



## **Commercial Insights with Regions Bank**

### **Episode 5: The Business Impact of a New Political Landscape**

A few months into the Biden administration, what executive orders and new legislation have affected businesses? On this episode, we cover the Biden's administration's policies and their effects related to pandemic control, trade, infrastructure, taxes, healthcare and the regulatory environment—with a special focus on what decision-makers need to know to identify opportunities and adapt to challenges in the coming months.

#### ***Episode Transcript***

Elizabeth Taylor:

On the executive order front, President Biden signed the most executive orders of any new president in his first few days in office, and they were wide ranging.

Chris Blose:

That's Elizabeth Taylor, executive vice president and head of government affairs and economic development for Regions bank. She's describing the busy start of the Biden administration.

From executive orders to a \$1.9 trillion stimulus package, much of the early focus of this new administration, as well as Congress, has been on pandemic recovery. But what comes next? Anytime there's a major shift in political administrations, business decision-makers have plenty of practical questions and concerns.

Today on Commercial Insights with Regions Bank, we're going to dive into some of those questions and examine what the policy landscape might look like for the rest of 2021 and beyond, from infrastructure to healthcare and more. I'm your host, Chris Blose. Elizabeth Taylor, head of government affairs and economic development, and Daniel Grattan, senior vice president of federal government affairs, are here to share what they hear on Capitol Hill, and what they expect in the months to come.

Chris:

Thank you both for joining us today. I think you both have a unique perspective to bring here. So what can people expect in terms of the lens through which the Biden administration is viewing governance?

Dan Grattan:

I think that there are a number of lenses through which the Biden administration, as well as Congress, are viewing the first year of their administration.



I think COVID will color everything that we're looking at in terms of legislative as well as regulatory and executive actions. I also think that you're looking at from a corporate governance standpoint, making sure that your companies look like the consumers that they're serving, as well as from a consumer standpoint that there is equity across the board in how consumers are being treated.

Chris:

Obviously, we're talking about COVID dominating a lot of that conversation, but they're looking longer term at other issues as well, but in the first few months of the administration, we're looking at executive orders and we're looking at a rather large stimulus package. So how has that lens sort of filtered to all of the actions that we've seen so far with the Biden administration?

Elizabeth:

On the executive order front, President Biden signed the most executive orders of any new president in his first few days in office, and they were wide ranging from repealing some of the Trump orders from the prior administration to pushing forward some agenda items on climate, climate change, and also reacting to the pandemic taking some different tacks.

Elizabeth:

But then also just expanding the government's impact on the pandemic. So things like vaccine distribution directing OSHA to be more assertive, and guidelines for businesses to make sure that their employees were safe in the workplace as well as customers. As far as the stimulus, they'd passed in late March a very large stimulus package: \$1.9 trillion in spending, which builds upon the spending during the Trump administration, which totals \$5.3 trillion when you add this new stimulus package in.

Chris:

And I'm curious. With the stimulus, what are the sort of short-term impacts that business decision-makers should be aware of? I mean, a lot of it is obviously about responding to the moment or responding to the pandemic, but are there elements in there that somebody should be paying attention to from a business standpoint as well?

Elizabeth:

Certainly there was a big focus on small business relief, so an extension or additional money for the PPP (Paycheck Protection Program) and also money for restaurants, the travel industry, money to airlines and Amtrak and airports — businesses that had been disproportionately hurt by the pandemic and could continue to be.

Elizabeth:



The legislation is estimated to increase the after-tax income of the lowest quintile of American households by 20% this year and the second lowest by 10%. So as you're thinking about the way that that could spur the economy the lower income individuals may have more flexibility in spending.

Dan:

Agreeing with what Elizabeth said, I also think that a lot of times in Washington, DC, temporary measures have a way of becoming permanent. And some of these policy changes that are in this bill have the potential for becoming at least partially permanent or extended for a year or more. Items such as the increased unemployment insurance, that's \$300 increased on top of what the pandemic bills already allowed for.

Dan:

The Child Tax Credits, the Earned Income Tax Credit that's in there, some of the ongoing Child Independent Care Tax Credits. So I think that these are the things that could get extended. And when you're looking at the spending ability of that bottom quintile that Elizabeth was talking about, I think that that's going to be something that many people on the Hill are going to be focused on continuing to bolster in the future.

Elizabeth:

I'd also add that in the stimulus, there were some temporary benefits and extensions in the healthcare space. So things like expanding the Affordable Care Act eligibility, increasing the subsidies for the affordable care act for two years those are more longer-term things that could affect employees that are accessing that system, they don't have healthcare at work. And also a wage increase covered by the Paid Family Leave Act a credit from going up to \$12,000 per worker in paid leave benefits. So things like that, that employers could, should keep in mind as they're planning for this year and potentially even next.

