

ALERT

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Trump 2.0

An Initial Roundup of Key Policy Issues and Expectations

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TAKEAWAYS

- ② The re-election of Donald Trump—empowered by at least a Republican-led Senate—marks a significant political and administrative change in the United States, with potentially far-reaching impacts across the country and the world.
- ② As the Trump Administration’s specific policy plans come into focus, future Pillsbury alerts will dive deeper into those topics.

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Former President Donald J. Trump won the U.S. presidential election on November 5, prevailing in the key “battleground states” necessary to win the Electoral College.

Republicans will also control the U.S. Senate after picking up at least three seats previously held by Democrats, with several other Senate races yet to be called. Control of the U.S. House of Representatives remains “too close to call” as ballots in competitive races continue to be counted, although regardless of which party prevails in the House, the chamber is expected to be closely divided between Democrats and Republicans.

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The Political and Policy Landscape for 2025 and Beyond

Like with any White House transition from one party to the other, the final weeks of the Biden Administration will likely be spent on efforts to solidify and insulate the administration's priorities from future change. This likely includes the release of final agency rules and regulations, the issuance of additional funds under federal grant and incentive programs created under President Biden's topmost accomplishment, the Inflation Reduction Act (IRA), and attempts to provide additional military and financial aid to Ukraine.

In January, President-elect Trump will start his second term with a perceived political mandate to extend the approach and signature policies of his first term and implement the policies he campaigned on, including on immigration and trade. He is likely to aggressively pursue executive action to quickly implement priority policies and to roll back late-stage Biden Administration orders. Post-election comments from Trump's team have indicated, for example, that a key part of his "Day One" agenda will be restricting immigration and securing U.S. borders.

One of President-elect Trump's first activities will be to nominate individuals to serve in the cabinet and lead executive agencies. Nominees must be approved by the Senate, and in times of divided government, when the White House and Senate are controlled by different parties, presidents may nominate "consensus" candidates to secure Senate approval. However, with a Republican Senate majority, President-elect Trump will nominate leaders who closely share his policies and priorities as the Republican senators are expected to consent to his choices without pushback. Further, while the beginning of President-elect Trump's first term was marked with some slow starts, President-elect Trump appears to be prepared to move quickly to implement his second-term agenda as his team, and a broader base of allies, have been preparing for his return to the White House for years.

The impact and scope of the Trump presidency will ultimately be affected by the composition of Congress. When the White House and both chambers of Congress are held by the same party, there is opportunity to pass large, impactful measures. The power of a policymaking trifecta is especially true for measures which can be passed in the Senate by simple majority vote as opposed to the standard 60 votes required. Should Republicans ultimately prevail in the House, and if the Republican members of the House are aligned in their legislative priorities, the unified Republican control would give them the opportunity to pass sweeping legislation under budget reconciliation procedures—akin to the IRA enacted under President Biden while Democrats controlled Congress, or the Tax Cuts and Jobs Act enacted under Trump's first term when Republicans controlled Congress. However, should Democrats win control of the House of Representatives, negotiation will be required between the parties to pass the key pieces of legislation necessary for

government to function, like the annual appropriations bills, and Democrats would be expected to use their leverage to protect signature accomplishments of previous Democratic Administrations, like key tenets of the Affordable Care Act and the IRA.

The following roundup highlights the initial key issues for businesses and organizations preparing for the next Trump Administration. Please note that the policy issues listed below are not intended to reflect the priority they will be assigned in the new Trump Administration. We will, of course, update this analysis as we learn more about the new issues and action plans.

Key Policy Issues and Expectations

Budget

The election results bring immediate budget impacts for Fiscal Year 2025, which started in October, as well as the release of the Fiscal Year 2026 budget. The U.S. government is currently operating under a continuing resolution that expires at the end of December, and current negotiations are under the context of a bipartisan budget agreement that many in the Republican party oppose due to spending levels.

With Republicans set to gain control of both the Senate and the White House, there is a strong likelihood they will seek to extend the continuing resolution until March when the new Administration is in place and Republicans will have greater control (and perhaps total control) over the budget process. In that event, we may see efforts to cut more of the domestic budget and increase border and defense spending. This could create an additional “bite at the apple” for those seeking to influence the 2025 budget. Alternatively, if the House remains close or switches to Democrats’ hands, the incoming Administration could encourage Congress to make a budget deal in the final weeks of the 118th Congress to “clear the decks” so they can focus on their priorities immediately upon taking office.

