

Washington Update

July 14, 2023

This Week In Congress

Senate – The Senate confirmed nominations.

House – The House passed the Improving Access to Small Business Information Act ([H.R. 1548](#)) and voted on amendments to the National Defense Authorization Act for Fiscal Year 2024 ([H.R. 2670](#)).

Next Week In Congress

Senate – The Senate will reconvene at 3:00 PM on Tuesday, July 18, and resume considering nominations.

House – The House may consider the Securing Growth and Robust Leadership in American Aviation Act ([H.R. 3935](#)), the Schools Not Shelters Act ([H.R. 3941](#)), the Animal Drug and Animal Generic Drug User Fee Amendments of 2023 ([H.R. 1418](#)), the Global Investment in American Jobs Act of 2023 ([H.R. 813](#)), and the Securing Semiconductor Supply Chains Act of 2023 ([H.R. 752](#)).

TAX

Senate Tax Writers Seek Crypto Industry Input on Tax Uncertainties

Key Points:

- *On July 11, the JCT released a report examining uncertainties over the taxation of digital assets.*
- *Senate Finance Committee Chair Wyden (D-OR) and Ranking Member Crapo (R-ID) requested members of the digital asset community to provide their views on the JCT report's findings by September 8, 2023.*
- *The request comes as the Department of Treasury is considering regulations regarding digital asset broker activities.*

On Tuesday, July 11, Senate Finance Committee Chairman Wyden (D-OR) and Ranking Member Crapo (R-ID) [sent](#) an open letter to the digital asset community soliciting views on the recent Joint Committee on Taxation (JCT) [report](#) highlighting existing uncertainties regarding the taxation of digital assets. The letter specifically asked for comments regarding Marking-to-Market for Traders and Dealers (IRC Section 475); Trading Safe Harbor (IRC Section 864(b)(2)); Treatment of Loans of Digital Assets (IRC Section 1058); Wash Sales (IRC Section 1091); Constructive Sales (IRC Section 1259); Timing and Source of Income Earned from Staking and Mining; Nonfunctional Currency (IRC Section 988(e)); FATCA and FBAR Reporting (IRC Sections 6038D, 1471-1474, 6050I, and 31 USC Section 5311 et seq.); and Valuation and Substantiation (IRC Section 170).

The JCT report noted that guidance regarding the taxation of digital assets has been sparse, being released slowly over the last 15 years. The report also highlights the existing uncertainty around taxation of digital assets as a “fundamental question” which the federal government hasn’t – but needs to – address.

The solicitation could provide lawmakers with the information necessary to craft policy that addresses the current lack of guidance and certainty. Additionally, some tax watchers view the solicitation as a sign that the Senate’s top tax writers believe the Department of Treasury may soon be releasing regulations requiring digital asset brokers to be subject to the same reporting requirements that apply to securities brokers, as directed by the Infrastructure Investment and Jobs Act of 2021. Also, in a related development, Senators Lummis (R-WY) and Gillibrand (D-NY) Wednesday reintroduced their crypto asset legislation ([summary](#)) that includes taxation of wash sales, and makes [modifications](#) from prior versions of the bill on other fronts.

House Appropriations Republicans Vote to Defund OECD

Key Points:

- *Republicans on the House Appropriations Committee voted to cancel U.S. funding for the OECD.*
- *Senate Democrats are expected to retain OECD funding in the chamber's appropriations bill, which has not yet been released.*
- *This week, the OECD announced it would pause implementation of international digital services taxes until the end of 2024.*

This week, Republicans on the House Appropriations Committee voted to zero out U.S. funding for the for the Organization for Economic Cooperation and Development (OECD). The move comes as congressional Republicans have complained the organization pushes for higher tax rates and “digital tax schemes that target the American tax base.”

Notably, on the same day, the OECD announced that more than 130 countries worldwide would refrain from implementing a digital services tax under Pillar One until the end of 2024. That said, Canada was a major exception to the announcement, stating they intend on moving forward with their own digital services tax on January 1, 2024, regardless of if the treaty to implement Pillar One goes into effect.

Without an international treaty, some fear a global trade war could erupt if governments start taxing U.S. digital service giants on profits made within their borders and the U.S. retaliates as promised.

Despite moves from House Republicans to defund OECD, the measure is unlikely to gain traction in the Democratic-controlled Senate. Senator Coons (D-DE), chairman of the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs noted his “best friend in politics” is Jack Markell, the U.S. ambassador to the OECD and former governor of Delaware.

