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US Elections 2024
Outcomes and Outlook

November 7, 2024

Introduction

The American people have spoken. The Republican Party (GOP), revamped over the past decade to reflect the unmistakable imprint of President-elect Donald J. Trump, will be the party in power, controlling the White House and (likely) both chambers of the US Congress. The election results empower the Trump-led GOP to pursue an agenda that picks up where Trump left off four years ago, diverging sharply from the Biden presidency in both tone and substance. It will be an agenda prioritizing border security, regulatory reform, the extension of low tax rates, domestic energy production and an "America First" approach to trade and foreign policy that is sure to have the United States' traditional partners and allies on edge.

The results of Tuesday's US elections erase any doubt that may have remained about the shift that has taken place in America beyond the Beltway. Distrust of institutions, including both government and the media, has become a dominant motivator in the voting patterns of millions of American voters. The "return to normalcy" offered by the presidency of Joe Biden, with its emphasis on enacting sprawling new domestic policy initiatives and a conciliatory posture in America's interaction with much of the world, ultimately held little sway with the American electorate in 2024.

Republicans won the White House, flipped multiple seats in the Senate and appear poised to hold their majority in the House, giving the GOP the coveted "trifecta" in Washington electoral politics. The implications for stakeholders throughout the United States and around the world will take weeks to adequately unpack, but they are, suffice to say, enormous. The purpose of this document is to take an initial look at the policy and political realities that lie ahead through the lens of the GOP victory on November 5.

David Schnittger and Caren B. Street

"The only thing certain about the months and years ahead is that there will be a whole lot of uncertainty. If you have a stake in the policy and regulatory decisions coming out of Washington – and just about everybody does – it's time to buckle up and get in the game."

Former House Speaker John Boehner (R-OH)
Senior Strategic Advisor, Squire Patton Boggs

Reauthorizations

Caren B. Street

Congress is a reactive body, often only acting when crisis or deadlines require it. In addition to the fiscal cliff looming in 2025, there are a number of critical programs expiring this year or in the 119th Congress that will force Congress to act, offering opportunities for reform and possible vehicles on which other legislation could hitch a ride.

- **Farm Bill** – About every five years, Congress passes an omnibus bill that provides nutrition assistance for low-income households, disaster assistance for hard-hit communities and support for major commodity crops and US agricultural exports. This bill, known as the Farm Bill, expires at the end of 2024. A deal is unlikely to come together during the lame-duck session, making Farm Bill reauthorization a top priority in the 119th Congress.
- **African Growth and Opportunity Act** – First enacted in 2000, the African Growth and Opportunity Act (AGOA) is a law that enhances market access to the United States for qualifying sub-Saharan African (SSA) countries. This preferential trade program, which plays a critical role in promoting economic development, rule of law and human rights in Africa, expires at the end of September 2025.
- **President's Emergency Plan for AIDS Relief** – Since 2003, the President's Emergency Plan for AIDS Relief (PEPFAR), the world's largest health program for a single disease, has provided critical funding to address the global epidemic of HIV/AIDS. This program, which is administered by a number of US agencies, expires in March 2025.
- **Inflation Reduction Act** – The Inflation Reduction Act (IRA) provides, among other things, federal funding for healthcare subsidies, programs addressing climate change, domestic supply chains and enhanced tax enforcement. Certain IRA tax provisions could be amended to serve as pay-fors for tax reform.
- **Surface Transportation Reauthorization** – The Infrastructure and Jobs Act (IIJA) provides funding in the form of grants or loans for the nation's infrastructure, including roads, highways, railways and transit systems. The Surface Transportation Reauthorization included in IIJA expires at the end of 2026.

Post-Election Geopolitics

Paul Jones, Matthew Kirk and Everett Eissenstat

Navigating geopolitics could become more challenging for companies and governments after President-elect Trump's victory adds a new layer of complexity. Escalating trade and technology wars and ongoing conflicts remain big-picture risks. China has pent-up frustration over Biden/Trump tariffs and could retaliate harshly against new Trump tariffs, potentially tightening restrictions on critical minerals exports, for example. A heightened trade war could lead China to press for advantage elsewhere, such as with cyberattacks or gradual economic measures to pressure Taiwan, while drawing closer to autocratic nations such as North Korea, Iran and Russia.