The incoming Administration’s approach will ultimately depend on the final House breakdown, as well as how much the incoming President’s staff can focus him on the future versus an immediate congressional fight and may serve as a bell-weather on how he works over the next four years.

With respect to the 2026 budget, we can expect major changes in budgetary approach and do not expect a release until later April or even May based on past history. Congress will still likely try to march ahead with their budget process starting in January, but this will likely lead to a longer budget process and delays.

Taxes

Dubbed the “Super Bowl of Tax” or “Taxmageddon,” next year will bring major federal action on personal and corporate taxes given that key provisions in the Tax Cuts and Jobs Act (TCJA), signed into law by President-elect Trump in 2017, are set to expire at the end of 2025.

We expect the Trump White House to push to extend, and perhaps expand, the TCJA by:

- cutting corporate and individual taxes;

- further reducing the corporate tax rate from 21% to 15%; and
- eliminating tax on tips, Social Security income or overtime pay.

Despite disavowing it during his campaign, President-elect Trump may borrow additional tax policies from Project 2025, a roadmap for a potential Republican presidency created by the Heritage Foundation, a conservative think tank. The Project 2025 plan proposes altering the income tax system so that instead of the current tax brackets, there would be two tiers: 15% and 30%. The plan also would impose a 15% tax on capital gains and dividends.

Next year's tax package will ultimately be shaped by the composition of Congress and whether Democrats are able to exert any leverage in congressional negotiations. If Democrats control the House, there may be room for bipartisan agreement that includes both a child tax credit, promoted by Democrats, and business tax breaks, promoted by Republicans.

Deregulation

Congressional Review Act

Should Republicans prevail in the House and the Republicans assume a “trifecta,” a significant number of Biden Administration regulations may be subject to rollback under the Congressional Review Act (CRA), a congressional tool to overturn certain federal agency rules within 60 legislative days of the rule being issued by an agency. Under the CRA, if both chambers of Congress pass a joint resolution of disapproval to overturn an agency rule and the President signs it, the agency rule cannot go into effect.

When one Congress ends and a new Congress begins, the CRA “lookback provision” extends the period when Congress can vote to overturn an agency rule into the new Congress. In practice, this means that any Biden Administration rules issued within the last 60 legislative days of the current 118th Congress can be reviewed by the new 119th Congress in January. If Republicans control Congress and the White House, then they will be able to effectively overturn any Biden Administration rules promulgated during this “lookback period.” At present, the “lookback period” is estimated to have begun around August 1, although the date can change depending on the congressional calendar.

Deregulation Agenda

Under a Trump Administration, there is likely to be a significant deregulatory agenda across the federal government, with an intense focus on energy and environmental regulations. It is likely that he will reimpose the “two for one” rule, where for each new regulation promulgated, an agency must remove two existing regulations

The Trump Administration's deregulatory effort may include defunding or severely restricting resources to the Environmental Protection Agency (EPA), the chief federal agency that enforces environmental rules. Other Biden Administration priorities, such as fuel efficiency standards, efforts to further regulate power plant emissions and pushes to expedite the adoption of electric passenger vehicles, are likely to be slowed or stopped.

We also expect the Trump Administration to eliminate the Securities and Exchange Commission (SEC) rule requiring publicly traded companies to report on the climate-related risks of their investments and climate risks that face their business operations. There may also be significant deregulation of the financial services sector, including minimal regulation of cryptocurrency, given that cryptocurrency advocates were major players during the 2024 campaign.

Energy

Energy policy under President-elect Trump is likely to shift focus from the energy transition to energy security. Trump will likely pull out once again from the Paris Agreement and terminate the leasing of federal lands and waters for offshore wind projects while favoring oil and gas extraction on federal property.

Nuclear energy has become bipartisan, and Trump gave a strong nod in his victory speech to the need to expand nuclear power, in particular, the deployment of small modular reactors. Similarly, while Trump will support additional oil and gas production, the United States is already the world's largest oil and gas producer, and the boom will continue given current geopolitics.

President-elect Trump and Republicans made components of the IRA, a Biden Administration signature policy achievement, a campaign issue, promising to repeal aspects of the law that are unpopular in Republican circles, namely clean energy tax credits. Republicans further see repeal of the IRA tax credits as a means to lessen the budgetary impacts of a new proposed law that lowers the corporate tax rate. If Democrats control the House, they are expected to use all political leverage to preserve the IRA.

