



FAST FIVE

Public Policy Insights

North America

February 5, 2021

Featured

1. **Massachusetts Budget Once Again Proposes Real-Time Sales Tax.** Massachusetts continues to be a state under the constant threat of a real-time sales tax. The draft budget once again proposed the collection of sales taxes in real-time (“on a daily basis”), which would impose more than \$1 billion in regulatory burdens on merchants, processors, banks, and payment networks. Although the regulation would not take effect until July 1, 2024, it would exempt cash, and the measure imposes tremendous costs with essentially zero benefits. Some policymakers tout real-time sales taxes as a way to create a fictional “13th Month” of collections by expediting initial sales tax receipts.
2. **Industry United around Priorities for China.** Our tech trade, ITI, has organized around a set of priorities and recommendations to the Biden Administration. Chief among them are fulfilling previous bilateral trade commitments, including China’s market access pledge on EPS. A near-term milestone is that both countries agree to routine mid-level and senior meetings to review commitments and outline areas of work. There is also alignment on cross-border data flows. Industry would prefer China allow foreign companies to store certain business and consumer data in centers outside of China, if the consumer so chooses.
3. **Financial Services Committee Explores another Round of COVID Stimulus.** This week, the House Financial Services Committee heard from unions, think tanks, the National League of Cities, and NAACP on the prospects and outlines for another COVID relief bill. Witnesses stressed municipal governments alone are facing a \$90 billion shortfall on one-year revenues and continue to shed thousands of jobs per month. NAACP’s president noted Congress should begin pushing for an inflation-adjusted \$20 minimum wage and for the equitable distribution of vaccines. They also called for the cancellation of all student debt. On the other side, a witness from the American Enterprise Institute argued President Biden’s \$1.9 trillion proposal is too large—given that it vastly exceeds the economy’s current output gap—and too expansive.
4. **Progress on Bipartisan COVID Relief as Biden Meets with Republicans.** This week, President Biden met with ten Republicans at the White House to discuss a compromise on COVID relief legislation. Ten is a notable number because if all approve, and there is unanimous Democratic support, the legislation can clear the crucial 60-vote threshold in the Senate. The scaled-down Republican version is a fraction of the \$1.9 trillion Biden proposal and excludes popular Democratic items (*i.e.* a \$15 minimum wage).

Future Five

1. **Senator Klobuchar to Advance Legislation Limiting Acquisitions.** Although we expect the federal government to bring direct litigation against certain companies on antitrust lawsuits, we also anticipate the House and Senate will try to move broader antitrust reform. For example, Senator Amy Klobuchar (D-MN), who will control part of the Senate Judiciary Committee, has introduced legislation (“Competition and Antitrust Law Enforcement Reform Act”) that would limit mergers or acquisitions of any company with a market cap greater than \$100 billion. If such a legislative move became serious, it could force a preemptive wave of acquisitions, causing additional policymaker scrutiny, or largely freeze mergers and acquisitions. In sum, Senator Klobuchar’s bill is expected to reflect many of the recommendations in the House antitrust subcommittee’s report, which followed an investigation into Amazon, Facebook, Google, and Apple, but stop short of calling for the unwinding of past mergers and other structural reforms.
2. **Congress will Scrutinize GameStop Fiasco in Coming Weeks.** The House Financial Services Committee has already set a hearing date to investigate the GameStop trading scandal. On February 18 it will examine, “Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide.” Robinhood’s CEO is expected to testify virtually, but the Committee has yet to release a full roster of witnesses. We also anticipate the Senate Banking Committee could hold a similar hearing in the coming weeks.
3. **Facebook to Launch Antitrust Suit against Apple over App Store.** Antitrust reform isn’t just playing out in the halls of Congress or at regulatory agencies. It’s been reported Facebook is set to sue Apple, alleging that the smartphone maker forces app developers to abide by specific rules to be on the App Store. In addition, it alleges that Apple’s own products don’t have to adhere to those rules and that the company makes it difficult to compete against Apple in gaming, messaging, and shopping. We expect more of these suits this year, in addition to intense lobbying by companies to urge policymakers and regulators to intervene.
4. **Bipartisan Bill Introduced to Improve State and Local Cybersecurity.** Senators Maggie Hassan (D-NH) and John Cornyn (R-TX) have introduced legislation to support the National Guard’s role in helping state and local governments improve their cybersecurity infrastructure. This bill was originally introduced last year. Senators Hassan and Cornyn noted they were motivated to reintroduce the bill in the wake of SolarWinds and attacks connected to COVID-19. Broadly, their legislation would allow the National Guard to conduct cybersecurity operations or missions at the request of the Governor of the State to protect critical infrastructure.
5. **Digital Charter Bill Faces Further Delay in Canada.** In mid-January, there was a small Cabinet shuffle with consequential implications for the passage of the Digital Charter Implementation Act (DCIA), which modernizes Canadian privacy law and is a necessary precursor to the operationalization of Open Banking. Longtime Minister of Innovation, Science and Industry Navdeep Bains stepped down from Cabinet and was replaced by François-Philippe Champagne. A delay is expected, both because the privacy law had been personally championed by Minister Bains and because Minister Champagne and his staff will need time to learn the new portfolio. Limited debate time in the House of Commons also means that the Government will not bring the Bill forward for Second Reading (the legislative phase before referral to Committee) until at least next week, and the week after is the next House Break Week. An anticipated spring federal election may further interrupt timely passage of the bill.