TirePAC

The Political Action Committee for the Tire Industry

Dear TIA Member:

On behalf of the Government Affairs Committee, we would like to thank all those who contributed to the successful fundraising efforts for the TirePAC in Las Vegas. With your help we were able to reach our target goal for the event.

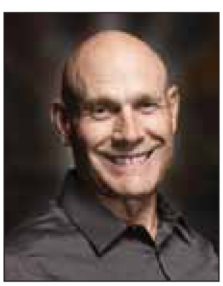
As we enter 2014, the Government Affairs Committee plans to be in the forefront in defending the tire industry from numerous assaults and various forms of legislation. In the coming months, TIA will be involved in a variety of issues including: Small Business Healthcare, Work Opportunity Tax Credit, Estate Tax, Lawsuit Abuse, Retroactive Liability Provisions of Superfund, Scrap Tires and Used Oil, National Energy Bill, Federal Aid Highway Bill, Urge Strong Enforcement of the Magnuson-Moss Warranty Act, Halt the Activist NLRB's Efforts to Ease Unionization of Business, Support the Motor Vehicle Owner's Right to Repair Act, Marketplace Fairness Act, and Comp Time. If you would like to receive position papers on any of these issues or topics please send the request to rlittlefield2@tireindustry.org.

With so many important legislative initiatives on the horizon, we continue our fundraising efforts to support the TirePAC fund and wish for your participation. TirePAC contributions give candidates and officeholders a clear idea of where TIA stands on an issue and represents the association's interest. Whereas, when you give personal money directly to a candidate or officeholder they know that you like them personally. The TirePAC expands your influence beyond your own legislative district. It helps direct money to candidates and officeholders you may not know about who support your issues and need our support. The TirePAC makes a carefully studied, well-informed decision on whom to support. The TirePAC makes decisions about candidates and officeholders based on inside knowledge of what really happens to your issues during a legislative session, voting record or things that do not show up in votes.

We will begin our 2014 legislative efforts at the OTR Conference and we have 100 spots available for our PAC Board. It only costs $25 per square to participate with a first place cash prize of $500, second place of $250, and third place of $100. If you are not attending the OTR Conference this year but would still like to donate, we would greatly appreciate your contribution. Consider making a generous contribution of $50 to help you in the fight to protect our industry. Please make a contribution via a personal check made out to TIA TirePAC and mail it to TIA's Executive Vice President Roy Littlefield at 1532 Pointer Ridge Place, Suite G, Bowie, MD 20716. We would also welcome a call to our office to pledge an amount (we will then invoice you), 800-876-8372. As a reminder, TirePAC can only accept personal checks made out to the TIA TirePAC or up to $200 in cash at the event.

If you want to find out more about getting involved with TIA's government affairs efforts, please contact me or Roy Littlefield (rlittlefield@tireindustry.org or 301-430-7280) to find out how.

We expect 2014 to be a monumental year for federal legislation and you can expect TIA to be in the forefront fighting for you in Washington, D.C.



Sincerely,

Randall J. Groh

Randy Groh
Government Affairs Committee

RESOLUTIONS APPROVED

The following resolutions were voted on and approved by the membership at the TIA Annual Meeting which was held on Monday, November 4, 2013 in Las Vegas, Nevada.

Marketplace Fairness

Whereas, out-of-state sellers should collect and remit use taxes from consumers for the state in which the customer resides; and

Whereas, forty-five states have sales tax and use tax regimes; and

Whereas, there exists a strong need for revenue at the state level; and

Whereas, a state can force an in-state seller to become a collector of a sales tax because it has clear jurisdiction over the seller and can use "leverage" such as the seizure of assets to force compliance; and

Whereas, by not paying sales tax on online sales, "brick and mortar" retailers are placed at an unfair competition disadvantage; and

Whereas, legislation (S.743) would simplify, through a "Streamlined Sales Tax System," the nation's sales tax laws by establishing one uniform system to administer and collect sales tax in states with a sales tax;

Now Therefore Be It Resolved that the Tire Industry Association meeting this 4th day of November, 2013 in General Assembly, supports marketplace fairness and urges the United States Congress to pass S.743 in a timely manner.

Comp Time

Whereas, H.R. 1406, the "Working Families Flexibility Act of 2013, " would amend the Fair Labor Standards Act of 1938 to allow employers to offer private-sector employees the choice of paid time off in lieu of cash wages for overtime hours worked; and

Whereas, no employee would be forced to take comp time instead of receiving overtime pay; and

Whereas, H.R. 1406 protects employers by requiring the employer and employee to complete a written agreement to use comp time; and

Whereas, H.R. 1406 retains all existing employee protections; and

Whereas, H.R. 1406 allows employees to accrue up to 160 hours of comp time each year; and

Whereas, H.R. 1406 recognizes that the modern small business workplace needs options to compete; and

Whereas, H.R. 1406 recognizes the financial challenges of small business as well as the reality that families today have many time-related demands and needs; and

Whereas, H.R.1406 passed the United States House of Representatives with 220 Republican votes and 3 Democratic votes;

Now Therefore Be It Resolved that the Tire Industry Association meeting this 4th day of November, 2013 in General Assembly, supports H.R. 1406 to amend the Fair Labor Standards Act, and urges the United States Senate to consider and pass H.R. 1406.

