

Jerry Howard ([00:09](#)):

Welcome to Housing Developments. I'm Jerry Howard.

Jim Tobin ([00:12](#)):

And I'm Jim Tobin. Good morning, Jerry.

Jerry Howard ([00:14](#)):

Morning, Jim. How are you doing?

Jim Tobin ([00:16](#)):

I'm doing all right. I'm doing all right. The weather seems to have turned decidedly more fall-ish here in the Greater DC area, and so that makes me feel happy. Like it when it's a little cooler.

Jerry Howard ([00:29](#)):

Well, Jim, when you're happy, I'm happy. It just tickles my cockles and [inaudible 00:00:37].

Jim Tobin ([00:38](#)):

[inaudible 00:00:38] that mentions cockles, I believe.

Jerry Howard ([00:40](#)):

Anyway, thanks for sharing all that. I didn't realize this was your own personal therapy session.

Jim Tobin ([00:51](#)):

That's right. I'm on the couch this morning.

Jerry Howard ([00:53](#)):

How can you be so happy and so calm when the tax fate of our members is squarely in your hands? It looks like tax increases are coming at us from the corporate side, from the individual side, from the small business side, from every side. Yet you're happy, Jim. You can celebrate the weather when we're talking about major clouds on the horizon. Please explain that to me.

Jim Tobin ([01:18](#)):

Well, I'm always an optimist, so I'll take where I can get it. But yeah, just over the horizon, as you said, of the nice weather there are definitely storm clouds a-gatherin' as the Democrats prepare to try to unveil what they've termed their three and a half trillion dollar social spending spree. As we've talked briefly on other podcasts through the course of the last few weeks, there is a host of tax increases on this package that many of which, if not all of which, are going to impact our builders. We're watching it very carefully. The politics of this have yet to play out. But our members need to be aware of some downside to all of this.

Jerry Howard ([02:12](#)):

Well, yeah. I mean, it seems to me that there's more than just some downside. I'm hearing today that Schumer has announced that they've agreed to the package... the Senate Democrats, the House Democrats and the White House. Do we have any idea what the details are yet?

Jim Tobin ([02:27](#)):

We don't. I think there's a couple things at play here on that announcement yesterday. So the Senate, you said the three pillars of the Democratic plan on the tax side have come together-

Jerry Howard ([02:40](#)):

Or may they be pillars of salt?

Jim Tobin ([02:45](#)):

They've come together on the pay force to pay for this three and a half trillion dollar package. But interestingly enough, Ron Wyden has only hinted at various pieces of what his package is. He's the Senate Finance Chairman. Richard Neal, the House Ways and Means Chairman, he's actually marked up his legislation.

Jim Tobin ([03:05](#)):

There's a lot of two trillion dollars in tax increases in his package. Then the White House, of course, has a whole bunch of issues either in Richie Neal's package or in Wyden's package or something that isn't even in there yet. They came out and announced a deal, but they haven't told anybody what's in it.

Jim Tobin ([03:22](#)):

The one thing that I think is clearly off the table is stepped-up basis when it comes to the estate tax or the death tax, so to speak. So I think that's the one thing that Richie Neal, who's been a little bit looser lipped on this, has mentioned that's out of the package.

Jim Tobin ([03:40](#)):

There's still talk about reporting requirements for banks. There's talk about the corporate rate going up. A lot of things, but nothing specific about where we're headed. But it was important in the Democrat circles to get out something, because they're trying to placate the progressives who threaten to derail the bipartisan infrastructure bill that is slated for a vote in the House on Monday.

Jim Tobin ([04:06](#)):

I think it's a lot of sleight of hand to try to buy them some goodwill with the progressives. I'm not sure it's going to work. And not only that, but I'll even throw one back at you. So they've agreed to this mysterious package, and they called it a Chinese menu of tax increases to pay for the ultimate package, no matter what size it is. Turns out that House package that they're cobbling together over the last couple of weeks... Remember, their top-line budget is three and a half trillion dollars. They're over, by at least some estimates say, a trillion dollars. The House Committee is responsible for putting together the package. Maybe at a four and a half trillion dollar spending package. So they've got some cutting to do over the weekend and into next week, if they're going to even think of moving this package forward.

Jerry Howard ([04:58](#)):

So what's your prognosis?

Jim Tobin ([05:01](#)):

I think this thing has to die a couple times before it gets somewhere. So my gut tells me that the progressives kill the BIF on Monday the 27th. So when y'all hear this podcast, we're looking ahead to Monday, the 27th is D day for the bipartisan package, that if it passes the House, goes to the President's desk, I think there's a good chance the progressives pull away from that and it fails. There aren't enough Republicans that will vote for it. And there aren't enough moderates and rank- and-file Democrats to vote for it to overcome the amount of progressives that may vote against it.