However, even if Republicans ultimately control Congress and the White House, full repeal of the IRA is not a certainty and wholesale cuts to programs like the Loan Guarantee Program or ARPA-E are unlikely to happen. This is because these grants, incentives and loans have created significant investment and jobs in "red" states and their continuation will likely be supported by Republican lawmakers. Further, a significant amount of money appropriated to date under some clean energy research, development and demonstration programs has already been spent.

Important to note, however, is that there is likely to be careful examination/oversight of funds already spent under various programs. For example, we expect that the Trump Administration will closely scrutinize how funds have been expended for the installation of electric vehicle charging stations and innovative energy projects. Outcomes from any such investigation could foreseeably include attempts to claw back funds.

Defense Spending

Defense spending under President-elect Trump is likely to increase, as well as reflect a strong focus on bolstering American military capabilities, particularly to counter perceived threats from China. Trump's previous term saw a significant increase in defense budgets, with an emphasis on modernizing the military and expanding funding for advanced technologies, including artificial intelligence, cyber defense and hypersonic weapons. Trump is likely to continue this trend, advocating for larger budgets to sustain a powerful deterrent against foreign adversaries and to enhance border security measures. Additionally, Trump may push for more streamlined spending, aiming to reduce what he views as wasteful expenditures within the Department of Defense, redirecting resources toward operational readiness and new combat capabilities. Given the heavy influence of Silicon Valley investors in Trump's campaign, there will probably also be an appetite for new, more aggressive/creative contracting vehicles that will allow for rapid development and deployment of innovative defense technologies.

Given his "America First" philosophy, President-elect Trump's approach could again include negotiating cost-sharing arrangements with allies, reducing the U.S. financial burden in joint defense endeavors and promoting a more self-sufficient approach to U.S. defense strategy. This is likely to create both a need, and budget opportunity, for onshoring and growing companies' industrial footprints.

Foreign Policy

United States and China

U.S. competition with China has been an increasingly active topic both within federal agencies and on Capitol Hill. There has been a bipartisan emphasis on improving U.S. economic competitiveness and defending U.S. national security in relation to China. As a result, we expect the continuation of strong oversight of China in Congress via the House Select Committee on Strategic Competition Between the United States and the Chinese Communist Party (known as the "China Select Committee").

Under a Trump Administration, major areas of China-related policy are expected to focus on: trade/investment policy, military competition, technology policy, border security/fentanyl and "hotspot" issues, including Ukraine, Taiwan and the South China Sea. We are likely to see an extension of President-elect Trump's first-term policy of holding China to account for its failure to honor his administration's "Phase One" trade deal commitments. It is also projected that President-elect Trump will make public threats of dramatic rises in tariffs coupled with the easing of other aspects of China-related signaling to give Beijing space to respond. Finally, it is possible we will see President-elect Trump threaten to end China's status as a Most Favored Nation, which would result in a dramatic increase in tariffs on all imports from China.

Ukraine and Russia

It is likely that President-elect Trump will significantly alter the U.S. posture towards supporting Ukraine in its war with Russia. President-elect Trump is expected to cease military and financial support to Ukraine and urge the nation to make a deal with Russia.

Congress is not unified in the approach to Ukraine. Many in Congress have called for further actions against Russia or in favor of Ukraine while others have urged Congress to pause spending on Ukrainian military efforts. We generally expect Republicans to “get in line” with the Trump Administration’s positions, although a debate over future military and humanitarian funding could be an early flashpoint in the new Congress.

Israel and Gaza

Throughout his campaign, President-elect Trump has promised to get the conflict “settled and fast.” Specifically, he told Israel to “finish up” the war because it is losing support. Historically, President-elect Trump has been closely aligned with Prime Minister Netanyahu, and that posture is likely to continue. How the conflict can be quickly settled is unknown, however.

