



Podcast Transcript

The Cloakroom with Peter Roskam: Featuring Congressman Adrian Smith, R-NE

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Rubenking: Welcome to The Cloakroom with Peter Roskam. Former Congressman Peter Roskam leads BakerHostetler's Federal Policy team. Through interviews with leading members of Congress, Peter provides an insightful, firsthand view into the latest policy and political debates on Capitol Hill.

In today's episode of The Cloakroom with Peter Roskam, Peter interviews Congressman Adrian Smith, a Republican from Nebraska. Smith is a senior member of the House Ways and Means Committee, which will be leading the charge in 2025 on the expiring provisions of the Tax Cuts and Jobs Act. Peter and Smith talk about renewing those tax provisions, whether Congress will consider new tax cuts that were proposed during the 2024 presidential campaign, and how all that could get done with Republicans facing razor-thin majorities on Capitol Hill. Let's listen in to The Cloakroom with Peter Roskam.

Roskam: Congressman Adrian Smith, a great American, we're in 502 in the Cannon House Office Building, which used to be pretty dumpy, but it is pretty nice right now.

Smith: I converted the cages.

Roskam: They've converted the cages, which I think is a dirty little secret of like an OSHA violation from Congress' past, but we'll let that pass. Thank you for being on The Cloakroom with Peter Roskam, I appreciate your hospitality. And I want to talk about taxes and trade and all kinds of other stuff. But first, we're in this room, and I'm being reminded of a book that you turned me on to, Once Upon a Town.

Smith: Once Upon a Town, correct.

Roskam: What is the story? Because it is right in the middle of your district, and I was blurry-eyed when I was reading this book. No joke.

Smith: Well, it is Once Upon a Town is about the North Platte Canteen, World War II. Volunteers from, I think, up to maybe 150 miles around, I think World War II though, that was quite a distance to come, who served literally millions of meals. They got donors to donate the food, volunteers to serve it as the troops would come through on the trains which, it was very busy then. Of course, it still is for freight rail. North Platte is home to the largest railyard in the world. So actually, it got them named a Rail Town, U.S.A.

Roskam: Well done.

Smith: And so, just a great tradition and the history and various stories have popped up of these volunteers who, sadly, are gone now. But just a wonderful legacy of service to our men and women in uniform and just volunteers and...

Roskam: So as the troops are moving, so this is in the middle of the war, it is World War II.

Smith: Correct.

Roskam: Troops are moving with urgency across the country.

Smith: Right.

Roskam: They stop in North Platte. For how long were these little...

Smith: Like 15 minutes. Very brief.

Roskam: _____ this is unbelievable. And...

Smith: And memorable. So memorable that, I mean, that North Platte Canteen popped up in all of these World War II diaries from so many different states because they had come through there and this hospitality was shown even briefly but such an impact.

Roskam: This is, how come Steven Spielberg hasn't made this into a thing? It would be so heartwarming.

Smith: Oh, absolutely.

Roskam: Just like perfect.

Smith: And I read the book. I reflect a lot on my grandparents. My grandfather was a World War II Navy Seabee in the South Pacific. Inspired me into public service more than any other individual, even with my parents being supportive. But my grandfather would talk about his time in World War II and shared with me those stories, and then he would dovetail into current events of the day, as I could at

least understand them as a grade schooler at the time. And then we would have many a vigorous political discussion...

Roskam: I love it.

Smith: ...along the way.

Roskam: So, let's get to a vigorous political discussion. You're one of five Republicans who is currently serving on the Ways and Means Committee. You're at a very senior level, who was also on the committee during TCJA. Adrian, what is this landscape looking like for you? Comparing that experience to what you're stepping into, what are the current members not seeing? Or that is not fair, but what will be new for them that you have some road wear and experience that new members in the committee need to be dialed in on?

Smith: In 2017, I think, largely, we were acting on Republican instinct of good pro-growth tax policy is good for the economy. And we have the data to prove it now. And I think new members these days, or members who weren't there in 2017, they can point to what we did was the right thing. And that is even with COVID interruptions. I'm sure glad we got that done before, so that as companies were recovering from COVID disruption that they could still aim for that productivity that we set out as an objective. Kevin Brady was very articulate. I think you can probably...

Roskam: Yeah.

Smith: ...agree with that. That productivity is what we want to encourage. That is what our economy needed. That is how we become more competitive. And when I hear from folks that we put an end to inversions, that alone, and I'd love to know how that scored with the joint tax _____.

Roskam: Right. So, inversions was the practice of foreign companies buying American companies and taking them overseas and...

Smith: Or just a domestic company _____ to domicile outside our country because of a more favorable tax jurisdiction.

Roskam: Right. And one of, that stopping, basically. And then the repatriation coming back. So, for new members coming in and new people, how, what is the disposition of the committee? Is it, let's reenact TCJA and call it a day? Or how do you deal with the commitments that President Trump made during the course of his campaign? No taxes on tips, no taxes on overtime, a tariff regime, which I want to come to in a second, don't tax Social Security and so forth. How are people to understand those things?