Jim Tobin ([05:45](#)):

Then I believe that the House is going to have a hard time putting their bill on the floor, because you have, again, this group of 10 or 12 moderate Democrats who are going to be really unhappy with what it looks like. Several of them voted for various pieces coming out of the committees.

Jim Tobin ([06:01](#)):

So I think that that delays this. And that's not even talking about the Sinema and Manchin angle on the Senate side, where at the President's request this week, the President said, "Please give me your top-line number. Let's start working on this." They have yet to do that. Manchin said he wants it smaller, one and a half trillion dollars, maybe. So there's a long way to go on this. I think there's got to be a lot of fits and starts before we really start to see what the real momentum looks like.

Jerry Howard ([06:27](#)):

Well, now that you explain it to me, I'm feeling a lot more relaxed. I may, in fact, drink a margarita or two this weekend enjoying the weather.

Jerry Howard ([06:38](#)):

So you're not thinking that anything's really going to come of this until later in the fall. Do you think that they will shut down the government beforehand?

Jim Tobin ([06:45](#)):

I don't. I don't. That's the other big thing that's playing here. Right, Jerry? You've got a package passed by the House last week that contains the CR to fund the government, which is desperately needed. Obviously after September 30th, they're going to fund it into December to allow the appropriators to continue their work. There's disaster assistance in there for hard-hit Louisiana. Then the South got hit by that second tropical storm that dumped a lot of rain.

Jim Tobin ([07:13](#)):

Then the real problem in that package is the debt ceiling. The Democrats need to raise the debt ceiling, not only to pay for previous packages, we've put a lot of money on the debt through COVID relief over the last year and a half. But they also need the debt ceiling relief because they want to put three and a half trillion dollars in play with their new infrastructure. Well, infrastructure, but also their reconciliation package.

Jim Tobin ([07:38](#)):

So they need the room. Mitch McConnell has vowed to not help them raise the debt ceiling one bit. And he has stuck to that. The Senate is going to try to pass that House bill that has all three of those components. It will fail. You need 10 Republicans to go along with it. So, invariably, I believe what will

happen is the Democrats will pass a CR. Perhaps they will attach the disaster funding to it. They will get it done by September 30th. The Senate will vote for that two-step package. Then the Democrats are going to have to move on their own on the debt. And they're going to have to own it. The moderates don't want to do that. They don't want to have a number in mind, because that is an easy target for any kind of Republican opponent on a Democrat saying, "By the way, you've just raised the debt limit three trillion dollars." Sorry, I went through all of them there.

Jim Tobin ([08:31](#)):

So that's the other mechanics of this, but I don't think we see the government shut down, though.

Jerry Howard ([08:37](#)):

So I guess what you're telling our listeners, Jim, is that everyone can kick off their shoes, sit back, prepare to enjoy the college and professional football season. You've got everything well in hand [inaudible 00:08:51] sometime around Thanksgiving.

Jim Tobin ([08:52](#)):

Yeah, absolutely not. No, that's one thing we can't do. We are absolutely vigilant on this and the members need to be vigilant on it as well. As we get going on this, please... Obviously our listeners are listening to the podcasts, but we will be doing grassroots alerts. Paul Lopez and his team are cranking out blog posts. That's probably the most important way to get information on this.

Jim Tobin ([09:18](#)):

We're going to ask you to talk to your members of Congress. I talked about that Chinese menu. I assure you that no matter what size the package looks like, and the smaller it gets, the better for us. No doubt about it. It'll lessen the impact. But there will be impacts. We're going to want to make sure that not only are we lobbying against those negative impacts, but that we are going to work like we always do when it comes to tax policies.

Jim Tobin ([09:42](#)):

Especially three years ago when you and I worked so closely together on the Trump tax reform. Then it turns into not only lobbying, but also explaining the impacts to our members and helping them prepare down the road for those tax changes. That's what we do here at NAHB, is try to make sure that our members are well aware of the upsides, downsides and then how to prepare for them, and then how to comply with them.

Jim Tobin ([10:06](#)):

But we're on it. The members need to be on it. You run into your member of Congress, tell him, "The housing industry is cooking along right now. You want to kill the golden goose? Then please raise taxes, not only on small businesses, but why don't you keep raising taxes on Americans, too? We don't need that right now."

Jerry Howard ([10:23](#)):

I completely agree with you. Now, let me ask you another question, here. Suppose that they do put this all together, the Democrats toe the line, and they do pass tax increases. Now flash forward to November, 2022 the midterm elections. The Republicans, let's just hypothesize, that they retake the

House and the Senate. Would they then move to roll back the tax increases? And would they/could they be successful?

Jim Tobin ([10:52](#)):

No, they would need to own the White House. That's really the key here. If you remember, when the Trump tax cuts came through, it was because the Republicans owned both the House and the Senate. They were able to use the reconciliation measures. They didn't need Democrats, they didn't use any Democrats, and they pushed through the Trump tax cuts.