Wars in Europe and the Middle East will be difficult to manage, despite exhaustion on both sides in Ukraine and Israel running low on high-profile targets against Hamas and Hezbollah. President-elect Trump campaigned aggressively against US engagement in foreign conflicts and could try to demonstrate his influence on them even before his inauguration. Conflicts will continue to interfere with global shipping, impacting global energy markets and increasing food insecurity.

The European Commission, like China, is reportedly prepared to deploy serious countermeasures to a blanket 10% to 20% tariff that President-elect Trump has promised. The EU could impose considerable pain on the United States in the trade space. Trump views the EU as an adversarial trading block and is no great fan of the collective defense responsibilities of NATO. He will push Europeans to take more financial responsibility for NATO while simultaneously pressuring the EU to take a more aggressive trade stance vis-à-vis China. Many European countries will seek to band together to counter his administration's efforts to divide them, but they are neither united nor powerful enough to prevent some countries from making separate deals with Washington DC. Indeed, divergence between Atlanticist and protectionist EU member states could put considerable strain on the EU as a whole.

Outside the G7, other powers, ranging from India and Brazil to the UAE, Indonesia, Vietnam, Angola and others, will maneuver on a more complex world stage, striving to align according to their specific interests on any particular issue. President-elect Trump will pay close attention to countries' trade imbalances with the United States and their leaders' willingness to take steps to correct them, as well as to support his goals generally. Companies will benefit in countries that manage relations with the United States and other global powers well, but face risks where countries' domestic politics impede their agility on the global stage.

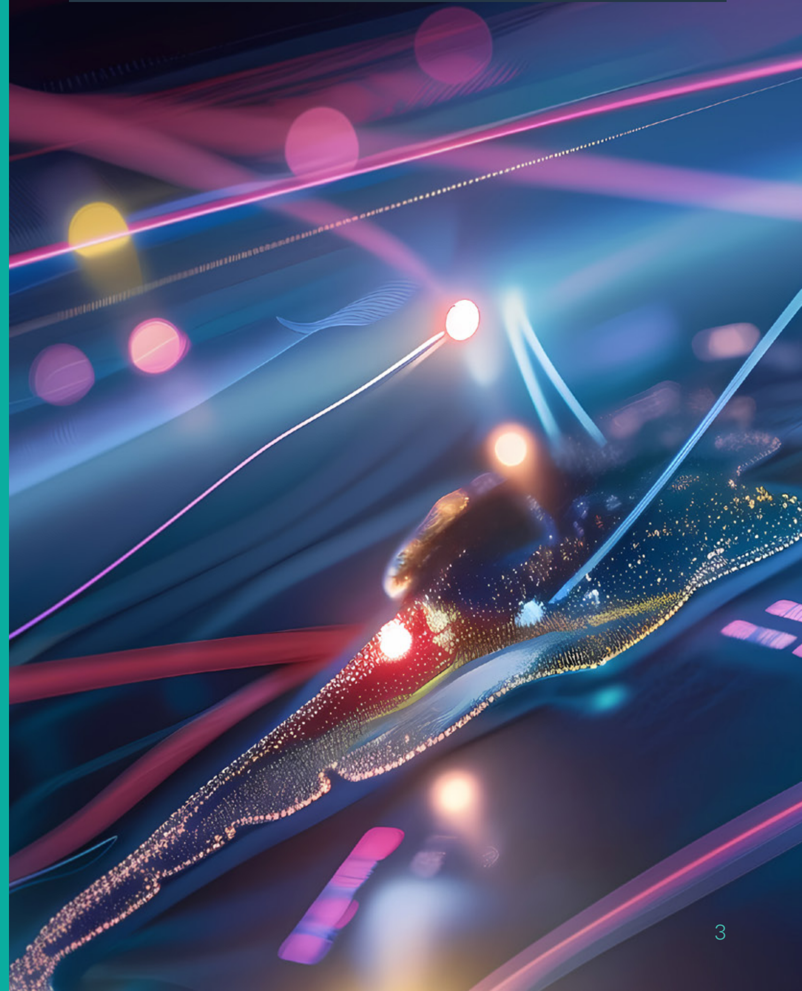
The United States will continue to prioritize technological dominance, domestic manufacturing and exports, intensifying global trade friction while drawing investments from other nations. Natural allies of the United States will find the absence of a collaborative approach to international trade difficult to address. This could have implications for European support for US positions on Israel or Taiwan.

