



The View from Washington

The Senate Zeroes in on a Bipartisan Accomplishment, but the Real Action on Taxes and Other Issues Will Occur After Labor Day

RV Parks and Campgrounds as “Essential Businesses” and Other Issues

I. The Current State of Play in the Nation’s Capital

WASHINGTON, DC (August 10, 2021) – While the U.S. House is currently in recess for the traditional August break/District work period, the Senate today finally passed a \$1.2 trillion bipartisan infrastructure bill by a vote of 69 to 30, with 19 Republicans joining all 50 Democrats in supporting the measure.

Infrastructure, of course, is critical to a successful travel and tourism industry. The Senate infrastructure bill would be a significant accomplishment and includes:

- \$110 billion for road and bridge construction projects;
- \$11 billion for transportation safety programs;
- \$39 billion for public transit (light rail and buses, among others);
- \$66 billion for passenger and freight rail;
- \$65 billion for high-speed internet;
- \$55 billion for clean drinking water; and
- \$73 billion for power infrastructure.

A robust, modernized infrastructure will benefit the nation’s travel, tourism and recreation industries for years to come – particularly as Americans rediscover the great outdoors during the COVID-19 pandemic and ramp up motor vehicle travel this summer and beyond. Safe, efficient roads are fundamental to motor vehicle (and recreational vehicle) travel. These infrastructure investments are long-term, and so are the benefits.

However, Senate passage of this legislation is only half of the equation. The House also must pass the infrastructure bill, and only then will it go to the President for his signature and become law. And, House Speaker Nancy Pelosi (D-CA) has indicated that she will not allow the House to consider the “hard” infrastructure bill that provides funding for roads, bridges, ports, etc., until after the Senate also passes an anticipated \$3.5 trillion “human” infrastructure package (with funding for expanded child care, senior care, and health and education programs, and incentives to address climate change).

As always, Washington is complicated, if not messy. Getting the 535 elected representatives (435 House Members, and 100 Senators) of 325 million Americans to agree to something is nearly always a heavy lift. Having said that, the real action is now about to begin.

Later this week, the Senate is expected to approve a budget resolution that will contain the “budget reconciliation” instructions allowing Democrats to begin work on the \$3.5 trillion “human” infrastructure bill. Then, the Senate will adjourn until September 13, although work will continue behind the scenes in various Senate committees.

The rumor is that the House of Representatives will return to Washington the week of August 23 to consider the same budget resolution, allowing both the House and Senate to work on parallel tracks on the \$3.5 trillion infrastructure package during the remainder of August and early September. Assuming the House does pass a budget resolution next week, it too will adjourn and then not return to Washington until September 20.

The \$3.5 trillion human infrastructure package will almost certainly dominate the Congressional agenda throughout the fall (along with the debate over a debt limit extension and the annual appropriations bills that fund the operations of government, such as the Defense Department, Homeland Security, etc.). Republicans in the House and Senate will very likely unanimously oppose the Democrats’ human infrastructure package because Democrats are proposing tax increases to pay for the expansion of many social programs, and other items (e.g., climate change, housing) on their wish list. Thus, the real tug of war will be between “progressive” Democrats who want an even bigger wish list, and moderate Democrats who favor a small human infrastructure bill (\$1 trillion to \$2 trillion) that is paid for with offsets and does not add to the national debt.

Remember, House and Senate Democrats have little room for error. The Senate is evenly divided: 50 Democrats and 50 Republicans. If all Republicans vote against the human infrastructure bill (as expected), all Democrats must vote for it, with Vice President Harris breaking a tie vote. The margin for error in the House is narrow, too. There are currently 220 Democrats and 212 Republicans (with three vacancies). So today, House Democrats can only lose three Democratic votes and still pass a bill. If any four Democrats break from their party for whatever reason and all House Republicans stay united, House Democrats do not have the votes to prevail on any measure.

Most people in Washington (and particularly businesses big and small) are watching the development of the Democrats’ human infrastructure package, and more specifically they are

intensely focused on the so-called pay-fors (tax increases) that are intended to pay for the expansion of social programs. Here are just some of the pay-fors in play:

- Corporate income tax rate: Democrats almost certainly will increase the corporate income tax rates, which were lowered from 35 percent to 21 percent by the Tax Cuts and Jobs Act (TCJA) enacted in 2017. The question is, what will Democrats support? Many want the corporate rate to be raised to 28 percent; others want the rate at 25 percent. Regardless, the corporate rate very likely will increase if Democrats get their way.
- Top income tax rate for individuals. The top marginal income tax rate for individuals very likely will be increased to 39.6 percent, the top rate before the TCJA lowered it to 37 percent. This tax change will affect the most affluent Americans (who pay the top rate). President Biden has indicated that he will not raise taxes on families making less than \$400,000 a year.
- Capital gains. The capital gains rate is very likely going to go up.
- Elimination of stepped-up basis. This proposal is particularly controversial because many House and Senate Democrats are hearing from small business owners (like RV parks and campgrounds) and farmers that this change would negatively affect them. This also is where the very narrow Democratic majorities in the House and Senate come into play. If just one Democratic Senator and a handful of House Democrats object to any provision, it makes the adoption of that provision much more difficult if not impossible. Thus, while most Democrats may favor eliminating stepped-up basis (which allows a decedent's property to be valued for tax purposes on the day person dies rather than the day he/she acquired the property), others have expressed strong concerns about it on behalf of their constituents.

If all this information regarding what could or will happen in Washington in the fall on taxes, spending on social programs, and deficits and debt makes your head hurt, don't despair. You are not alone. It can be confusing. And the details change often. The truth is, any time taxes and social programs are in play or debated, there will be disagreement between the two major political parties, which have fundamentally different views of the role of government.

The backdrop to this coming debate in Congress is the fact that each day we are one day closer to November 2022 (the mid-term elections). Members of Congress know they will face their voters then, and they will be held accountable for their votes.

II. RV Parks and Campgrounds Are "Essential Businesses"

While the U.S. Congress recesses every August, the federal regulatory agencies keep operating 365 days a year. Accordingly, the summer slow down in Washington may be the right time for ARVC to seek to make its case to the Cybersecurity and Infrastructure Security Agency (CISA) that RV parks and campgrounds must be considered "essential businesses." This designation – recognizing that RV parks and campgrounds are akin to hotels and other places of lodging – would help ensure that parks and campgrounds can serve first responders, traveling medical personnel, and families in a pandemic or displaced by natural disasters or other emergency.

Camping in self-contained RVs is one of the safest ways Americans can still spend time outdoors, while continuing to socially distance themselves and be with their families. Campgrounds are ideal for social distancing and providing space in the outdoors, and they have the ability to adopt CDC guidelines and protocols, including remote check in procedures, to protect guests and staff. RV parks and campgrounds must be considered essential businesses.

III. Rebuilding the Outdoor Recreation Economy

On June 15, the U.S. Senate Commerce Committee's Subcommittee on Tourism, Trade, and Export Promotion examined the state of outdoor tourism and the recreation industry, including the impacts of COVID-19 on businesses and communities. Over the past year, there has been an increase in participation and demand in outdoor recreation, which has created both challenges and opportunities for the industry. Witnesses provided their insights surrounding the contributions of outdoor recreation to local economies and discussed solutions for promoting the outdoor industry, investing in local communities, protecting our lands and waters, and supporting U.S. jobs and businesses. The Subcommittee Chair, Sen. Jacky Rosen (D-NV), stated at the end of the hearing: "I want to go do all the outdoor recreation now in every state." The archived video of the hearing can be viewed here: <https://www.commerce.senate.gov/2021/6/the-state-of-outdoor-tourism-recreation-ecotourism>

A representative of the Outdoor Recreation Roundtable (ORR), a coalition to which ARVC is a member, testified at the Subcommittee hearing and provided the following information:

- The recreation industry generated \$788 billion in economic output, accounted for 2.1 percent of GDP, supported 5.2 million jobs, and was growing faster than the economy as a whole in every indicator, according to the Bureau of Economic Analysis.
- During the pandemic, millions turned to the outdoors. For example, 8.1 million more Americans hiked in 2020 vs. 2019 (a 16.3 percent increase), and the total percentage of Americans who participated in outdoor recreation rose to 52.9 percent, from under 50 percent in previous years.
- Shipments of RVs reached an all-time high in the first quarter of 2021, and retail unit sales of new powerboats in the U.S. increased by 12 percent in 2020 over 2019.
- However, the negative effects of the pandemic cannot be overstated. According to a survey of ORR members, last May as many as 94 percent of outdoor businesses experienced drops in sales, and 88 percent of outdoor businesses laid off or furloughed staff. Eleven percent of businesses closed or laid off all or most of their staff.

IV. Veterans In Parks (VIP) Act Passes the House

The Veterans In Parks Act (H.R. 4300), introduced by Reps. Mariannette Miller-Meeks (IA-2) and Rueben Gallego (D-AZ), passed the House on July 26 by a vote of 420-0. The bipartisan legislation would provide veterans and Gold Star families with free lifetime access to national parks and public lands. The legislation now moves to the Senate.