Saudi Arabia and the Gulf

A Trump Administration is likely to continue to emphasize strategic alignment on security, economic and regional stability issues. Trump’s first administration prioritized the U.S.-Saudi alliance as a bulwark against Iranian influence in the Middle East, a stance likely to be reiterated, with increased support for Saudi-led initiatives aimed at restoring regional deterrence against Iran. A Trump Administration would also be expected to foster deeper economic ties, especially U.S. military weapon sales to the Saudis. Trump’s first trip abroad as president during his first term was to Saudi Arabia and Israel, and one of his hallmark foreign policies was the U.S.-brokered Abraham Accords, which normalized relations between Israel and several Arab countries in the region. Before the Hamas attacks against Israel on October 7, 2023, the Biden administration was working to expand the Abraham Accords to include Saudi Arabia in exchange for formalized U.S. security guarantees, cooperation on a civilian nuclear program, and Israeli concessions toward Palestinians. A Trump Administration is likely to continue pursuing these negotiations once the conditions are conducive to reaching agreement among the parties.

Trade, Tariffs and Foreign Investment**Tariffs**

President-elect Trump is a strong proponent of tariffs. During his first term, Trump imposed sweeping tariffs on a broad range of products from China. His actions sparked retaliation from China, with the country imposing its own tariffs on U.S. agricultural imports. The Biden Administration maintained and recently increased the duties originally adopted by the Trump Administration.

During the campaign, Trump proposed a 10% tariff on all U.S. imports and up to a 60% tariff on Chinese products, both of which would violate U.S. treaty commitments. Whether Trump will seek to impose tariffs at this scale—or is open to being reeled in by U.S. business interests—is yet to be seen.

Outbound Investment

The Biden Administration significantly increased controls on exports of U.S. products, equipment and technology to China's semiconductor, telecommunications and advanced computing sectors, all designed to discourage U.S. and foreign companies from participating in those sectors in China. More recently, the Biden Administration published a final regulation implementing a framework for monitoring and restricting investments in China that are considered a risk to national security. The regulation is focused on China's sectors for semiconductors, supercomputers, quantum computers and artificial intelligence. Although this regulation is sufficiently recent to allow Congress to repeal it using the Congressional Review Act, the goal of the regulation appears to be consistent with the antagonism of the Republican members of Congress towards China, and accordingly seems to stand a good chance of being preserved.

Foreign Investment

The Biden Administration set out to decouple from Chinese supply chains by investing in onshoring activities (like, for example, through IRA incentive programs) that would relocate critical supply chains to allied countries or to the United States. While we do not expect President-elect Trump to create any new incentive programs, we may see his administration encourage investment through the continued use of tax cuts.

Immigration

Border Security

Arguably Trump's central campaign message, Trump promised to crack down on migration and enact the largest deportation effort in U.S. history. He has advocated for deputizing the National Guard and local law enforcement to assist with removal and deportations and is also likely to restore the 2019 "remain in Mexico" program, which required non-Mexican asylum seekers to wait in Mexico rather than crossing into the United States.

While President-elect Trump's intent and aims on border security and immigration issues is clear, the details of his approach are not. The potential destabilizing effects to U.S. communities and the economy are significant.

Legal Entry

It is likely that we will see a reduced number of legal refugees be permitted access to the United States in the coming years. More specifically, expect the Trump Administration to continue its first-term activity, where it repeatedly decreased the number of refugees allowed into the United States,

pushing the limit to a record low of 15,000 in 2021. He is also likely to push to end Deferred Action for Childhood Arrivals (DACA), a program that shields children brought into the country illegally as children (in effect for those who received DACA status before mid-2021).

Under his administration, President-elect Trump is expected to push to end automatic citizenship for children born in the United States to immigrants living in the country illegally, although this move would certainly be subject to legal challenge. He also is likely to push to end Biden “parole” programs, which allow migrants with U.S. sponsors to legally enter the United States and obtain work permits, a program that has been utilized to bolster domestic workforces. He is also likely to continue activity from his first term in restricting H1-B visas while expanding H-2A visa use.

Federal Civilian Workforce

Under a Trump presidency, we can expect sweeping changes to the administrative state. President-elect Trump has said that he would seek to defund or outright eliminate several existing agencies, including the Department of Education and the Environmental Protection Agency.

While it may be difficult to completely eliminate a federal agency, as Congress would need to approve these plans, there are actions the President can address administratively to undermine agency authority. As was seen during his first presidency, President-elect Trump rolled back more than 100 rules carried out by the EPA and advocated to significantly reduce funding. Limiting the power of federal agencies across the board (save perhaps the defense and intelligence functions) may be seen as a high priority for Trump.

President-elect Trump could turn to proposals offered by conservative think tanks, by removing certain federal workforce protections and allowing a large portion of the civil service, those individuals who are not political appointees who carry out the administrative functions of the agencies, to be fired at will.

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