While known for strong rhetoric, Trump's global action will likely be selective, depending on how he perceives US interests at any given moment, rather than more traditional and predictable US global leadership. It is uncertain how he will handle the next geopolitical disruption. His selective approach carries new risks that should be taken into account by businesses.

To prepare for more geopolitical uncertainty, companies should:

- Align business strategies with trends in tariffs, export controls, investment restrictions and subsidies
- Prioritize risk factors through comprehensive, cross-functional planning
- Develop toolkits and conduct scenario exercises for high-impact risks
- Integrate public policy into business and strategic planning
- Develop advocacy plans to impact public policy outcomes

> **"The US election adds new complexity to the global environment companies and governments must navigate. The next geopolitical disruption will be here sooner than we think."**
>
> **U.S. Ambassador (ret.) Paul W. Jones**
> International Affairs Advisor, Squire Patton Boggs



The Fiscal Precipice: Tax Cliff and Debt Ceiling Loom Large in 2025

David Schnittger

The Washington DC fiscal policy debate returns with a vengeance in 2025 as the new president and the 119th Congress confront the expiration of major portions of the 2017 tax reform law, as well as the obligation to once again raise the government's statutory debt limit. Households and businesses across America will grapple with the uncertainty sure to accompany the charged debate among policymakers about the way forward. All will be impacted – some dramatically – by the decisions that are ultimately reached and enacted into law.

Without action by the president and Congress, the components of the Tax Cuts & Jobs Act (TCJA) that were enacted by then-President Donald Trump and a Republican-controlled Congress as "temporary" policy in 2017 will expire at the end of 2025. These provisions include the lower individual tax rates put in effect by the 2017 law, as well as the increased standard deduction, the increased child tax credit, the deduction for small business income, the increased Alternative Minimum Tax (AMT) exemption and the doubled estate tax exemption established under the TCJA. The nonpartisan Tax Foundation estimates 62% of Americans filing returns will be hit with a tax increase in 2026 if the TCJA expires.

Meanwhile, under the terms of the bipartisan Fiscal Responsibility Act (FRA) enacted in 2023 under President Biden and then-House Speaker Kevin McCarthy (R-CA), the federal debt limit was suspended until January 2, 2025. The debt limit will be reinstated on that date, after which the federal government, in lieu of legislative action to raise the debt ceiling, will be able to operate for a number of months using cash-on-hand and so-called "extraordinary measures" to avoid breaching the limit. At some point in 2025, these stopgap mechanisms will no longer be sufficient to ensure the United States is able to meet its obligations to its creditors, compelling Congress and the president to take action to raise the debt ceiling to prevent a national default. This "X date," as it is known, is presently expected to arrive sometime in the summer of 2025.

The new president and new Congress will have no choice but to confront these dual fiscal cliffs in the coming year. The need to raise the debt ceiling and stave off billions of dollars in looming tax hikes could be an opportunity to revamp the tax code, change the trajectory of federal spending programs and reform the federal budget process. It could also trigger months of intense policy debate both between and within the dominant political parties in Washington DC, unleashing considerable uncertainty across the economy and a flurry of energetic lobbying by stakeholders across the spectrum.

Budget Reconciliation: Powering the GOP Agenda in the 119th

David Schnittger

To most Americans, "reconciliation" means getting back on good terms with someone you have been at odds with. In modern-day Washington DC, it is the term used for a process that functionally means almost the opposite: a mechanism for advancing the majority party's agenda in the US Congress with minimal interference by the minority, bypassing the 60-vote threshold normally needed to move legislation through the Senate. With President-elect Trump in the White House and majorities in both chambers beginning in January, newly empowered Republicans in Washington DC will rely on it to push major portions of their policy agenda into law during the opening months of the 119th Congress, particularly with respect to domestic energy production and tax reform.