Former Congressman Albert Wynn (D-MD) was the special guest at the TIA Welcome Reception held on Monday, November 4 at The Cosmopolitan of Las Vegas.

Guests enjoy Congressman Wynn's remarks.

The TirePAC Board was a great success at the TIA Welcome Reception and raised $2,000.

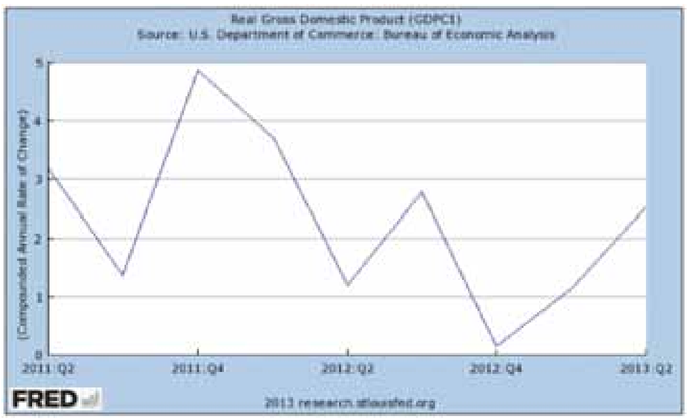
TIA Welcome Reception guests view the exciting silent auction items. This year's auction raised $600 for the TirePAC.

2013 YEAR IN REVIEW – 2014 OUTLOOK

At the beginning of 2013, family businesses got permanent Bush tax cuts, including an estate tax with a $5.25 million exemption and a 40% top rate, 43.4% if you add on the 3.8% Obamacare payroll tax hike, but, during the rest of 2013, Obamacare disasters, the sequester, the government shutdown, and Congress's failure to pass a highway bill, a farm bill, or immigration reform proved onerous. Over and over again the Republican House passed bills that Senate Democrats wouldn't take up and vice versa. So fewer non-ceremonial bills were enacted in 2013, only 55, than in any other year in U.S. history. Even fewer bills may be enacted in 2014 because it's an election year.

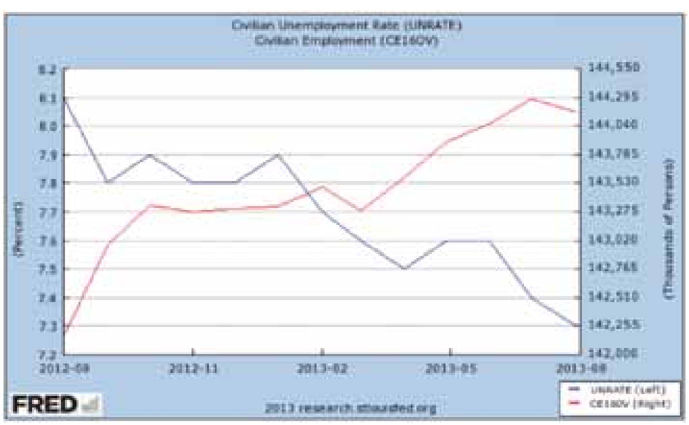
VITAL SIGNS FOR FAMILY BUSINESSES

Gross Domestic Product



On December 20, the Bureau of Economic Analysis released their third estimate of Q3 Gross Domestic Product at 4.1 percent. This increase is primarily from an increase in private sector spending. On January 30, BEA will release its first estimate of Q4 which includes October's government shutdown.

Unemploymen



November unemployment decreased to 7.0 percent with an increase of 203,000 jobs. The civilian labor force increased by 455,000 workers, largely due to workers returning to work after the government shutdown. The labor force participation rate changed very little at 63 percent.

Consumer Confidence

Consumer Confidence increased in December to 78.1 from 72.0 in November. Consumers believe the labor market and economic conditions are improving which helped increase confidence in December.

Manufacturing ISM Report on Business

December PMI stands at 57.0 percent. This is the seventh month of expansion in the manufacturing industry and the second highest reading of 2013. A reading above 50 shows expansion and below 50 shows contraction.

SMALL BUSINESS OUTLOOK – U.S. STOCK MARKET

On the final day of trading in 2013, the US stock market reached record highs. The Dow finished the year up 26 percent and the S&P 500 finished up 29 percent. Most bulls at the beginning of the year predicted gains of about 10 percent, but none seemed to predict over 25 percent gains. For 2014, Citibank, Bank of America Merrill Lynch, and Goldman Sachs are predicting the S&P to reach 1900-2000.