Congressional Tax Writing Four Corners Release Draft of Bill Providing Relief for U.S. and Taiwanese Workers and Businesses from Double Taxation

Key Points:

- *On Wednesday, congressional tax writing “Four Corners” released a discussion draft of legislation to provide workers and businesses engaged in U.S.-Taiwan cross-border investment relief from double taxation.*

- *Lawmakers are facing growing pressure to act, as the U.S. is relying on Taiwanese firms to help build its semiconductor manufacturing base.*
- *The Senate Finance Committee is ready to approve a bill by unanimous consent, once jurisdictional concerns are ironed out with the Senate Foreign Relations Committee.*

On July 12, Senate Finance Committee Chairman Wyden (D-OR), Ranking Member Crapo (R-ID), and House Ways and Means Committee Chairman Smith (R-MO) and Ranking Member Neal (D-MA) [released](#) a discussion draft of legislation to provide workers and businesses engaged in U.S.-Taiwan cross-border investment relief from double taxation.

The legislation would create a new section in the tax code establishing benefits for residents of Taiwan regarding various tax benefits including the reduction of withholding taxes, application of permanent establishment rules, treatment of income from employment, and determination of qualified residents of Taiwan. Furthermore, the legislation would lower taxes on U.S. income sources received by residents of Taiwan from 30 percent to 10 percent.

Lawmakers are under increased pressure to act, as the U.S. is relying on Taiwanese firms to help build its semiconductor manufacturing base. U.S. investments into semiconductor manufacturing has grown dramatically in recent years thanks to passage of the CHIPS and Science Act of 2022.

Finance Ranking Member Crapo has said the Finance Committee's bill is ready to be adopted by unanimous consent. Jurisdictional concerns between the Finance Committee and the Senate Foreign Relations Committee have the potential to slow progress, however Ranking Member Crapo said both committees have been engaged to be sure the "respective jurisdictional pieces are handled in the respective committees."

Senate Finance Subcommittee Holds Hearing on the Child Tax Credit

Key Points:

- *On Wednesday, the Senate Finance Subcommittee on Taxation and IRS Oversight held a hearing evaluating the 25-year history of the Child Tax Credit.*
- *Democrats noted a full expanded version of the Child Tax Credit was effective at reducing child poverty.*
- *Republicans stated proposals to remove work requirements for the Child Tax Credit have contradicted the original intention of the credit by providing parents with a universal income.*

On July 13, the Senate Finance Subcommittee on Taxation and IRS Oversight held a hearing to evaluate the 25-year history of the Child Tax Credit (CTC). The hearing focused on the benefits the CTC has provided to families over its history, and both sides of the aisle agreed it is necessary to extend the CTC expansion established under the Tax Cuts and Jobs Act of 2017.

However, Democrats argued extending the current CTC is not sufficient. They stated Congress should reinstate the near-universal credit made available by the American Rescue Plan Act of 2021 (ARPA) which benefitted 90 percent of children across all 50 states, cut childhood poverty in half, and reduced childhood hunger by a quarter. They also noted as of 2023, nearly half of Black and more than one-third of Hispanic children resided in households ineligible for the full CTC, compared to 17 percent of White children. They said this is likely due to current-law partially refundable nature of the credit which requires taxable income to fully benefit from the CTC.

Republicans argued removing work and income requirements from the CTC would decrease workforce participation and amount to a “universal basic income” for anyone with a child. They stated research conducted in 2021 after passage of ARPA claiming a universal CTC did not impact workforce participation rates is misleading due to the complicated environment which existed in the wake of the COVID-19 pandemic. Further, Republicans emphasized a desire to maintain the existing CTC by extending it beyond its current 2026 expiration date.

Expansion of the CTC remains a key issue Democrats have focused on as a piece of tax legislation they want to enact in 2023 if business tax relief is considered.

July 19

OECD and Pillars One and Two - Global Tax Policy: On Wednesday, July 19 at 2:00 PM, the House Ways and Means Tax Subcommittee will hold a hearing entitled, “Biden’s Global Tax Surrender Harms American Workers and Our Economy.” The hearing will take place at 2:00 PM in 1100 Longworth and will be broadcast on the Committee’s [website](#).

For more information about tax issues, you may [email](#) or call Christopher Hatcher at 202-659-8201. Logan Mazer contributed to this section.

FINANCIAL SERVICES

House Passes Bipartisan Financial Services Legislation

Key Point:

- On July 11, 2023, The following three bipartisan financial services bills passed in the House of Representatives: [H.R. 2622](#), [H.R. 1548](#), and [H.R. 1096](#).

On July 11, the House Financial Services Committee published a [press release](#) detailing the three bipartisan financial services bills that passed in the House of Representatives. The release notes “the measures adopted will strengthen U.S. capital markets and honor the service of the United States Marine Corps.”

H.R. 2622, “amend[s] the Investment Advisers Act of 1940 to codify certain Securities and Exchange Commission no-action letters that exclude brokers and dealers compensated for certain research services from the definition of investment adviser, and for other purposes.”