Smith: Well, I think no tax on tips, we need to be mindful that we ought not disadvantage a worker 30 years from now who would get less Social Security because of a quote unquote relief program right now. So, there are different ways that it can be structured to give some relief to tip earners perhaps. But I think it also speaks to the larger strategy that we employed in 2017, when, with an objective of

simplification for many, not all, but many, when we doubled the standard deduction. That simplified tax returns for many folks. Would I like to get to a simpler yet format? Absolutely. But when you look at why that was done and the distributional impact, it made a lot of sense. So, but I think the broader discussions today, especially since the November election, that, very similar to where we were in the fall of 2016.

Roskam: Right.

Smith: Now, fortunately, as you know, we invested a lot of time on tax reform before we had unified government.

Roskam: That is right.

Smith: And I think we've seen a similar posture right now of spending the last year hearing from stakeholders and folks impacted by TCJA, and I think we're in a good spot. There is a lot of legislating to do, though.

Roskam: That is a great way to put it. So, prior to TCJA, it was the Camp draft that we were on the committee for, the Ryan blueprint. And then the recognition, right after the election, that Donald Trump would sign a bill if it got to his desk which made it all like, oh, these are live rounds now. This is an actual possibility. Now the body of work that you have, that the committee has as a baseline, essentially, is TCJA. And to go and to revisit.

So, SALT becomes a bit of a conundrum in terms of the pay for. Can you give me your thinking about the debate around paying for things? And Senator Crapo has put out the current policy versus current baseline or current law debate and that is out there. There is also the procedural discussion about one reconciliation or two. Let's come back to that in a minute, because that is a little bit of a side...

Smith: Need another session _____?

Roskam: Well, I hear you. But that won't be, I don't think, dispositive. But the paying for, the debt question, and then just to pile on, you'll have to raise the debt ceiling probably the second quarter, roughly, let's say.

Smith: It is sounding that way.

Roskam: And you know these debt numbers better than I do in terms of how significant they are. And the level of anxiety that a lot of your colleagues are articulating them. How is the outside supposed to understand your disposition and what you're sensing around debt?

Smith: Well, various tax policies, some are more economically growth-oriented than others. You look at TCJA and even Barack Obama wanted us to be more competitive on the corporate side. A lot of folks don't really discuss these things.

Roskam: _____ remember that. Yeah.

Smith: But he acknowledged that we needed to be more competitive because we saw all these inversions. These U.S. companies choosing to go to another tax jurisdiction and taking all their revenue with them, not just a smaller rate.

Roskam: Yeah.

Smith: So, looking at that, and teeing up what we needed to do on the competitive basis, and then you look at other pro-growth opportunities on the corporate side. And the fair thing to do was to double the standard deduction. Of course, that had some advantages to it like I mentioned with simplification but doubling the child tax credit. Does that do wonderful things in the economy? Not as much. But it is the fair thing to do in a package that we ended up with in 2017. So, as you know, the House version ended up being considerably different from the Senate version, but went to conference and regular order, delivered a finished product. I like to tell people these days that regular order is so infrequent it is almost a shock to the system. And yet we ought not be afraid of it.

Roskam: Right. Regular order being House passes a bill, Senate passes a bill, conferees, and then take the bills back and work it from there.

You represent a constituency, Scottsbluff, Nebraska, that is at the heart of American agriculture. And I don't know what percentage, but it is some breathtaking percentage of your products of your district go overseas. So, in other words, you're the trade chairman for a reason, and trade is a big part of your district. Not just ag, but farm economy up and down the line. When you hear mercantilist voices out there that are articulating what has, historically, been a different view of trade, how does that resonate with you? Do you think that these things need to be revisited because America has been disadvantaged? Do you think that we're about to stub our toe? What are we to make of this? And you're chairing the taxed, or you're chairing the trade subcommittee, which has just exclusive jurisdiction over this.

Smith: Two examples. One is the current administration has been engaged what's, they call the Indo-Pacific Economic Framework, IPEF. It is non-binding. Our U.S. team has even walked back some of the, I think, more important points, even though it was non-binding. I get the sense that other countries expected more of us in a negotiation.

Roskam: Or in leadership, do you mean? Or in concessions?

Smith: Well, no, I don't think they were expecting us to make concessions. But they would have expected a market access to solution, not the exact opposite.

Roskam: Okay.

Smith: Or staying away from it. We have a big digital economy. We lead the world in the digital world. So why would we walk back anything digital being discussed? Anyway, I've nicknamed IPEF I-puff because it is just such a light touch. And

especially when I get the sense that other countries expected us to advocate for ourselves more than is evident.

Roskam: Interesting.

Smith: The other one is Mexico and corn. So, take USMCA that replaced NAFTA. A lot of folks said it could never be done, that you'll never be able to renegotiate NAFTA. Now keep in mind, U.S. agriculture had largely done well under NAFTA. And so, agriculture was a little bit nervous toward the beginning but settled on a posture of do no harm. They don't want to fight something else that might needed to be addressed elsewhere in our trade policies because they've been okay. But one thing they did introduce was biotechnology, which is much more common in agriculture these days.

