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Executive-level Newsletter writing sample

Subject: A newsletter detailing legislative and regulatory activities related to the derivatives industry

JUNE 2013 U.S. OPTIONS EXCHANGE COALITION NEWSLETTER

OCC DC and members of the U.S Securities Coalition (Coalition) have continued to work diligently to educate Members of Congress and their staff about our concerns with the House Ways and Means Committee draft tax proposal. Generally, our concerns and comments have been well received, even by the architects of the draft plan. Based on recent conversations, it appears that the proposed changes were unintentional.

Since we have met with most of the House Ways and Means Committee members, the focus of the Coalition has turned to the Senate. Our strategy is to convince members of the Senate Finance Committee that any tax reform proposal put forth by the Committee should not include the objectionable House draft language. Since **Senate Finance Committee Chairman Max Baucus (D-Montana)** is not running for re-election, he feels empowered to propose a draft that fits his vision of tax reform and not necessarily that of his party. By educating him, his staff, and other members of the Committee before any proposal has been completed, we are cautiously optimistic that his draft legislation will not include any provisions that would negatively impact the listed options industry.

Any action on comprehensive tax reform will not come until the fall at the earliest, and that would just include a bill being marked up out of the Ways and Means Committee. Without the enthusiastic support of **President Obama** and **Majority Leader Harry Reid (D-Nevada)**, chances of Senate action are low. And even if both Chambers passed their own versions of tax reform, reconciling the two bills prior to the 2014 campaigns heating up would be difficult.

Since it was the last time comprehensive reform was enacted and the only full overhaul of the tax code in its entire history, many pundits refer to the Tax Reform Act of 1986 when describing current tax reform efforts. According to the General Explanation of the 1986 Act¹, the idea of comprehensive tax reform began with President Reagan mentioning it in his 1984 State of the Union address. His Treasury Department then spent most of 1984 examining the tax code and creating a reform package for Congress to consider. It was submitted to the Congress in May 1985.

In the 1980's, Congress used regular order to consider most of its legislation, so tax reform was first debated in the House, where 30 Committee hearings were held. After a marathon,

¹ <http://www.jct.gov/jcs-10-87.pdf>

16-day markup, the final version of the Act was introduced and passed out of the Ways and Means Committee in December 1985. Much like today, in 1985 the Senate was simultaneously working on its own version of comprehensive tax reform, holding 36 hearings on various proposals but never introducing formal legislation. Instead, they used the House-passed bill as a vehicle for their own version of tax reform, passing it out of the Senate Finance Committee in May 1986 after a 17-day markup. The final version of the Act was hammered out by the Conferees and approved by both the House and Senate, but not without 136 Congressmen and 23 Senators opposing it. President Reagan finally signed the Tax Reform Act into law on October 22, 1986.

No legislation in recent memory, including Dodd-Frank and Obamacare, has been the subject of 66 Congressional hearings and 33 days of combined Committee markups. All that effort shows how serious many in Congress and President Reagan were about comprehensive tax reform. While tax reform has been abstractly discussed by Congress almost continually since the 1986 Act, the House Ways and Means Committee draft is the most solid and serious proposal put forth in many years. But the differences between 2013 tax reform efforts and the efforts of Congress in the 1980s are many.

Back then, comprehensive tax reform had the support of Congressional leaders and President Reagan and still took 2.5 years from start to finish. Efforts to enact tax reform in 2013 have already faced the lukewarm support of the President, opposition from a wide range of interest groups, significant policy disagreements between the parties, several more-pressing issues taking up the time and focus of the House and Senate, and no serious political pressure being felt by Members to pass a bill. It is clear that supporters of tax reform have a much higher mountain to climb than their Congressional predecessors, and, unlike the tax reform efforts of the 1980s, 2.5 years from now we may not be any closer to a compromise than we are today.

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