H.R. 1548, the *Improving Access to Small Business Information Act*, “amend[s] the Securities Exchange Act of 1934 to specify that actions of the Advocate for Small Business Capital Formation are not a collection of information under the Paperwork Reduction Act.”

H.R. 1096, the *250th Anniversary of the United States Marine Corps Commemorative Coin Act*, “require[s] the Secretary of the Treasury to mint coins in commemoration of the 250th Anniversary of the United States Marine Corps, and to support programs at the Marine Corps Heritage Center.”

SEC Adopts Money Market Fund Reforms

Key Points:

- On July 12, 2023, the SEC held an open meeting and adopted [amendments](#) related to money market funds (MMFs).
- The SEC released a [fact sheet](#) detailing the reforms.

On July 12, the SEC held an open meeting and passed amendments to increase the minimum liquidity requirements for money market funds and modify existing reporting forms for money market funds and large equity funds advisors. The amendments passed by a vote of 3-2.

SEC Chair Gary Gensler supported the amendments [stating](#), “I support this adoption because it will enhance these funds’ resiliency and ability to protect against dilution...the rules will make money market funds more resilient, liquid, and transparent, including in times of stress.”

SEC Commissioner Hester Pierce supported removing the tie between liquid asset thresholds and fees and gates but did not support the final money market rule [stating](#): “today’s adoption contains the same flaw that tanked the 2014 money market fund rulemaking—an insistence that our own judgment is superior to that of money market funds, their sponsors, their boards, and their shareholders.”

House Financial Service Committee Holds Hearing titled “Protecting Investor Interests: Examining Environmental and Social Policy in Financial Regulation”

Key Points:

- Chairman Patrick McHenry (R-NC) suggested ESG discourages private companies from going public and hinders the competitiveness of American public companies.
- Ranking Member Maxine Waters (D-CA) stated Republicans are working against responsible investing and will “gut” inclusion and diversity efforts, asserting ESG data is good for investors.

On July 12, 2023, the House Financial Services Committee held a [hearing](#) on “Protecting Investor Interests: Examining Environmental and Social Policy in Financial Regulation.” Topics discussed include: addressing the SEC’s climate-related disclosures and other actions taken by the SEC, fiduciary responsibility, the corporate sustainability due diligence directive, the impact of climate-related disclosures on investors, proxy advisors, climate change, and diversity and inclusion.

Chairman Patrick McHenry (R-NC) asserted the SEC’s attention on environmental, social, and political issues is “misguided” and suggested this discourages private companies from going public and hinders the competitiveness of American public companies. He acknowledged Congress has not authorized the SEC to regulate environmental policy via this disclosure regime. Ranking Member Maxine Waters (D-CA) stated Republicans are working against responsible investing and the Republican effort to “dismantle” ESG (Environmental, Social, and Governance) will “gut” inclusion and diversity efforts and that ESG data is good for investors. She stated ESG should stand for “Empowering Shareholder Growth” and is good for investors and good for society. She stated her belief the committee hearing is a waste of time and noted disapproval for the agenda of her Republican colleagues.

House Financial Services Committee's Subcommittee on Capital Markets and Subcommittee on Oversight and investigations hold hearings on the Proxy Advisory Industry and Process

Key Points:

- *Chairwoman Ann Wagner (R-MO) noted ESG policies put American companies at a competitive disadvantage in comparison to China and ESG policies harm retail investors.*
- *Ranking Member Brad Sherman (D-CA) of the Subcommittee on Capital markets emphasized shareholders are entitled to the information they request from public companies, including ESG data.*
- *Chairman Bill Huizenga (R-MI) of the Subcommittee on Oversight and Investigations said proxy advisory firms have hijacked the shareholder practice and have become the de-facto standard setters for corporate governance policy in the U.S.*
- *Ranking Member Al Green (D-TX) of the Subcommittee on Oversight and Investigations argued oversight of the proxy advising industry is an overreach into corporate governance to prevent shareholders from having their policy opinions become policy.*

On July 12, 2023, the House Financial Services Subcommittee on Capital Markets held a [hearing](#) on "Reforming the Proxy Process to Safeguard Investor Interests" and the Subcommittee on Oversight and investigations held a [hearing](#) on "Oversight of the Proxy Advisory Industry."

Topics discussed across both hearings include the Politicization of Proxy Advisors, the Impact of SEC Staff Legal Bulletin 14L to SEC Rule 14a-8, the Impact of Republican Proposed Legislation on Shareholders, and Robovoting, the International Shareholder Service (ISS), Glass Lewis, the process of proxy advising, disclosures, and diversity, equity, and inclusion.