Chris:

One thing that strikes me with the stimulus we can talk endlessly probably about what's actually in the stimulus. One thing in headlines is what's not in the stimulus as well, which is the raising of minimum wage. Is that something that you think business owners still need to watch for though? Is that still an agenda item that is going to come up again?

Dan:

I think the \$15 minimum wage question is one that has been brought up for a number of years in both the House and the Senate. And it is absolutely a focus of the progressive left-wing of the Democrat party, as well as a lot of people on all sides of the aisle. The question is how it can pass Congress now that it has been deemed to be out of order for the rules of reconciliation by the parliamentarian.



Dan:

The question just becomes, what will the progressives in the House, what would they accept from a negotiated standpoint?

Chris:

I think another top priority for a lot of business owners is going to be tax reform too. And it's forever on any survey of businesses, it's listed as a top concern when they're talking about policy. So what can you tell us about what you know so far about what's expected from a Biden presidency and from Congress on tax reform?

Elizabeth:

Obviously when you have large spending packages, the next conversation is how do we pay for it? And the accepted understanding is that there will likely be tax increases to offset some of the spending that Congress has done over the last year. And those are really focused on the things that can bring in the most revenue. So things like the corporate tax rates increasing from somewhere between 25 to 28%, perhaps raising the individual tax rate for the highest income wage earners, perhaps eliminating the capital gains rate for high income tax earners and other measures.

Elizabeth:

So you have this sort of push and pull on taxes that Congress is going to try to work out likely between now and the fall when they could do another reconciliation package, which would take only 50 votes in the Senate as opposed to 60.

Chris:

Okay. I want to back up too and talk a little bit about climate change. I mean, you mentioned that's one of the key lenses that this administration is going to be looking at everything through. How do you see that playing out across the policy realm?

Dan:

From a legislative standpoint, I think one of the key places that you're going to see climate change be brought up in a vehicle that might move forward towards getting signature from the president is an infrastructure package. And infrastructure is a popular term for both Republicans and Democrats.

Dan:

Well, here we are with the Biden administration and the House and the Senate, both in Democrat hands, while we think that an infrastructure bill will be on a bipartisan basis, it's very likely to be Democrat only. Further — and perhaps together the legislation increasing taxes that Elizabeth was just talking about, which we think could be enacted by late 2021, but again, a lot can change in the coming



few months — we think that they're going to be tied together at some point because the Democrats will very likely have to go it alone because there's significant factions of both the Republicans and the Democrats who are going to be pretty far apart in what the scope of what they think those packages should be.

Elizabeth:

That's exactly right, what Dan covered, but from the regulatory perspective, you're also seeing an increased amount of focus from this administration on climate, with the creation of climate committees at the federal reserve, at the department of treasury, at the SEC, um all of the agencies, that have some potential impact on climate are really up their operations.

Elizabeth:

And we could see that play out in a number of different ways. One, if you're talking about the SEC, a focus on disclosures, so companies disclosing, perhaps being required to disclose their impact on the climate based on their portfolio and business operations. And then those disclosures being available to investors, which is the SEC's argument for requiring them because they, investors may want to choose portfolios that are more climate friendly.

Chris:

Well, I think that gets a little bit into the corporate governance idea as well. And, and I'm curious, going back to that, Dan, something you mentioned earlier was the idea of, companies looking like the people that they're serving. So how do you see an idea such as that playing out in an actual policy landscape?

Dan:

I think that's a good question, and one which we expect to play out a little bit on Capitol Hill, as well as with the regulatory bodies. We fully expect continued hearings in both the House and the Senate, with a focus on corporate boards and corporate executives having a much more diverse makeup than they have in the past.

Dan:

But I do think that it's important to note that the headlines will likely be pretty steady that Congress is calling on companies to bring up younger more diverse executives and do some work quickly.

Chris:

If you're talking to someone in the C-suite right now, what are the two or three items or topics that you're telling them, "Pay attention to this. This is the thing that is going to be most important. This is the thing that is going to change most for you." ?



Elizabeth:

I think that taxes, like we touched on, are probably the biggest issue of concern to executives in the C-suite. The way that plays out obviously is a little bit open to interpretation, but almost everyone accepts that there are going to be tax increases to pay for some of the spending. I think the second issue, like we touched on climate will be a big one.

Elizabeth:

And one that is probably a sleeping giant to some extent is China. Increasingly, I think we're seeing a concern about China and potentially an area of bipartisan efforts to ensure that America remains strong and a competitor with China and doesn't fall behind.

