



**T**his week should be a big one for President Trump, with his nationally televised address to a joint session of Congress, the release of his new immigration executive order, and a series of rallies across the country later in the week. The speech will be a major event for Trump, presenting him with the opportunity to shift the focus away from past controversies and to his legislative agenda of tax reform, healthcare, and other priorities. Congress is back in session after a week in recess for President's Day, and the Senate is expected to approve the nomination of Wilbur Ross for Commerce Secretary.

## TRUMP SPEECH

Forty days into his presidency, President Trump will deliver his first speech to Congress on February 28, addressing a joint session of Congress in a nationally televised speech. Trump's speech will be delivered to a Republican controlled House and Senate, and to a minority of Democrats who have shown no interest in working with him at all. The speech is expected to be "optimistic and uplifting" in tone, and focus on his legislative agenda that he wants Congress to address in his first year in office. Trump will call on Congress to enact a major tax reform plan to boost economic growth, repeal and replace Obamacare, take steps to increase border security, and enact an infrastructure plan to create jobs and rebuild America. He will also discuss renegotiating trade agreements, increasing defense spending, and reducing wasteful government spending.

## TAX REFORM PLANS

President Trump is expected to call for a significant tax reform plan in his speech, but a detailed specific plan still appears to be a few weeks away. Trump will provide a general outline of his plan to reduce individual and corporate taxes, calling for fewer individual tax brackets and a middle class tax cuts, and a corporate rate cut and incentives to encourage businesses to repatriate trillions of dollars of overseas earnings back to the U.S. Notably, he is not expected to endorse the House Republican border adjustment tax.

Treasury Secretary Mnuchin has said that the administration is committed to enacting significant tax reforms by the end of August, and that tax reform was their number one economic objective. However, the administration is still uncertain about the border adjustment tax, and is working to come up with a compromise version of the tax. The border adjustment tax is a key feature of the House Republican tax reform plan, but many businesses and Republicans in the Senate oppose the plan. Trump last week said he supports "a form of tax on the border," but the White House later put out the word that it "does not support or oppose" the House plan.

Mnuchin and White House economic adviser Gary Cohn are said to have concerns about the proposal, including its impact on the dollar and on consumer prices. Mnuchin said he is only beginning to study the tax, and wants to work with House and Senate Republicans on putting together a combined plan they all can support. He further said there were certain aspects of the proposal the President likes but also aspects he is concerned about. Treasury officials are said to be working on a scaled-backed or phased-in version of the tax which would still encourage companies to stay in the US without impacting consumer prices. Treasury hopes to have agreement on a combined plan within the next few weeks.

## **FSOC MEETING**

Treasury Secretary Mnuchin this week will convene his first meeting of the Financial Stability Oversight Council, the group of financial regulators established by the Dodd-Frank act. The group will meet in closed session to receive an update on market developments and an update on the designation of a nonbank financial institution as a systemically important financial institution subject to enhanced regulation. The SIFI designation is controversial and could be scaled back considerably under the new administration. There is speculation that FSOC could decide this week to withdraw the previous administration's appeal of a court decision overturning the designation of MetLife as a SIFI.

## **DODD-FRANK UPDATE**

The push to repeal or replace Dodd-Frank could be put on the back burner in the House. The Trump administration is undertaking a months-long review of the financial reforms, and tax reform, healthcare, and other issues are higher priorities for the administration. House Financial Services Committee Chairman Hensarling has pushed back his timetable for action in the House and is now expected to introduce his Dodd-Frank repeal legislation in April.

*-- Bruce Thompson*

*DISCLAIMER: Options Group is not claiming any positions or political preferences.*