OBAMACARE ROLLOUT FEATURED ONE DISASTER AFTER ANOTHER

A series of disasters started on October 1 with the malfunctioning healthcare.gov website, which prevented all but a few Americans from signing up until December. Then, in December, when insurance companies cancelled individual market policies that weren't up to Affordable Care Act standards, it became obvious that President Obama couldn't keep his promise, "if you like you policy, you can keep it." Pulitzer Prize winning Tampa Bay Times *PolitiFact* named that the 2013 "Lie of the Year." Mr. Obama pressured insurance companies to restore policies, and some did, but such last minute changes were chaotic and costly. CMS was forced to postpone the small business exchange and then the individual mandate, both for a year. Last May, the Congressional Budget Office estimated that about 2 million people would sign up through small business exchanges in 2014 and that 7 million would sign up through individual exchanges. None signed up through small business exchanges, and barely 1 million signed up with the federal government by the end of the 2013, many by phone. Most state exchanges had serious problems too. If enrollments continue far below forecast, Obamacare could fall of its own weight. President Obama will veto any legislative changes as long as he is in office, and Congress will probably lack the two-thirds votes in both houses to override, so it will take a Republican president and a Republican Congress in 2017 to undo the damage.

OBAMACARE REPEAL PASSED THE HOUSE 47 TIMES, BUT IT DIDN'T PASS THE SENATE ONCE

In 2013, the House tried just about every possible way to repeal, postpone, defund, and pick apart the Affordable Care Act, but Senate Democrats refused to take up any of it.

BUSH TAX CUTS WERE MADE PERMANENT WITH AN ESTATE & GIFT TAX EXEMPTION OF $5.25 MILLION AND A TOP RATE OF 40%

The American Taxpayer Relief Act also set a top income tax rate of 39.6% for couples with taxable incomes over $450,000 and singles over $400,000. Combine that with the 3.8% Obamacare tax on unearned income, and you could face a top tax rate of 43.4%. The top capital gains and dividends tax rate was raised from 15% to 20%.

DEATH TAX REPEAL BILLS WERE INTRODUCED

On June 19, Senator John Thune (R-SD) and Rep. Kevin Brady (R-TX) introduced S.1183 and H.R. 2429.

Both Senator Thune and Congressman Brady vowed during the Death Tax Repeal Act press conference to push for death tax repeal to be included in comprehensive tax reform. Republican Leader Mitch McConnell and Senate Finance Committee ranking member Orrin Hatch both joined the press conference to tout their support for death tax repeal. House Ways and Means Chairman Dave Camp waived the ban on revenue bills during tax reform season to allow the Death Tax Repeal act to be offered – we believe this is a powerful sign that the bill could come to the House floor this year.

TIA signed on to a letter with 40 organizations in support of the legislation.

ESTATE TAX REPEAL VOTES LAST SPRING WERE JUST POLITICAL POSTURING

Congress's budget resolutions, and amendments to them, don't change the law. They set the tax and spending targets that bind congressional committees. They also provide opportunities for political posturing. On March 22, when the Senate took up its budget resolution, S.Con.Res.8, Senator Mark Warner (D-VA), who faces a tough reelection fight next year, proposed to "repeal the estate & gift tax in a fiscally responsible way," meaning "pay for it with other tax increases and spending cuts." That amendment passed with overwhelming bipartisan support, 80-19. Then, a few minutes later, the Senate rejected Senator Thune's (R-SD) amendment to permanently repeal the estate tax, 46-53

THE IRS RELEASED 2012 ESTATE TAX FILING DATA ON SEPTEMBER 15

3,738 returns paid an average of $2.3 million each for a total collection of $8.497 billion. 5,673 non-taxable returns were filed as well. The gross estate of taxable returns totaled $62.446 billion, including publicly traded stock of $20.159 billion, state and local bonds of $7.961 billion, cash of $6.133 billion, and real estate of $5.673 billion. 499 farms were taxable with farm assets of $1.458 billion. 1,103 taxable estates reported limited partnership assets of $1.603 billion, and 664 taxable returns had $1.299 billion of non-corporate business assets. As you can see from this chart, the number of estate tax returns and estate tax paid are starting to turn up from after 2010, when we briefly enjoyed no estate tax.

TAX REFORM FAILED TO GET OFF THE GROUND IN 2013

"We're running out of time, and I have no plans to introduce the tax bill this year," House Ways and Means Chair Dave Camp (R-MI) told reporters on December 4. In a late November meeting, House GOP leaders told Camp he should wait for unanimous support from his Republican Ways and Means Committee colleagues before moving forward. That could be a long wait. Although Mr. Camp may introduce, and possibly mark up, his bill this January or February with repeal of many popular tax breaks to reach a 25% top income tax rate for individuals and corporations, it's unlikely the House would take up such a politically risky bill in an election year.

Also, note that Rep. Camp's chairmanship of the House Ways and Means Committee is term limited to end early next January, and Senate Finance Chair Max Baucus (D-MT) will become Ambassador to China soon. House Budget Chair Paul Ryan (R-WI) is expected to succeed Rep. Camp, and Senator Ron Wyden (D-OR) is expected to succeed Senator Baucus.