Elizabeth:

You hear maybe some areas of bipartisan support on manufacturing, provisions, 5G, supply chain, semiconductors — things like that that — had been exposed also during the pandemic, particularly supply chains that we need to address and could be an area where both sides work together.

Chris:

I think when you mentioned China, my mind automatically goes to tariffs as well. Are you seeing a change in philosophy or approach to tariffs with the new administration?

Elizabeth:

I think that that really is something that's evolving within the Biden administration as to how to deal with those going forward. And we will just have to see kind of how all that plays out. Certainly of course the economy also has an impact on whether tariffs are useful or not useful. And they focus on the manufacturing sector and that could impact how the Biden administration approaches it, but it's certainly something to keep an eye on.

Chris:

Well, and obviously everything we're talking about so far, it really is taking place at the federal level. A lot of policy at the state and local level affects businesses as well. So are there any trends that you're seeing or that you think business decision-makers should watch at the state level?

Elizabeth:

Sure. I mean the biggest one is privacy, I think. Right now we have a patchwork of privacy laws across the country, starting in California, but then popping up in states like Illinois, Virginia, New York. And this patchwork of policy, having privacy protections for customers, is creating a lot of headaches for businesses because they're having to comply with different requirements that vary among the States. So



I think that there'll be an increased focus by Congress and a push for a federal privacy law, but the stumbling point has always been and perpetually been that it may not preempt the state laws.

Elizabeth:

So it's something to keep an eye on because as more and more States enact their own provisions, there's more of a pressure on Congress to do something, but it may not be the panacea that we all would hope for from the business community.

Chris:

And is that largely a concern for businesses that operate across state lines?

Elizabeth:

It's a bigger concern I would think for them, but it could also affect somebody operating in one state depending on who your customer base is. If you have a customer from another state, he or she may be covered by a state's privacy law. So for example, California exports their policy law. And if your customer is based in California and you collect data on that customer, be it through them accessing your website or them ordering something off of a website, that could potentially be covered.

Dan:

And to tie Elizabeth's discussion of a patchwork item together with potential revenue raisers — state and local governments just received total of \$350 billion from the larger stimulus package to kind of offset some of their losses from a down year in 2020.

Dan:

I think if you're looking at cannabis legislation as a potential topic for a state level issue, which the federal government is now trying to smooth out and put on a more even playing surface, certainly from the standpoint of business. I think that we're going to hear a lot of noise about that over the next 12 months, but I'm not sure that we're going to see any real movement on it.

Chris:

And so those are some of the kinds of up-in-the-air questions. We've talked about the stimulus, that's obviously been the biggest headline grabber in the early days of a Biden presidency. What do you think is the next big thing that likely could gain momentum and actually pass?

Elizabeth:



I think it would probably be the infrastructure bill. The expectation is that that would be debated and put together over the spring and summer potentially with the enactment date of the late, July early August. So I think that's the biggest ticket item.

Chris:

Well, I'm curious as well with something like infrastructure, I think there's some obvious industries or business types who should be looking at that as an opportunity, whether it's construction, whether it's transportation, are there other types of businesses that maybe aren't so obvious who should be looking at what's coming and, and an infrastructure package and saying, "Okay, how can we capitalize on this? How can we be a part of this?"

Elizabeth:

I think when we say infrastructure, at least when the Senate Democrats and House Democrats are saying infrastructure, it's not your traditional infrastructure. Clearly there will be money for bridges and roads and things like that, but they're thinking of a broad infrastructure bill that could cover everything from money for broadband to money for water systems, electricity grids. It's really, really far reaching when you think about the types of projects that it could fund.

Elizabeth:

President Biden says he wants to have the next big train century. So you could think about money for railroads and expansion of light rail systems in cities. All of those things could have benefits for the businesses that are near those operations. So it's really more widespread than people maybe anticipate right now.

Dan:

And I'd also add from the standpoint of materials: They will focus on utilizing materials that are sourced from American manufacturers. So if you are a manufacturer of anything in the United States right now — as Elizabeth talked about could be broadband, it could be cement, it could be metal — you are very likely to see some production increase over the next two to four years as the infrastructure plan take shape.

Chris:

So that's definitely something to watch for. Well, thank you both for joining us today. We really appreciate your perspective on this.

Elizabeth:

Thank you for having us.





Dan:

Yeah, we enjoyed it. Thank you very much.

Chris:

Elizabeth and Dan have given us plenty to watch for in the coming months. Smart businesses will pay attention to long-term impacts of the stimulus, and they'll keep their eyes on major policy efforts such as infrastructure and tax code changes — while strategizing for both challenges and opportunities.

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