In both hearings members discussed at length Proxy Advisory Firms and the proxy advising process. Republican questions primarily focused on the proxy advising firms ISS and Glass Lewis. Democrat questions primarily focused on disclosures and the impact of legislation removing ESG disclosure requirements. Both Republicans and Democrats discussed the process of proxy advising at length.

House and Senate Pass Financial Services and General Government (FSGG) Bill

Key Points:

- *The House passed the FSGG bill 34-26*
- *The Senate passed the FSGG bill unanimously (29-0)*

On July 13, 2023, the House and Senate Appropriations Committees approved a financial services and general governance (FSGG) bill for the 2024 fiscal year. The House bill passed 34-26. The Senate bill passed unanimously (29-0).

Several Representatives and Senators have released statements regarding appropriations earmarked for the respective states. Senior member of the Senate Appropriations Committee Lisa Murkowski (D-AL) said “These additional appropriations bills continue the significant investments in Alaska that will make a difference in the safety of our communities, our oceans research capabilities, abilities to provide support to victims of domestic violence and sexual assault while also supporting Native-owned businesses and Alaskan taxpayers.” Many other representatives had similar positive comments related to their own states.

Upcoming Hearings and Meetings

July 17

CFTC Global Markets Advisory Committee: The Commodity Futures Trading Commission’s Global Markets Advisory Committee will hold a [public meeting](#) that will focus on topics related to U.S. Treasury market reforms, swap block thresholds, and tokenization of assets. A formal agenda will be announced before the meeting.

July 18

Climate-Related Risk: The House Financial Services Committee’s Subcommittee on Financial Institutions and Monetary Policy will hold a [hearing](#) entitled, “Climate-Risk: Are Financial Regulators Politically Independent?”

SEC Division Oversight: The House Financial Services Committee’s Subcommittee on Capital Markets will hold a [hearing](#) entitled, “Oversight of the SEC’s Division of Corporation Finance.”

FinCEN: The House Financial Services Committee’s Subcommittee on National Security, Illicit Finance, and International Financial Institutions will hold a [hearing](#) entitled, “Potential Consequences of FinCEN’s Beneficial Ownership Rulemaking.”

July 19

SEC Budget: The Senate Appropriations Committee will hold a [hearing](#) entitled, “A Review of the Fiscal Year 2024 Budget for the U.S. Securities and Exchange Commission.”

July 20

Deposit Insurance Reform: The Senate Banking Committee will hold a [hearing](#) entitled, “Perspectives on Deposit Insurance Reform after Recent Bank Failures.”

For more information about financial services issues you may email [Joel Oswald](#) or [Mahlet Makonnen](#). Joe Maalouf and Nicholas May contributed to this section.

ENERGY & ENVIRONMENT

Upcoming Hearings and Events

July 18

Threats to the Electric Grid: The House Energy and Commerce Committee’s Oversight and Investigations Subcommittee will hold a [hearing](#) on “Examining Emerging Threats to Electric Energy Infrastructure”.

Nuclear Power Licensing: The House Energy and Commerce Committee’s Energy, Climate, and Grid Security Subcommittee will hold a hearing titled “American Nuclear Energy Expansion: Updating Policies for Efficient, Predictable Licensing and Deployment”. The hearing will consider a series of bills related to nuclear power:

- The “NRC Mission Alignment Act” ([H.R. ___](#));
- The “Modernize Nuclear Reactor Environmental Reviews Act” ([H.R. ___](#));
- The “Nuclear Licensing Efficiency Act” ([H.R. ___](#));
- The “Nuclear Advisory Committee Reform Act” ([H.R. ___](#));
- The “Efficient Nuclear Licensing Hearings Act” ([H.R. ___](#));
- The “Advanced Reactor Fee Reduction Act” ([H.R. ___](#));
- The “Advanced Nuclear Reactor Prize Act” ([H.R. ___](#));
- The “Advancing Nuclear Regulatory Oversight Act” ([H.R. ___](#));
- The “Nuclear for Brownfields Site Preparation Act” ([H.R. ___](#));
- The “Global Nuclear Energy Assessment and Cooperation Act” ([H.R. 995](#));
- The “Strengthening American Nuclear Competitiveness Act” ([H.R. ___](#));
- The “Advanced Nuclear Deployment Act” ([H.R. ___](#));
- The “Nuclear Fuel Security Act” ([H.R. ___](#));
- The “Strengthening the NRC Workforce Act of 2023” ([H.R. 4528](#)); and
- The “NRC Office of Public Engagement and Participation Act of 2023” ([H.R. 4530](#)).

Endangered Species Act: The House Natural Resources Committee’s Water, Wildlife, and Fisheries Subcommittee will hold a [hearing](#) titled “ESA at 50: The Destructive Cost of the ESA”.

July 19

Pending Water Legislation: The Senate Energy and Natural Resources Committee's Water and Power Subcommittee will hold a [hearing](#) on pending legislation.

