (D-MT), who stressed at a Finance hearing on Wednesday that failure to repeal Jackson-Vanik trade restrictions and establish PNTR for Russia by this summer would unilaterally disadvantage U.S. exporters versus other global competitors in the Russian market.

However, Senate Finance Committee Ranking Member Orrin Hatch (R-UT), Committee Member Ben Cardin (D-MD), House Foreign Affairs Committee Chairwoman Ileana Ros-Lehtinen (R-FL), and many other Members of Congress have argued that the Obama Administration should leverage the PNTR decision by attempting to spur improvements in Russia's human rights record. It is unclear at this point whether the Administration will quietly agree to support all or part of Senator Cardin's Russian human rights legislation, S. 1039, as part of discussions over PNTR, but Senator Hatch's sharp comments at Wednesday's hearing particularly increase the chances of that eventual development. Ranking Member Hatch laid down a key Republican marker with his views that, "The President would have Congress pass PNTR and ignore Russia's rampant corruption, theft of U.S. intellectual property, poor human rights record and adversarial foreign policies for a market that amounts to .05 percent of U.S. exports."

- **Iran Developments.** In the aftermath of Israeli Prime Minister Benjamin Netanyahu's visit to Washington last week, it appears that President Obama might have bought some time before Israel would attempt a unilateral strike against Iranian nuclear facilities. The President, Secretary of Defense Leon Panetta, and the rest of the

Administration's national security team reiterated to Prime Minister Netanyahu, and possibly more importantly to the U.S. and Israeli electorates at large, that Washington will not simply rely on the policies of negotiation, containment, and, ultimately, mutually assured destruction when dealing with Iran, and that all options remains on the table. In striking that balance, President Obama appealed to a U.S. population that, while deeply wary of Tehran's intentions, is perhaps even more skeptical of an attack against Iran at this stage. Moreover, although a majority of the Israeli populace appears open to pre-emptive action at some point, most Israelis are reluctant for Israel to act without U.S. support and, ideally, participation. Last week's cautious tone from President Obama, who remains popular in Israel, made it clear that such support does not *currently* exist.

- **Syria Developments.** Last week, Speaker of the House John Boehner (R-OH) counseled patience before considering any future military intervention in Syria, thereby implicitly refusing to back Senate Armed Services Committee (SASC) Ranking Member John McCain's (R-AZ) call for U.S.-led airstrikes against Syrian government positions, which the Obama Administration has opposed. At a SASC hearing Tuesday, General James Mattis, head of U.S. Central Command (CENTCOM), briefed Senator McCain and other committee members on his views regarding some of the military and political obstacles associated with any potential intervention. Although General Mattis carefully noted that CENTCOM has not undertaken, and has not been asked to undertake, detailed military planning for any operation in Syria, he added, "options available to address the situation are extremely challenging" and that a significant military commitment would be needed to stabilize the humanitarian situation on the ground.

---

## Tax

### LEGISLATIVE ACTIVITY

- **Senate Transportation Bill Nears Passage, House Proposal Still Unclear.** Last week, the Senate voted 85-11 to proceed on S. 1813 (Transportation Bill), sponsored by Senators Barbara Boxer (D-CA) and Jim Inhofe (R-OK). The Senate is expected to pass the legislation next week on either Tuesday or Wednesday after considering 22 amendments, including some tax provisions that will be taken up beginning on Tuesday. Tax-related amendments yet to be voted on include an amendment by Senator Debbie Stabenow (D-MI) that would extend certain expired or soon-to-expire energy tax incentives, as well as an amendment by Senator Robert Menendez (D-NJ) that would provide tax incentives for natural gas vehicles. There will also be votes on alternatives to both of these authored by Senate Republicans. Each of these tax amendments will be subjected to a 60 vote threshold.