Budget reconciliation allows Congress to more efficiently align revenue and spending levels with the policies set out in a budget resolution separately prepared and approved by Congress regarding revenue, spending and the nation's debt limit. While historically focused on deficit reduction, reconciliation has also been used for revenue reduction and targeted spending increases in certain years. Nearly 25 budget reconciliation measures have been enacted into law since 1980, when reconciliation procedures were first used by both chambers of Congress, including the Biden administration's American Rescue Plan Act in 2021 and the Inflation Reduction Act, and the Trump administration's 2017 Tax Cuts and Jobs Act (TCJA).

With the impending expiration of significant tax cuts from the TCJA at the end of 2025, budget reconciliation presents an opportunity for Republicans beginning in January to revise or repeal programs enacted under the Biden administration to fund a second round of business and individual tax cuts, and to enact other GOP priorities, such as increased domestic energy production.

The "catch" for Republican leaders in using reconciliation to pursue these objectives, particularly with the narrow majorities they will hold in both chambers, is that they must keep their conferences in the House and Senate almost entirely unified in support of the enacting legislation in order to move it through the process and onto the president's desk. In effect, this means policies that cost even small numbers of Republican votes in either chamber are likely to be left out of the proposed reconciliation bill. Stakeholders seeking to shield their priorities from repeal or revision in budget reconciliation will seek to build small but impactful coalitions among GOP Members of Congress who have the leverage to object to the inclusion of certain policy changes.

Change is coming to our nation's capital, as a new administration and a new Congress are ushered into power. Domestic and international stakeholders and policymakers alike must be prepared to navigate the implications of these significant shifts in governance with agility, know-how and resolve."

Former Transportation Secretary Rodney E. Slater
Partner, Squire Patton Boggs

Appropriations and Budget

Adam M. Berg and David LesStrang

Among the most critical decisions facing Congress upon its return is whether to finalize fiscal year (FY) 2025 appropriations bills or defer them to next year. Lawmakers must also address emergency funding needs stemming from recent flooding, hurricanes and other disasters and urgent priorities. Reaching agreement on these critical matters, with two chambers presently controlled by opposing parties, has proven difficult in recent years.

The consequences of extending FY24 spending levels further into the current fiscal year with another Continuing Resolution (CR) are substantial for stakeholders across the public and private sectors. For example, where industry has requested Congress fund a specific program, or direct a federal agency to address a problem or priority through report language, that shift would be carried in a full-year FY25 appropriations bill but not in a CR. A CR means nonprofits and local governments cannot receive congressionally directed funding for community projects ("earmarks"), and contractors must wait longer for new programs or procurement rate increases.

Current Status

In September, a CR was enacted that funds federal government operations through December 20. Lawmakers will have five weeks to meet that deadline, having not yet started the process of building consensus on full bills. Avoiding another CR will require full cooperation by Congressional Republicans and Democrats, as well as the White House.

President-elect Trump will have an outsized influence over the decision on whether to complete FY25 funding in the lame-duck session or to instead pass another short-term CR. Timely approval of final spending decisions in December would grant Republicans the opportunity to focus on their legislative agenda for the 119th Congress without addressing messy funding and policy battles early in Trump's second term. It is plausible, however, that Trump could push for a CR in order to influence final FY25 funding decisions.

The Negotiation Process

Before negotiations begin, Congressional leadership must agree on an overall spending total. The bipartisan Fiscal Responsibility Act of 2023 (FRA) established discretionary limits of US$895.2 billion for defense and US$710.7 billion for nondefense priorities for the current budget cycle. An informal "side deal" agreement included an additional US$69.69 billion for nondefense spending priorities.

The Republican-led House wrote appropriations measures totaling less than these amounts, while Democrat-led Senate bills include the "side deal" and an additional US$34.5 billion in emergency or "off-budget" funds. Thus, negotiators must reconcile a funding discrepancy of approximately US$90 billion across all 12 spending bills and resolve a bevy of policy provisions addressing abortion and immigration, among others. It is expected the final FY25 funding agreement will closely mirror amounts in the FRA. However, that could change under a Trump administration if bills get pushed into next year.

Funding must then be divided among the 12 appropriations bills before subcommittees can negotiate the details. To avoid a shutdown, those negotiations must conclude in time to allow legislative drafting, followed by consideration and passage of the bills in both chambers. Frequently, congressional leaders have combined all 12 funding bills into one large legislative package, or "omnibus," or, alternatively, a series of smaller packages, or "mini-buses." Many lawmakers express frustration with approving omnibus legislation, a process they view as lacking transparency and forcing an up-or-down vote on a massive US$1.6 trillion spending package with limited time for review up against an end-of-year deadline. Speaker Johnson (R-LA) signaled that he will not support an end-of-year omnibus package.