July 20

WRDA 2024: The Senate Environment and Public Works Committee will hold a [hearing](#) titled "The Water Resources Development Act of 2024: Non-Federal Stakeholder Views". Scheduled witnesses are: Dina Aryan Zahlan P.E., Chief Harbor Engineer of the Engineering Division, Port of Los Angeles; Joel Paulsen P.E., Executive Director, Metro Flood Diversion Authority; Tony Pratt, Executive Director, Bay Beach Association; and Chris Blanchard, Executive Director, Cooper Consolidated.

July 21

Critical Minerals: The House Natural Resources Committee's Oversight and Investigations Subcommittee will hold a [hearing](#) titled "Securing Supply Chains: Access to Critical Minerals in the American Southwest". This field hearing will be held in Goodyear, Arizona.

July 27

FERC Meeting: The Federal Energy Regulatory Commission (FERC) will hold its monthly [open meeting](#).

August 8

PFAS: The Environmental Protection Agency's (EPA) National Drinking Water Advisory Council (NDWAC) will hold a [meeting](#) "to update the Council on Safe Drinking Water Act programs and to consult with the NDWAC as required by the [Safe Drinking Water Act] on a final National Primary Drinking Water Regulation (NPDWR) for per- and polyfluoroalkyl substances (PFAS)".

For more information about energy and environment issues you may [email](#) or call Frank Vlossak at 202-659-8201. Updates on energy and environment issues are also available on [twitter](#).

HEALTH**CMS Releases Proposed Changes to the Physician Fee Schedule***Key Points:*

- *The Centers for Medicare and Medicaid Services released the proposed rule for the CY 2024 Medicare Physician Fee Schedule.*

- *The proposed rule addresses physician payments in the Medicare program, efforts to improve health equity and telehealth.*

On July 13, the Centers for Medicare and Medicaid Services (CMS) announced the release of the proposed rule for the Calendar Year (CY) 2024 Medicare Physician Fee Schedule (PFS). CMS Administrator Chiquita Brooks-LaSure noted the proposal rule “would help people with Medicare navigate cancer treatment and have access to more types of behavioral health providers, strengthen primary care, and for the first time, allow Medicare payment for services performed by community health workers.”

Under the proposal, overall payment rates would be reduced by 1.25 percent though CMS does propose increases for primary care and other direct patient care. Under the proposal, CMS would reimburse for practitioner training of caregivers to assist in carrying out a treatment plan. The proposal also makes adjustments to coding and payments to better capture patient care involving multi-disciplinary teams.

The proposed rule also contains changes to Medicare telehealth policies. Several of these changes implement provisions passed by Congress in the Consolidated Appropriations Act, 2023 which extended many temporary telehealth services to December 31, 2024.

View the full proposed rule [here](#) and a fact sheet on the rule [here](#).

Senate Finance Announces PBM Markup

Key Points:

- *The Senate Finance Committee announced it will hold a markup of legislation to address pharmacy benefit manager practices on July 26.*
- *The Committee intends to release the text for the package 48 hours in advance of the markup.*

The Senate Finance Committee announced it will hold a markup of legislation focused on pharmacy benefit manager (PBM) practices on July 26, 2023. The text of the legislation will be made available 48 hours before the markup.

Chairman Ron Wyden (D-OT) emphasized “the Finance Committee will take a critical step to hold drug pricing middlemen accountable and lower costs for Americans at the pharmacy counter.” Ranking Member Mike Crapo (R-ID) emphasized members of the Committee will be able to offer amendments ahead of the markup to be incorporated into the Chairman’s Mark.

The Committee previously released a [framework](#) for PBM legislation in April.

House Energy and Commerce Subcommittee Markup

Key Point:

- *The House Energy and Commerce Health Subcommittee took the first steps in reauthorizing the Pandemic and All-Hazards Preparedness Act and the SUPPORT for Patients and Communities Act by favorably reporting legislation to the full Committee.*

On July 13, the House Energy and Commerce Subcommittee on Health held a markup on 17 bills including legislation to reauthorize the Pandemic and All-Hazards Preparedness Act (PAHPA) and the SUPPORT for Patients and Communities Act. Both are set to expire September 30, 2023. The following bills were advanced to the full Committee:

- [H.R. 4421](#), the Preparing for All Hazards and Pathogens Reauthorization Act by a vote of 17-11.
- [H.R. 4420](#), the Preparedness and Response Reauthorization Act, as by a vote of 16-12.
- [H.R. 4529](#), the Public Health Guidance Transparency and Accountability Act of 2023, as amended, by a vote of 14-11.
- [H.R. 3836](#), the Medicaid Primary Care Improvement Act, as amended, by a vote of 28-00.
- [HR 4531](#), the Support for Patients and Communities Reauthorization Act by a voice vote.