On Thursday, March 8, the Senate adopted by voice vote an amendment offered by Senators Carl Levin (D-MI) and Kent Conrad (D-ND) on offshore tax havens. If enacted, the amendment, which is a modified version of legislation introduced by Sen. Levin, could prohibit foreign financial institutions (FFIs) from accessing the U.S. financial system if those institutions are found to be "significantly impeding U.S. tax enforcement," as determined by the Treasury Department. Treasury would be granted the ability to take the same actions against offshore tax havens and their FFIs as they are allowed to take currently under section 311 of the Patriot Act. Such actions granted under Section 311 of the Patriot Act include allowing Treasury to take a range of measures against FFIs it deems to be of "primary money laundering concern," including using its

discretion to prohibit U.S. banks from accepting wire transfers or honoring credit cards from offending FFIs. While it remains unclear when and if the House will pass its own transportation bill, current House proposals do not include tax provisions unrelated to the financing of the highway trust fund.

- **In Speech, Obama Proposes “All-of-the-Above” Energy Strategy.** On Wednesday, March 7, President Obama announced a set of initiatives to encourage consumers and businesses to purchase new and advanced trucks and cars and called for Congress to repeal subsidies for oil and gas companies. In conjunction with the President’s March 7 speech, the White House released a fact sheet rolling out some of the President’s energy initiatives. These would include expanding eligibility for the credit to a broader range of advance vehicle technologies, accelerating deployment of alternative-fuel trucks, and launching a clean energy grand challenge. The President, without mentioning specifics, also called for an end to taxpayer subsidies for oil and gas companies.
- **Congressional Hearings Focus on Tax Reform.** Last week, both the Senate and House continued their series of tax reform hearings, with the Senate focusing on manufacturing incentives and the House on closely-held businesses. At the Senate hearing last Tuesday, discussion covered many specific Code provisions, including the importance of the Section 199 deduction, Section 179 depreciation schedules, and the Research and Development tax credits. Chairman Baucus, noting the political difficulties, also reminded the Committee of his intent to pursue tax reform this year. While at the House hearing on Wednesday Republican Members reiterated their call for comprehensive tax reform that would harmonize individual and corporate rates, which was met with agreement by most witnesses.
- **Tax Hearings Next Week.** The following hearing is scheduled next week in the Senate Finance Committee:  
  
Thursday, March 15: Senate Finance Committee hearing on Russia’s WTO Accession-Implications for the United States

## REGULATORY ACTIVITY

- **IRS Plans Changes to FATCA Guidance.** The Foreign Account Tax Compliance Act (FATCA) requires FFIs to report U.S.-owned accounts to the IRS or face certain penalties that in some instances could include a 30 percent withholding tax. This past week, the IRS announced that it will clarify certain aspects of the encompassing rules related to certain grandfathered obligations that do not generate withholdable payments under FATCA. The IRS will also clarify that documentation submitted by banks will be valid for a minimum of three years, even if it technically expires prior to when the three year period closes. Further, the changes will clarify that presumption rules under the guidance will not apply to an FFI’s individual accounts, but rather will apply to entity accounts. Finally, in another change, the IRS will make clear that in determining the value of the account in converted currencies for purposes of the \$1 million threshold, FFIs can apply same-day spot rates.

---

## Transportation

- **SAFETEA-LU Reauthorization.** On Thursday, March 8, the Senate took up the first seven amendments to their \$109 billion two-year reauthorization of SAFETEA-LU. The remaining 23 pending amendments will be brought up next week. Among the amendments considered last week were competing amendments from Senators John Hoeven (R-ND) and Ron Wyden (D-OR) relating to the Keystone XL pipeline. Hoeven's

amendment would have authorized the pipeline without President Obama's approval, while Wyden's amendment would have blocked exporting oil brought into the country through the controversial pipeline. Both amendments failed to receive the 60 votes necessary to add them to the bill. Senate Democrats have vowed to continue voting on amendments next week and then sending the bill to the House, which has signaled it may take up the Senate-passed legislation, abandoning its five-year bill in favor of a shorter alternative. It's still unclear whether the House will just vote on the Senate bill when it arrives in the chamber or House leaders will opt to author their own version of the two-year bill with desired changes, forcing the two bills to go to conference if the House can muster enough votes for passage. The House will be on recess next week, giving staff and leadership time to determine the path forward.