THE DEBT LIMIT JUST JUMPED $376 BILLION, AND IT WILL JUMP A LIKE AMOUNT ON FEBRUARY 8, 2014

President Obama signed H.R.2775 in the early morning hours of October 17 and sent Congress "written certification that absent a suspension of [the debt limit], the Secretary of the Treasury would be unable to issue debt to meet existing commitments," automatically suspending the debt limit through February 7, 2014 and restoring amounts borrowed from the trust funds with interest. That immediately added $376 billion to the $16.7 trillion debt limit. The debt limit will reset on February 8, 2014 to the amount of outstanding Treasury debt on that date and "extraordinary measures" will carry the government at least until mid-March and possibly into May. Another increase through early 2015 will probably pass on the omnibus appropriations bill Congress is expected to pass January 15th or soon thereafter. That will mean no more government shutdowns in 2014.

IRS DELAYED NEXT YEAR'S TAX FILING SEASON AND YOUR TAX REFUNDS BY ONE WEEK BECAUSE OF THE GOVERNMENT SHUTDOWN

On October 23, the Internal Revenue Service announced a delay of one or two weeks to the start of the 2014 filing season to allow adequate time to program and test tax processing systems following the 16-day federal government shutdown. Then on December 18, the IRS announced the filing season would start January 31, 10 days late.

TAX EXTENDERS WILL PROBABLY BE RETROACTIVELY EXTENDED THIS YEAR

That from a House Ways and Means Majority tax counsel before the D.C. Bar. This is important for those benefiting from the exclusion for the sale of qualified small business stock, the exclusion for mortgage debt forgiven, the Work Opportunity Credit, the wind, solar, biodiesel, biomass and other alternative energy tax credits, the R&E tax credit, and other tax benefits, 55 in total, listed in this Joint Committee on Taxation pamphlet and described in a 21-page Congressional Research Service report.

$680.3 b. (4.2% GDP) DEFICIT RECORDED FOR FY 2013

On October 28, Treasury issued September's Monthly Treasury Statement with FY13 outlays of $3.454 tr. and revenues of $2.774 tr. That's the lowest deficit since FY08's $458.6 b. (3.2% GDP). Last May, CBO projected a slightly lower $642 b. (4.0% GDP) deficit for FY13, $560 b. (3.4% GDP) for FY14, and $378 b. (2.1% GDP) for FY15. CBO's next forecast is expected in late January.

MINIMUM WAGE HIKE HAS A GOOD CHANCE OF ENACTMENT THIS YEAR

Senator Tom Harkin's bill, S.460, would raise the current $7.25/hour federal minimum wage to $10.10 over two years. I expect a compromise increase of a lesser amount to be enacted this spring.

ETHANOL RENEWABLE FUEL MANDATE LOWERED

In late November, the Environmental Protection Agency proposed to lower the amount of ethanol that must be blended into U.S. gasoline from the over 14 million gallons set in the 2007 law to between 12.7 million and 13.2 million to avoid the 10% "blend wall." The rule will probably be finalized next spring after a 60-day comment period. More starting on p. 67 of its 89-page EPA ruling of August 6, 2013. The oil industry is demanding complete repeal of the renewable fuel standard as unworkable and unnecessary now that gasoline consumption has leveled off and natural gas production has soared.

IMMIGRATION REFORM FACES UPHILL CLIMB

It's anyone's guess whether the House and Senate can agree on an immigration reform bill this year, but, if they do, the good news for family businesses is that guest worker provisions will allow farmers to harvest their crops, if wage requirements are met. More highly skilled workers would get H1-B visas. The bad news is that 11 million out of status immigrants may get a pathway to citizenship and that there would be no guarantee that the funding to secure the border would be forthcoming.

In a historic vote on June 27, the Senate passed S.744 by 68-32. It would establish a pathway to citizenship for 11 million illegal immigrants and would seal off our border with Mexico by doubling the number of Border Patrol agents to 38,000 and by finishing 700 miles of fence through Texas.

The bill now goes to the House where it faces an uncertain fate. House Speaker John Boehner (R-OH) has repeatedly vowed not to bring any bill to the floor without majority Republican support, which S.744 does not enjoy.vately urged his colleagues to pass immigration reform or else to be prepared for further electoral disappointment. Although a bipartisan group of House members is fashioning a compromise bill, it's unlikely to reach the House floor. As House Judiciary Chair Bob Goodlatte (R-VA) noted in this statement, his committee has passed several piecemeal immigration reform bills. If any one of them were to pass the House, Boehner could move to appoint conferees. That would allow a compromise bill to emerge from the conference committee, which could pass Congress. Boehner has called a House Republican Caucus meeting behind closed doors on July 10 to discuss how to proceed.

House Republican leaders are mulling passage of limited immigration reforms in May or June. House Speaker John Boehner (R-OH) has repeatedly vowed not to bring any bill to the floor without majority Republican support, which S.744 does not enjoy. However, Boehner has also privately urged his colleagues to pass immigration reform or else to be prepared for further electoral disappointment. A bipartisan "Gang of Eight" House members worked hard in 2013 to produce a comprehensive immigration reform bill, but three Republicans bolted the group, leaving only one, Rep. Mario Diaz-Balart (R-FL), in what is now the "Gang of Five," with little prospect for producing a bill that could attract a majority of House Republicans. Meanwhile, the House Judiciary and Homeland Security Committees passed several piecemeal bills covering border security, H.R.1417, state and local enforcement, H.R.2278, employment verification, H.R.1772, agricultural guest workers, H.R.1773, and high-tech worker visas, an increase from the current 65,000 to 155,000, H.R.2131, but Senate Democratic leaders refused to take up these bills, insisting on a comprehensive immigration bill. It's unclear if this impasse will be resolved this year.