Democrats on the Committee expressed disappointment the PAHPA reauthorization did not address drug shortages which would improve the ability to respond to future public health threats. Chairman Brett Guthrie (R-KY) indicated Republicans also want to address drug shortages and the Committee is working on a discussion draft.

The Senate Health, Education, Labor and Pensions Committee is expected to markup up its version of PAHPA reauthorization next week.

House Education and Workforce Committee Workforce Markup

Key Points:

- *On July 12, The House Committee on Education and the Workforce favorably reported the Transparency in Billing Act ([H.R. 4509](#)), the Transparency in Coverage Act ([H.R. 4507](#)), the Health Data Act ([H.R. 4527](#)), and the Hidden Fee Disclosure Act ([H.R. 4508](#)) to the House.*

On July 12, the House Education and the Workforce Committee held a markup of several bipartisan bills to address transparency in health care and pharmacy benefit manager (PBM) practices. The Committee favorably reported the following bills to the House:

- [H.R. 4509](#), the Transparency in Billing Act, as amended, which would address hospital billing practices, by a vote of 39-00;
- [H.R. 4507](#), the Transparency in Coverage Act, as amended, which codifies the Transparency in Coverage rule, by a vote of 38-01;
- [H.R. 4527](#), the Health Data Act, as amended, which improves plan fiduciary access to cost and quality information, by a vote of 38-01; and
- [H.R. 4508](#), the Hidden Fee Disclosure Act, as amended, which would increase PBM compensation disclosure requirements, by a vote of 39-01.

Chairwoman Virginia Foxx (R-NC) urged Congress to address loopholes in existing health care price transparency laws to help patients better access information and save Americans millions of dollars. Ranking Member Bobby Scott (D-VA) praised the bills under consideration for lowering costs by promoting transparency in health care. He noted it is more difficult for consumers to find affordable plans if cost information is not made available to them.

Senate Appropriations Hearing on Special Diabetes Program

Key Point:

- *The Senate Appropriations Committee held a hearing to discuss the innovations in type 1 diabetes (T1D) care funded by the Special Diabetes Program (SDP) as well as proposed legislation to cap monthly insulin costs at \$35 for all payers.*

On Tuesday, July 11, the Senate Appropriations Committee held a [hearing](#) entitled "Accelerating Breakthroughs: How the Special Diabetes Program Is Creating Hope for those Living with Type 1 Diabetes." Topics discussed in the hearing included: (1) Special Diabetes Program; (2) Research for Prevention, Treatment, and Cure; (3) Insulin Costs; (4) Rural Access; (5) Medicare Program; and (6) Living with Diabetes.

During this hearing, Congress welcomed delegates from the Juvenile Diabetes Research Foundation (JDRF) to share how their lives are positively impacted by the innovations in T1D care that are made possible by SDP. Both Chairwoman Patty Murray (D-WA) and Vice Chairwoman Susan Collins (R-ME) urged Congress to support SDP funding by passing the SDP Reauthorization Act of 2023 ([S.1855](#)). They also advocated for the Cap Insulin Prices Act ([S.146](#)) to help cap monthly costs at \$35 for those with commercial insurance.

Senator Sanders Continues Call for Administration to Act on Prescription Drug Prices

Key Points:

- *Senator Bernie Sanders (I-VT) sent a letter to the Department of Health and Human Services urging the Administration to develop a plan to lower the price of prescription drugs.*
- *Sanders' latest letter specifically calls attention to Alzheimer's treatment Leqembi which recently received full approval from the Food and Drug Administration.*

On July 10, Chairman of Senate Health, Education, Labor and Pensions (HELP) Committee, Bernie Sanders (I-VT), sent a [letter](#) the Department of Health and Human Services Secretary Xavier Becerra urging the Biden Administration to reduce the price of the Alzheimer's treatment Leqembi which is now fully approved by the Food and Drug Administration. In the letter, Sanders notes he has yet to receive a response to his first letter sent June 7, 2023 which sought further details on how the price of Leqembi will affect Medicare costs for both the program and beneficiaries.

Sanders requested a written response from Secretary Becerra by no later than July 21. If Secretary Becerra fails to respond, he will be invited to appear before the HELP Committee to explain the "outrageous" costs of prescription drugs to the American people.

Upcoming Hearings and Events

July 18

Medicare: The House Energy and Commerce Subcommittee on Health will hold a hearing on "Innovation Saves Lives: Evaluating Medicare Coverage Pathways for Innovative Drugs, Medical Devices, and Technology."

July 20

Transplants: The Senate Finance Committee will hold a hearing on "The Cost of Inaction and the Urgent Need to Reform the U.S. Transplant System."