"In 2016, Republicans and the new administration learned a hard lesson – postponing appropriations on the promise of getting a better deal in the new Congress is a myth. When they return for the lame-duck session, I hope Congress will make quick work of the unfinished FY25 appropriations bills and pave the way for a blank slate in January."

Former Appropriations Subcommittee Chair Jack Kingston (R-GA)
Principal, Squire Patton Boggs

Obstacles

Democrats, many GOP appropriators and defense hawks prefer to finalize FY25 spending bills before January. Concerns about national security linked to delays in approving the defense budget have been raised, especially regarding tensions with China, Iran and Russia.

Given the election outcome, progress in spending talks is unlikely before House and Senate Republican leadership elections expected on November 13. Leaders Jeffries (D-NY) and Schumer (D-NY) have no incentive to deliver votes for spending cuts, and the potential GOP leaders cannot afford to alienate conservatives who are demanding substantial spending reductions. Some conservatives are demanding a CR through March to give President-elect Trump greater influence over the final deal.

Emergency Funding

Most lawmakers recognize the urgent need for disaster assistance in light of hurricanes Helene and Milton, flooding, wildfires and other disasters, as well as the reconstruction of the Francis Scott Key Bridge in Baltimore.

While President Biden has yet to submit a funding request based on formal post-disaster cost assessments, a disaster aid package is expected to exceed US$50 billion, including an infusion of funding for the Federal Emergency Management Agency (FEMA) disaster relief fund (DRF), the Small Business Administration (SBA) disaster loan program and additional resources for the Department of Agriculture, Department of Transportation and other federal agencies. Conservative lawmakers are likely to demand these additional funds are offset or "paid for," but this is uncommon for emergency supplemental spending bills. However, lawmakers will be under pressure to act quickly.

Data Privacy, Artificial Intelligence and High-Skilled Immigration

Pablo E. Carrillo, Beth L. Goldstein, Ludmilla L. Kasulke and Genevieve B. Hubbard

Congress has been racing to keep up with technological advances, especially with data collection and artificial intelligence (AI). As businesses address compliance issues and consumers consider regulatory changes, the 118th Congress has developed several important proposals, setting the groundwork for broader action in 2025.

In April, the Senate Committee on Commerce, Science and Transportation Chair Maria Cantwell (D-WA) and House Committee on Energy and Commerce Chair Cathy McMorris Rodgers (R-WA) sparked renewed debate on privacy policy with the release of the American Privacy Rights Act (APRA). While their proposal generated discussion, it stalled in the House committee led by Rodgers due to opposition from House Republican leadership and disagreement among lawmakers and outside groups. With no movement in the Senate either, APRA is unlikely to progress in the lame-duck session. But with increasing interest in comprehensive privacy legislation, the incoming chair of the House Committee on Energy and Commerce could take up consumer privacy next year, and the expected incoming chair of the Senate Committee on Commerce, Science and Transportation, Ted Cruz (R-TX), has expressed interest in shaping the issue.

As data fuels AI development, federal officials are increasingly worried about the misuse of Americans' sensitive data by foreign adversaries. To address this, the Biden administration acted independently of Congress and issued a February 2024 executive order to restrict certain data transfers to "countries of concern." The Department of Justice followed with new rules to prevent these countries and individuals from accessing sensitive US data. The Trump administration will likely continue focusing on data security, even as Congress debates broader consumer privacy protections in the 119th Congress.

In October 2023, President Biden issued an executive order guiding federal agencies on AI. Notably, President-elect Trump has vowed to replace it with policies promoting free speech. While President-elect Trump is unlikely to push for major AI regulation, he may pursue trade policies affecting AI-related technologies.