EARLY 2014 ELECTION OUTLOOK:
A Republican Senate is within reach, while House Republicans will probably add a few seats to their majority.

To flip the Senate Republican (currently 55D-45R) would require a six seat pickup, and to flip the House Democratic (currently 234R-201D) would take a 17 seat gain. Retiring Senate Democrats in South Dakota, Montana, and West Virginia are likely to be replaced by Republicans, and Arkansas and Michigan are toss-ups. Slim Democratic leads in Alaska, Iowa, Louisiana, Minnesota, and North Carolina could be erased if strong enough Republican challengers emerge. Minority Leader Mitch McConnell (R-KY) is locked in the fight of his life against Kentucky Secretary of State Alison Lundergan

Grimes (D-KY), and Georgia leans Republican, but it could become a close race depending upon who emerges from crowded primaries on both sides. No other Senate Republican seats are in jeopardy. So, Senate Republicans could easily pick up a net increase of three or four seats, and five or more is certainly possible. House Republicans will probably add a few seats to their majority. Only one Republicans seat is in jeopardy, the redistricted California-31, which President Obama carried by 57% in 2012, although Democratic infighting has kept it close. The open Democratic seat in Utah-4 is bound to go Republican. Democrats in ten districts are in serious trouble: Arizona-1; Arizona-2; California-7; California-36; California 52; Florida-18; Florida-26; Illinois-10; New Hampshire-1; and Washington-3. Four Republican districts are toss-ups: Colorado-6; Florida-13; Iowa-3; and New Jersey-3. Close races lean Republican in another 15 Republican districts and lean Democratic in 14 Democratic districts. The remaining 214 Republican seats and 176 Democratic seats are unlikely to change.

Wide open 2016 presidential election, not much change in Congress. As in 2008, the 2016 presidential election will be wide open in both parties and will come down to the wire on November 8, 2016. e Hillary Clinton are laying the groundwork for the Democratic nomination. New Jersey Governor Chris Christie and Kentucky Senator Rand Paul are the early frontrunners for the Republican nomination, but Senator Mark Rubio and Wisconsin Governor Scott Walker are hot on their heels. In Senate races, 23 Republican seats will be up versus only 9 Democratic seats. None of the Democrats appear vulnerable barring retirements, but three to five of the Republicans will face close races (Illinois, Wisconsin, Pennsylvania and possibly Ohio and New Hampshire). Given how few House seats are truly contested anymore because of gerrymandering and deep pockets, it would take a wave election to flip the House to the Democrats.

NLRB POSTER RULE IS DEAD

Over two years ago, the National Labor Relations Board (NLRB) issued a final rule that would have required all private employers subject to the National Labor Relations Act to display a poster about employees' rights under the Act. SESCO reports that the NLRB announced on January 6, 2014 that it would not seek Supreme Court review of two Circuit Court of Appeals decisions invalidating the agency's Notice Posting Rule. The NLRB had until Thursday, January 2, to appeal the cases to the Supreme Court, but allowed the deadline to pass.

Initially, this posting rule was met with much resistance from employers, in part because of its controversial content that some believed was pro-union as the poster failed to mention employees' rights to decertify a union, not to pay union dues in right-to-work states and to object to dues unrelated to representation. The proposed regulation was quickly challenged in court.

As a result of these legal challenges, two federal Courts of Appeals (the Fourth Circuit and the District of Columbia) held that the NLRB's poster rule was impermissible. One court (the Court of Appeals for the District of Columbia) found that the rule violated employers' free speech rights under the First Amendment, and the other (the Court of Appeals for the Fourth Circuit) found that the NLRB did not have the authority under the Act to issue the rule.

The NLRB poster remains available on the agency website and it may be viewed, displayed and disseminated voluntarily. However, businesses that have already displayed this controversial poster have been free to remove it as a result of the legal appeals...and now permanently.

WOTC

The Senate agreed on January 7 to take up the bill to extend unemployment benefits by a vote of 60-37. Senator Rob Portman of Ohio was the last of five Republicans to join with Democrats to reach 60 votes required to limit debate on the motion to take up the bill, S. 1845.

The vote was critical – if five Republicans continue to hold with Democrats on the next motion to limit debate on final passage of the bill, S.1845 should pass the Senate.

The bill would then go to the House, where the Speaker has already said its cost must be offset by spending cuts. The Senate having failed to provide an offset, the House Republican majority is set to provide one and send the bill back to the Senate, take it or leave it.

The question is whether any House offset is realistic or calculated to score political points – the offset proposed today by Senate Republicans was to gut Obamacare, which is a non-starter for Democrats. We describe all this because it could become the scenario for passage of the tax extenders bill, S.1859. It appears the extenders might not be taken up until after January 15 because House and Senate must now turn their attention to passing the all-important Omnibus Appropriations bill to fund the government for the remainder of the fiscal year. That bill must be passed before midnight on January 15 or the government shuts down.