PAHPA: The Senate Health, Education, Labor and Pensions Committee will hold a markup of S.____, Pandemic and All-Hazards Preparedness and Response Act.

For more information about health care issues you may [email](#) or call Nicole Ruzinski Bertsch at 202-659-8201. Chris Affambi and Windsor Warlick contributed to this section.

CYBERSECURITY, PRIVACY, AND ARTIFICIAL INTELLIGENCE

White House Releases National Cybersecurity Implementation Plan

Key Points:

- On July 13, 2023, the White House released its national Cybersecurity Implementation Plan.
- The Plan enumerates “more than 65 high-impact Federal initiatives” to implement the Administration’s National Cybersecurity Strategy.

On Thursday, the White House released its “[National Cybersecurity Strategy Implementation Plan](#) (NCSIP).” The Plan enumerates “more than 65 high-impact Federal initiatives” to implement the Administration’s [National Cybersecurity Strategy](#), which was issued earlier this year.

The White House [Fact Sheet](#) on the Plan notes that it is “is a living document that will be updated annually.” According to the Fact Sheet, the “Office of the National Cyber Director (ONCD) will coordinate activities under the plan, including an annual report to the President and Congress on the status of implementation, and partner with the Office of Management and Budget (OMB) to ensure funding proposals in the President’s Budget Request are aligned with NCSIP initiatives.”

Vice President Harris Holds Meeting With Consumer Protection, Civil Rights and Labor Leaders

Key Points:

- Vice President Harris affirmed the Administration’s “commitment to protecting the American public from harm and discrimination.”
- Consumer Protection, civil rights, and labor leaders “emphasized the need to ensure that AI policy centers the rights of workers, consumers, and communities.”

This week, Vice President Harris met with consumer protection, civil rights, and labor leaders on the risks related to AI. She noted innovation and protecting Americans from potential harms associated with AI can go hand in hand.

Meeting participants noted several concerns about the ongoing risks of AI to “vulnerable people.” As described in a White House readout of the meeting, “Civil society leaders shared real world examples of the ongoing risks posed to vulnerable people, including seniors targeted by AI enabled scams, women denied job interviews because of a biased algorithm, and warehouse workers monitored by automated trackers, forcing them to skip breaks, move too fast, and risk their health and safety.”

OpenAI under investigation by FTC

Key Points:

- *The Federal Trade Commission (FTC) notified OpenAI about an investigation into exposure of personal information and false statements made by the AI.*
- *OpenAI, a leading developer of artificial general intelligence, maintains it has followed the law.*

This week, the FTC sent a [letter](#) to OpenAI, the Microsoft-backed AI company and creator of ChatGPT, informing the company of an investigation into “whether people have been harmed by the AI chatbot’s creation of false information about them,” as well as if OpenAI has engaged in “unfair or deceptive” privacy and data security practices.”

OpenAI’s CEO responded to the FTC stating: “It’s super important to us that our technology is safe and pro-consumer, and we are confident we follow the law. Of course, we will work with the FTC.”

FTC Chair Lina Khan noted that the Commission is investigating allegations that people’s personal information shows up in AI search inquiries from other people. She asserted that the FTC is aware of libel and defamatory statements originating from the AI software.

For more information about cybersecurity issues you may email [Mahlet Makonnen](#) or [Frank Vlossak](#). Joe Maalouf contributed to this section.

TRADE

Bipartisan House Group Pushes for Renewal of Generalized System of Preferences

Key Points:

- *A coalition of 66 House members submitted a letter calling for the renewal of the Generalized System of Preferences.*
- *The letter, written to House Ways and Means leadership, cites concerns about growing U.S. reliance on Chinese imports.*

- *The call follows a bill introduced by Representative Blumenauer (D-OR) that would reauthorize the program alongside the Trade Adjustment Assistance program.*

On July 12, 2023, a bipartisan group composed of 32 Democrats and 34 Republicans submitted a [letter](#) to the House Ways and Means Committee advocating for the renewal of the Generalized System of Preferences (GSP). The system, which previously waived duties on specific goods imported from beneficiary countries, expired in 2020. Writing to Chairman Smith (R-MO) and Ranking Member Neal (D-MA), the group called for the renewal of the system to ensure “American companies find non-Chinese suppliers.”

Citing supply chain concerns, the authors of the letter noted that the GSP’s expiration has harmed many companies in the Pacific Southeast, arguing that U.S. tariffs have incentivized several Asian companies to relocate their facilities to China. The letter outlines that the renewal of the GSP would provide “tariff advantages as high as 45 percent” for eligible countries and would discourage foreign economic investments in the Chinese market. Further, the letter noted that the expiration of the GSP has resulted in additional costs to American companies and increased prices for consumers.