Jim Tobin ([11:13](#)):

Democrats are right in the same mode right now. They own the House, the Senate, the White House. They're using the same reconciliation tactics that the Republicans used. They've just got tighter margins than the Republicans had at that time. So their window of opportunity is much narrower. We're seeing that play out with Manchin, Sinema. Then the moderates on the House side having much more sway than moderates, perhaps, than the Republicans did three years ago.

Jim Tobin ([11:41](#)):

But no, I think what we're going to find is the Republicans are going to complain. Sure, they'll pass some legislation trying to roll things back. But until they own the White House, we're going to have to live with this until we get to either a Republican president, or don't forget, a lot of those Trump tax cuts expire at the end of 2025.

Jim Tobin ([12:02](#)):

So we are heading for another round of tax legislation as we get into 2025, and a new president at that point. Or the same president. Who knows?

Jerry Howard ([12:13](#)):

So what you're saying to me is, sadly, that our country is still being run by the extremes in both parties. And that whichever party has control of the White House will push its philosophical view through the legislative or regulatory process. And that compromise and moderation is not something that you foresee in the near future.

Jim Tobin ([12:44](#)):

Well, so a couple things you said there, Jerry. Number one and the most important, if the Republicans take back one or both Houses in almost a year from now, that means Joe Biden for the last two years of his first term will use regulatory fiat and executive order. Something that we saw President Trump do. Every president does it.

Jim Tobin ([13:03](#)):

That's the challenge for our industry moving forward. Because there's very little legislature can do to slow down regulatory burdens. We're going to see them no matter what. But that's where, in my mind, law making is going to get done post election next year.

Jim Tobin ([13:22](#)):

The other side of it is, you and I have worked closely with the 52 members, 54 members of the Problem Solvers Caucus. They were the driver behind the bipartisan infrastructure deal, but I don't see anything else. I think you're right. I think that was the high-water mark for bipartisanship over the next couple of years. And while it's good, we support the bipartisan infrastructure package, but I think that's the last big thing we see for a while, unfortunately. Because-

Jerry Howard ([13:50](#)):

I agree with you, Jim. I think that that package is the high-water mark not of the last couple years, but for the last several years and for [inaudible 00:14:00] future. I mean, it's the high-water mark and we're in the middle of a drought, that's for damn sure.

Jim Tobin ([14:05](#)):

Yeah. Jerry, before we go, shifting gears a little bit from inside the Beltway in politics over the next few months. Look, we're getting ready for IBS. Tell us a little bit about the prognosis for the show and how things are going.

Jerry Howard ([14:22](#)):

Well, the good news is, is that booth space sales, while a little bit sluggish still due to concerns about the pandemic, are going pretty strong. We're going to have a pretty good size show.

Jim Tobin ([14:33](#)):

Yeah, good.

Jerry Howard ([14:34](#)):

Our friends and partners at the kitchen and bath industry are reporting pretty much the same outcome and hopes for their side of the show as well. Registration is open. It's been open since the 1st of September, and registration is actually going more gung-ho than booth space sales. Our members are anxious to get back together, to interact with one another and to see the new stuff that's going to be available for the housing sector.

Jerry Howard ([15:03](#)):

We've got confirmation from Magic Johnson as our keynote speaker. I understand, Jim, that you're going to challenge him to a one-on-one game of basketball. I also know that we've got Trace Adkins lined up [inaudible 00:15:20] our closing Spike concert.

Jerry Howard ([15:21](#)):

So it's going to be a great show. We are very optimistic with the way some of the other shows that are going on this fall are being received and how they're handling health and safety. I want our listeners to know that NAHB is going to do whatever we can to put on the safest possible show that we could possibly do, but that we will be having an IBS. And we're looking forward to everybody getting back together in Orlando.

Jim Tobin ([15:50](#)):

Yeah, that's great, Jerry. As you know, I was down in North Carolina. They had their 21st Century Expo. And they're... They have a modest trade show, but the aisles look great. A lot of members just happy to

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be back together. That's their first in-person meeting in over a year and a half. So I think that, for me at least, bodes well that at the state level people are getting back out and want to get together. I'm really optimistic about a great IBS.

Jerry Howard ([16:22](#)):

From your mouth to God's ears, Jim.

Jim Tobin ([16:25](#)):

That's right.

Jerry Howard ([16:26](#)):

So with that, Jim, I will wish you and your family a very lovely weekend. I look forward to seeing you next week in the office.

Jerry Howard ([16:34](#)):

This is Jerry Howard...

Jim Tobin ([16:37](#)):

And this is Jim Tobin.

Jerry and Jim ([16:38](#)):

Thanks for listening.