At this moment, House and Senate appropriators have still not reached final agreement on an omnibus bill, even though they've been working since the Ryan-Murray budget deal last month. The thorn as usual is Obamacare. If they continue negotiating till the last minute on January 15 there may be a few days of floor time available for Senator Reid bring up the tax extenders bill, but his agenda is uncertain because the White House is pressing to bring up a jobs bill and minimum wage bill as well. Senate Democrats are meeting as we write, so their agenda may become clearer.

When Senator Reid takes up the tax extenders bill, our hurdle for passage will be higher because the bill will cost more and a few Democrats running close races in red states may not vote for what they perceive as adding to the deficit. This means to have a realistic chance, our goal should be to get at least ten Republican senators to vote for the bill in the Senate.

In the House we must win Speaker Boehner's support and Congressman Ryan's support (Ryan is on the way to taking over Ways and Means next year; the present chairman, Congressman Dave Camp, has made clear he will initiate nothing for the extenders except via tax reform, but will produce a bill if the Speaker directs him to).

We must get House Republican congressmen and women to commit to talking to these two people, Boehner and Ryan, and urge them to bring a bill reauthorizing WOTC because it creates private sector jobs, is proven cost-effective and free from fraud and abuse, doesn't add to the deficit, and is vital to a million jobs for young people, veterans, people with disabilities, and others with the highest unemployment rates in the nation.

We cannot stress enough that our campaign for WOTC renewal must continue without pause! Much is at stake in these next couple of months, because if we fail to win an extension, its likely WOTC will remain expired until after the election, or even, as we have warned, until the middle of 2015!

Now is the time to act – the task is clear – TIA will lobby Republican senators and congressmen to work for renewal of WOTC – they are the people in Congress who can make or break our efforts to pass a retroactive WOTC extension. Write these senators and congressmen, call their offices and make your case to their legislative assistants, find out when your senators and congressmen will be next in the state or district and ask for a face-to-face meeting, at your meetings arrange to bring along representatives of your Chamber of Commerce, state retail, restaurant, or hotel and motel, etc., association, and don't forget to include local people working to help disadvantaged youth, veterans, or people with disabilities get jobs.
Remember, in early December we were told by the Senate Finance Committee that extending WOTC was out of the question, there would be no extenders bill because it would detract, in their opinion, from tax reform. We refused to accept that decision and within three weeks, by the time the Senate adjourned, the Majority Leader had written and introduced an extenders bill and had it ready for a floor vote. This resulted from a team effort – we need the same effort now.

LIFO REPEAL

TIA and members of the LIFO coalition have written a letter to the Chairman and Ranking Members of both tax-writing committees with copies to all Members of the House and Senate.

Once again TIA experienced its opposition to repeal of the LIFO inventory method.

TIA asserts that the repeal of the LIFO would do severe harm to the very wide swath of businesses that use the method and to the economy as a whole. The negative impact of this proposal is especially severe because the bulk of the revenue derived from the repeal of LIFO comes from the retroactive aspect of recapturing companies' existing LIFO reserves built up in years prior to the effective date of any repeal of the method.

It is unclear at this point how much momentum exists for comprehensive tax reform, especially with the December announcement that Finance Chairman Baucus will be leaving the Senate soon to become U.S. Ambassador to China.

HIGHWAY FUNDING

On January 9, our Government Affair intern, Roy Littlefield and I had lunch with Congressman Earl Blumenauer (D-OR), who had introduced legislation to increase the Federal Motor Fuel Tax by 15 cents a gallon.

While numerous other transportation groups – like ATA and AAA – have come out in support of the legislation, TIA has come out in opposition.

One of my great concerns is that a 15 cent motor fuel tax increase will not adequately fund the Highway Trust Fund.

That tax increase would have to be part of a package that could include other revenue raisers being considered including:

- Reinstating the FET on passenger tires;
- Reinstating the FET on retread rubber;
- Increasing the FET on truck tires by 10%; and
- A national weight tax on truck tires.

TIA'S STAND ON HIGHWAY FUNDING

We Are Taking 2 Strong Positions

- Eliminate diversion. We are approaching 30% of the funds collected for the Highway Trust Fund diverted for non-highway purposes.

- Engage creatively in future highway funding. We were an early supporter of legislation introduced by Congressman John Delany (D-MD) "The Partnership to Build America Act" (H.R. 2084).

The Partnership to Build America Act finances $750 billion in infrastructure investment using no appropriated funds and has 50 co-sponsors (25 Republicans and 25 Democrats).

Investing in Infrastructure

- According to the 2013 Report Card for America's Infrastructure, U.S. Infrastructure has a cumulative grade of "D+" with an estimated $3.6 trillion investment needed by 2020.

- The Partnership to Build America Act would finance the rebuilding of our country's transportation, energy, communications, water, and education infrastructure through the creation of an infrastructure fund using repatriated corporate earnings as well as through utilizing public-private partnerships.