The letter follows the introduction of the “American Worker and Trade Competitiveness Act” from Trade Subcommittee Ranking Member Blumenauer on June 22, 2023. The bill would retroactively reauthorize the GSP through 2026 and permit refunds for duties paid by beneficiary countries during the GSP’s expiration period. The bill would also require that eligible countries comply with certain environmental and labor eligibility requirements that align with similar provisions within the U.S.-Mexico-Canada Agreement.

USTR Meets with Trade Shadow Secretary in Pursuit of U.S.-UK Digital Trade Agreement

Key Points:

- *The U.S. Trade Representative met with the UK Shadow Secretary of State for International Trade in anticipation of forming a U.S.-UK digital trade agreement.*
- *The talks, which follow initial negotiations on a critical mineral trade deal, are in anticipation of a Labour Party-majority Parliament.*

On July 11, 2023, U.S. Trade Representative (USTR) Katherine Tai held talks with the UK Shadow Secretary for International Trade Nick Thomas-Symonds to discuss establishing a U.S.-UK digital trade agreement. The discussions come after a 25-point polling lead for the UK’s Labour Party over the incumbent Conservative Party in the upcoming UK election. Noting the probability of a Labour-Party overturn of Parliament, Thomas-Symonds outlined

the government's likely desire to "negotiate a digital trade agreement with the United States" after previous attempts to establish a traditional free trade agreement have failed.

The talks, which follow a trade plan announced by UK Prime Minister Sunak and President Biden, continue recent collaborations between the U.S. and the UK to promote trans-Atlantic trade. According to a readout from the USTR, the two officials discussed actions to promote "a worker-centered trade policy" alongside "building more inclusive and sustainable supply chains." Thomas-Symonds also clarified the UK's intent on "securing sustained access to critical minerals" and stated that a Labour-Party majority in Parliament is likely to pursue supply chain nearshoring actions.

Thomas-Symonds will meet with business leaders in New York throughout this week and plans to hold a roundtable discussion on ways to foster U.S.-UK trade in the service sector.

White House Backs Buy American Provision in NDAA

Key Points:

- *The White House supported a provision within the National Defense Authorization Act to require increased domestic procurement thresholds for defense programs.*
- *The provision would increase procurement thresholds from 55 to 60 percent with a gradual increase to 75 percent by 2029.*
- *The Biden Administration has opposed another NDAA provision to prohibit the Defense Department from acquiring Chinese-manufactured technologies.*

On July 10, 2023, the White House backed a provision within the National Defense Authorization Act (NDAA) to increase required domestic procurement rates for U.S. defense programs. If passed, the NDAA would require defense programs to increase their threshold of U.S.-manufactured products and technologies from 55 percent to 60 percent in 2024. The provision mirrors an executive order issued by President Biden in 2021 that raised domestic content threshold requirements for procurements made by the federal government. According to a [statement](#) released by the Office of Management and Budget (OMB), the Biden Administration supports the provision within the NDAA and advocates for the codification of previous efforts to improve domestic defense product sourcing.

The bill also contains a provision that would prohibit the Defense Department from procuring critical technologies from Chinese manufacturers, including computers and printers. The Biden Administration voiced opposition to this measure, arguing that the provision would put an "undue burden" on the Department of Defense.

July 19

Debate on Trade with China: The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party will hold a hearing entitled, “Thunderdome Debate: Trade and Economic Engagement with China.” Witnesses include: the Honorable Christopher Padilla, former Under Secretary for International Trade at the U.S. Department of Commerce; Mary Lovely, Senior Fellow at the Peterson Institute for International Economics; the Honorable Nazak Nikakhtar, former Undersecretary for Industry and Security at the U.S. Department of Commerce (Acting); and Elizabeth Drake, international trade attorney. The hearing will be held in Cannon Caucus Room at 390 Cannon House Office Building at 2:00 PM EST, and [webcast](#) as well.

July 20

Supply Chain Security: The Senate Homeland Security and Governmental Affairs Committee will hold a hearing entitled, “Hearings to examine America’s supply chain security, focusing on understanding and mitigating threats.” The hearing will be held within 562 Dirksen Senate Office Building at 10:00 AM EST.

U.S.-China Strategy: The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party will hold a hearing entitled, “The Biden Administration’s PRC Strategy.” Witnesses include: the Honorable Ely Ratner, Assistant Secretary of Defense for Indo-Pacific Security Affairs; the Honorable Daniel J. Kritenbrink, Assistant Secretary of State for East Asian and Pacific Affairs; and the Honorable Ms. Thea Rozman Kendler, Assistant Secretary of Commerce for Export Administration. The hearing will be held within the Caucus Room at 390 Cannon House Office Building at 8:00 AM EST, and [webcast](#) as well.

For more information about trade issues you may [email](#) or call Christopher Hatcher at 202-659-8201. Noah Hawkins contributed to this section.