So, biotech was inserted into USMCA. Mexico agreed, and now Mexico's trying to keep our corn out and, our biotech corn. It is one thing, my district happens to be the number one district impacted by that decision, and I also, so that is important for my district. And I'm also concerned about how Mexico is undermining rules-based trade. The world is watching. The world is watching, the world has noticed, in my opinion, that Joe Biden has said nothing. So, this is the type of dynamic that points to president-elect Donald Trump. I just don't think that Donald Trump would be off to the side when something like this might be direct or...

Roskam: It'd be safe to say, he would have a view, and he would tell...

Smith: And he would tell the world. So, I've asked Ambassador Tai multiple times over the last...

Roskam: The U.S. trade representative.

Smith: Yes, our U.S. trade representative that, I said, can you get the president to just say something? It doesn't even have to be in front of cornstalks, but just to say what Mexico is doing is wrong.

Roskam: And they haven't been able to.

Smith: And that is clearly a choice. And she has confirmed that he's been briefed on it, but the fact that he has chosen not to say anything, not even close, I think is unfortunate. So even though in a run-up to forming USMCA, this 2026 review, some would say, well, that takes away the permanence of a trade agreement. Which, that is true, but now I look at not just this move by Mexico, but some others too, and reforming their judicial system in a way that could have chilling impacts to U.S. investors looking for a fair deal to be treated fairly in the Mexican court system. So, 2026 review, I think will be very timely.

Roskam: As you look out at China, which is a huge market for Nebraska corn and soybeans, where does this debate end? I mean, it seems like we're really in a big strategic conflict right now, and there is a bipartisan consensus in the House that

China is now a strategic opponent, and how does that affect markets? How does that affect your constituency in terms of corn and soybean production?

Smith: Well, certainly I hear from producers concerned about the potential for retaliation. Should we levy? Should President Trump levy new tariffs? They retaliated last time. That did cause some concerns there. Now, I think U.S. agriculture, though, at least speaking for folks who would share with me, they understood that pushing back on China is important. They would say, other presidents have talked about it. President Trump did it.

Now, there were multiple efforts on the trade front by President Trump during his first four years. So that I think helps. They used some tariffs to get Mexico and Canada to get to USMCA. Fair enough. Actually, USMCA incidentally offers us a great framework. Why the Biden administration chose not to utilize that with huge Republican and Democrat support, beyond me. Even the Trump administration teed up a trade agreement with Kenya, who already benefits from AGOA, the African Growth and Opportunity Act, tariff relief on so many products coming from Kenya in this instance. And so, they want to engage on a trade agreement. Trump administration wanted to. The Biden administration says, well, we'll talk to you but not about tariffs. But yet they already benefit from AGOA. It is inexplicable on many fronts.

Roskam: Last question. I'm sensing body language from your staff, and I know, I'm sensitive to your time. You served in the Unicam, the unicameral legislature in Nebraska. You were a young single guy at the time. You're in Congress now. You've subsequently married, you're a father, and so forth. What is the difference in terms of your experience, your perception about these two legislative bodies? Other than, hey, one's a single unit, and the other is this big, splashy thing, but is there some other qualitative difference that you've observed?

Smith: Well, the unicameral in Nebraska, it is obviously unique for the states. The inner workings of that entire body are similar to the inner workings of, say, the majority, like a conference on the committee leader, committee leadership and various things like that. But certainly, life has changed for me. Having young kids, it gives more gravity to the decisions processing in my mind. So, it is good and seeing other family members of colleagues really do well, speaking of your own.

Roskam: Yeah _____.

Smith: It's been very rewarding just to see good things happen there. But it all speaks to how important it is, the work we do, that it has an impact. And we should always remember that.

Roskam: I'll give you one last word. When I was first coming into office, my predecessor was Henry Hyde, and he was good to me. I was on his staff. He helped me clear the field. He campaigned for me. And I had a conversation with him in his district office, and we're talking. And he leaned across his desk, he was a big guy, and he looked at me in the eye. And he said, Peter, this is important work, it is important work.

And Adrian, it wasn't the whimsy of an old man. This was a guy who was communicating generationally the significance of what he felt, and there was a lot of power in that moment. And I sense that with you, I mean, you're somebody who is walking around with the admonition of great sense of responsibility, like be the one that is making good decisions. And I know you are, and I'm really grateful for your time and for your friendship...

Smith: People are looking to us to make good decisions. And we ought not be afraid of processing maybe some disagreements from time to time, but I like to point out that our country was founded on disagreements.

Roskam: That's right.

Smith: And our founders worked through those. That is what we need to do today, whether it is on one side of the aisle or both. Let's not be afraid of actually legislating and sharing ideas and perspectives and strategies. Ultimately, at the end of the day, we have to make a decision. Let's make an informed decision with as many perspectives as possible. And I think we can do that if we set our minds to it.

Roskam: Well, that is the last word. Adrian Smith, thanks for your time.

Smith: Thank you.

Rubenking: Thank you, Peter and Congressman Smith. If you have any questions for Peter, his full contact information is in the show notes. As always, thanks for listening to BakerHosts and The Cloakroom with Peter Roskam.

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