- The legislation would create the American Infrastructure Fund (AIF) which would provide loans or guarantees to state or local governments to finance qualified infrastructure projects. The states or local governments would be required to pay back the loan at a market rate determined by the AIF to ensure they have "skin in the game." In addition, the AIF would invest in equity securities for projects in partnership with states or local governments.

- The AIF will be funded by the sale of $50 billion worth of Infrastructure Bonds which would have a 50 year term, pay a fixed interest rate of 1 percent, and would not be guaranteed by the U.S. government.

- U.S. corporations would be incentivized to purchase these new Infrastructure Bonds by allowing them to repatriate a certain amount of their overseas earnings tax free for every $1.00 they invest in the bonds. This multiplier will be set by a "reverse Dutch auction" allowing the market to set the rate.

- Assuming a 1:4 ratio, meaning a company repatriates $4.00 tax-free for every $1.00 in Infrastructure Bonds purchased, a company's effective tax rate to repatriate these earnings would be approximately 8 percent and the $4.00 could then be spent by the companies however they chose.

- The AIF would leverage the $50 billion of Infrastructure Bonds at a 15:1 ratio to provide up to $750 billion in loans or guarantees.

- At least 25 percent of the projects financed through the AIF must be Public-Private Partnerships for which at least 20 percent of a project's financing comes from private capital using a public-private partnership model.

Benefits

- Creates a large-scale infrastructure financing capability with zero federal appropriations.

- Creates significant jobs in the short-term and helps U.S. competitiveness in the long-term.

- Allows for repatriation while ensuring U.S. corporations' tax savings are truly invested in the U.S. economy to grow quality jobs.

- Pushes the project selection decisions down to state and local governments who have to have "skin in the game."

- Encourages and creates a framework for growth in public-private partnerships.

WHAT'S HAPPENING RIGHT NOW ON TRANSPORTATION FUNDING

Appropriations

TIA supported the passage of the Omnibus Appropriations Bill as it applied to transportation funding. For highways, the bill's funding level is consistent with MAP-21, including $40.256 billion in new non-discretionary spending out of the Highway Trust Fund, an increase from $39.620 billion in FY13. Another $600 million in discretionary funds was appropriated out of the general fund for DOT "TIGER" grants.

Amtrak

Last week, Amtrak President Joseph Boardman appeared to veer outside of his jurisdiction when he discussed the Highway Trust Fund (HTF). Boardman said the trust fund is dead and that a new look at revenue for transportation should include intercity rail. This is a mix of two very different issues: (1) the very real need to address the insolvency of the fund in a comprehensive, sustainable way and (2) having Amtrak funding ride on the coattails of a highway bill. Diversion of highway funds to Amtrak is an old idea, repeatedly rejected by Congress, which returns from the dead like a zombie now and then. With Boardman's attempt to steer the conversation away from Amtrak's own fiscal problems to the problems facing the Highway Trust Fund, it is important for highway advocates to be ready to fight proposals to combine the two issues. We strongly **OPPOSE** the diversion of highway user fees to Amtrak or High Speed Rail. In addition, the inclusion of an Amtrak bill in a surface transportation authorization would make our bill more contentious and less likely to get done. House Railroads Subcommittee Chairman Jeff Denham (R-CA) is opposed to combining the rail and highway bills.

First Reauthorization Hearing of 2014

Chairman Bill Shuster officially kicked-off the T&I Committee's work on a new highway bill with a hearing last week, featuring Governor Mary Fallin (R-OK) representing the National Governors' Association and Mayor Kasim Reed (D-Atlanta) representing the nation's Mayors, among others. The Mayor offered to build grassroots support for transportation from other mayors, an idea that the Chairman clearly appreciated. Witnesses generally focused on the need for a long-term (six-year) bill with stable, predictable funding. Stuart Levenick with Caterpillar discussed how his company is exporting nearly half of its products through Canada due to our slow, inefficient, and bottleneck-ridden network. Some discussion of actual funding mechanisms did come up, with a Highways and Transit Subcommittee Ranking Member Eleanor Holmes-Norton (D-DC) questioning the viability of the user-based approach and asking about revenue alternatives. Respondents suggested that multiple funding options would probably need to be considered together, including user-based funding and other tools such as bonding and repatriation of foreign assets, and other creative financing measures. Congressman Richard Hanna (R-NY), a former union member, got into a heated debate with Mr. Larry Hanley, the transit union witness, over why transit riders do not pay into the trust fund. Congressman Duncan (R-KY) discussed the need to expedite more projects through the federal bureaucracy. However, in general, the hearing was not contentious and helped build the case for investment**.**

Energy Issues

Last week, as part of their major annual speeches, both API's President Jack Gerard and U.S. Chamber President Tom Donahue called for the President to invest in energy development and approve the Keystone XL Pipeline. Intern Roy Littlefield represented TIA at these briefings. TIA strongly supports these goals as well and regularly weighs in on these matters with regulators, and social networks. The Keystone project has now been held up in NEPA reviews for five years, while the majority of Congress and the overwhelming majority of citizens support its speedy approval and construction.

SENATE PASSES SPENDING BILL TO FUND GOVERNMENT THROUGH SEPTEMBER

The senate has approved and sent to the White House a monumental spending bill that keeps the government running through September and eliminates the need for additional short-term continuing resolutions (which had been funding the government since October 1, 2013).

The $1.012 trillion measure passed 72-26 just a day after the House passed (359-67) it with similarly broad bipartisan support. The bill won the support of 17 Republicans, 53 Democrats and 2 independents. The president is expected to sign it.

TAX EXTENDERS

The Senate did not take up S.1859, the Tax Extenders Act, last week. Instead, the Senate has taken up a flood insurance bill

The Tax Extenders Act provides a one-year extension of WOTC and other tax extenders. It remains on the Senate calendar and is still high on the list of priorities of Majority Leader Harry Reid. It could be called up at any time.

Then what's holding up a tax extenders bill? Recall that on December 19 Senator Reid proposed to pass S.1859 by unanimous consent. The unanimous consent request failed when Minority Leader McConnell objected on behalf of Senate Republicans. He was supported in this by the ranking Republican on the Finance Committee, Senator Hatch. Their point was the tax extenders cost money and not enough attention has been given to pruning, capping, reforming, or eliminating some of them to save money. Every year, they said, we've been asked to go along with the same list of extenders without change and we're unwilling to do that anymore. They didn't single out any extender for reform or elimination, but insisted an attempt should be made to pare back the bill.

In effect, Republicans are saying, "We aren't going to cooperate in passing S.1859 until cuts are made. Take another look at the extenders and find savings to lower the cost of the bill."

This means tossing the bill back to the Finance Committee leaders, Senator Baucus and Senator Hatch, to scrub the extenders for savings. In effect, all are on the chopping block, not necessarily for elimination, but for cutting cost. Senator Reid prefers bringing a bi-partisan extenders bill to the floor, and that means the demands of Senator Hatch and Finance Committee Republicans need to be considered.

As for timing, Senator Baucus and Senator Hatch say they want to see an extenders bill passed early this year. Senator Ron Wyden (D-OR) will likely replace Senator Baucus as Finance Committee chairman as soon as the latter is nominated as ambassador to China, and waiting for the President to make the nomination is slowing things down.

TIA would like to recognize and thank all individuals who contributed in 2013 to the successful TirePAC fundraising campaign.

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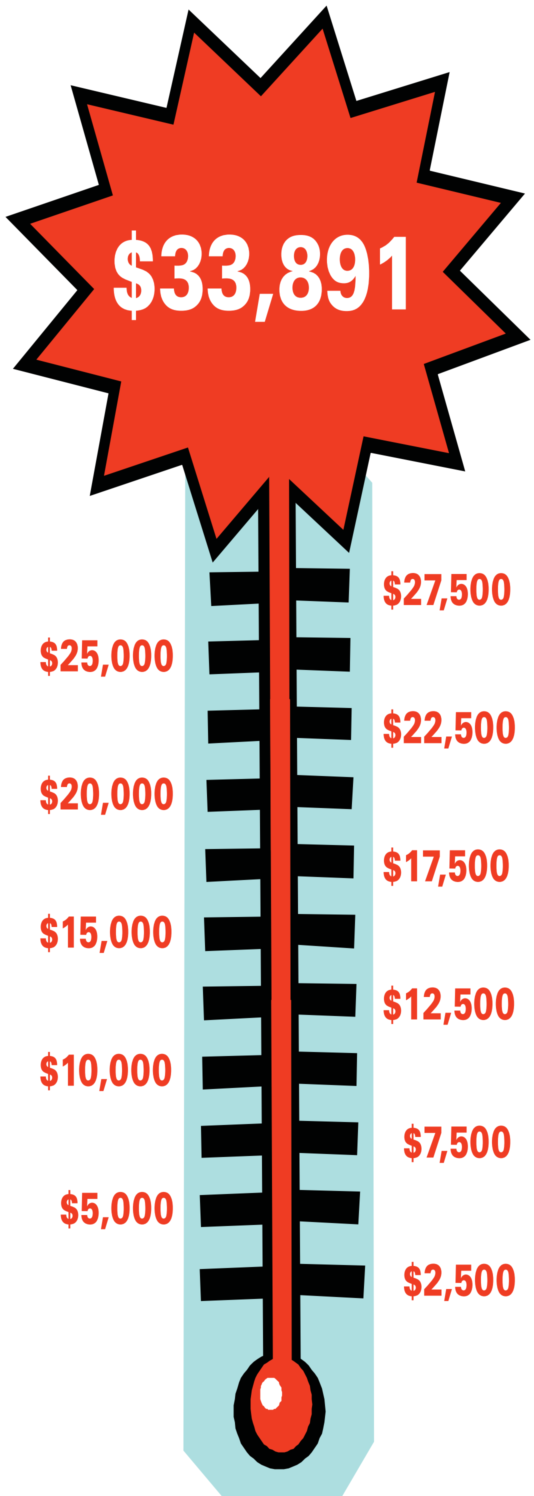

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Bowie, Maryland 20716-1883

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