In Congress, lawmakers made significant efforts to educate themselves on AI, laying groundwork for future larger-scale actions. For example, the Senate's Bipartisan AI Working Group, led by Majority Leader Chuck Schumer (D-NY), hosted "insight forums" to educate lawmakers on AI, resulting in a SAFE Innovation Framework for AI policy roadmap. Meanwhile, a bipartisan House AI task force led by Reps. Jay Obernolte (R-CA) and Ted Lieu (D-CA) is preparing a report with guiding principles for future legislation. Congressional leaders may advance a limited AI package for consideration in the lame-duck session, potentially striking a balance between the Senate's proactive stance and the House's cautious approach. This package could include bills that have cleared House committees or are already part of the National Defense Authorization Act (NDAA), such as the Creating Resources for Every American To Experiment with Artificial Intelligence (CREATE AI) Act, codifying a National AI Research Resource, and the Future of AI Innovation Act, authorizing the US AI Safety Institute. Complex issues, like election disinformation, remain a legislative priority but will likely be addressed next Congress.

Meanwhile, the debate over AI regulation in the United States continues – should there be a broad framework like the EU's, or should existing laws be adapted to address AI risks? Republicans favor a slower approach to avoid stifling innovation, while Democrats push for more immediate action to counter the rapidly developing technology. Next year, legislators will aim to balance these competing interests. While the EU advances strict regulations, and the United States focuses on balancing innovation and managing new risks, the states are creating their own AI rules, resulting in a patchwork of regulations. For example, there is an effort to make a draft Texas AI bill the model for other Republican-led states. Ultimately, industry standards will likely align with the strictest regulations to ensure compliance across jurisdictions.

High-skilled immigration is key to US future competitiveness in these and other critical and emerging technologies. While the Trump campaign emphasized a strict approach to immigration, the president-elect recently suggested that foreign students graduating from US colleges should receive green cards. But high-skilled immigration remains tied to broad immigration issues, making advancing this issue without addressing these broader dynamics challenging. During President-elect Trump's first term, immigration and visa issuance declined sharply, as higher legal standards were applied to most visas and green cards. This trend will likely continue in his second term, with related regulatory and executive actions expected soon after inauguration.

Financial Services and Digital Assets

David Stewart, Shannon Reaves, Tommy Andrews, and C. Bradford Ellison

Foreign investment and blockchain will likely be priorities on the 2025 executive and congressional financial services agenda, in addition to the affordable housing proposals discussed in the Transportation, Infrastructure and Affordable Housing section.

Financial Integrity and Economic Security

Strong bipartisan support remains for enhancing sanctions regimes on Chinese, Iranian and Russian financial networks and institutions. Treasury initiatives indicate enforcement against third-country intermediaries and scrutiny on foreign investments from perceived adversaries' jurisdictions will likely continue. Therefore, when a US business is involved in sensitive work, investors will need to mitigate foreign ownership, control or influence, as well as ensure they have a rigorous compliance program in place. And financial institutions and investors must keep up with US regulators' evolving due diligence standards.

Blockchain, Stablecoins and Consumer Financial Protection

2024 elevated blockchain's political significance – with 5% of American voters identifying themselves as single-issue crypto voters and longtime House Committee on Financial Services (HFSC) Ranking Member Maxine Waters (D-CA) stating "crypto is inevitable."

Still, in 2025, US lawmakers will require ongoing engagement to catch up with other jurisdictions and transform the current state of play into a broader landscape where blockchain's relevance expands to nonfinancial services committees and agencies. Key avenues include stablecoins legislation and opportunities to introduce lawmakers to Web3 by leveraging bipartisan interests in consumer data security, small business competitiveness and leveling the artificial intelligence (AI) playing field.

Sen. Bill Hagerty's (R-TN) recent draft Clarity for Payment Stablecoins Act of 2024 offers a foundation for stablecoin legislation in 2025. The bill would require stablecoin issuers to back their stablecoins outstanding with reserves on an at least one-to-one basis and provide a state-level regulatory regime for stablecoin issuers with a total market capitalization equal or less than US$10 billion, as well as an opportunity to waive larger issuers' requirement to operate under a federal regulatory framework. The bill would also designate the Federal Reserve as the supervisor of depository institution issuers, and the Office of the Comptroller of the Currency the supervisor of federally qualified nonbank issuers.

Congress is unlikely to authorize the Federal Reserve to issue a Central Bank Digital Currency (CBDC) anytime soon, with Republicans expressing opposition to CBDCs in its 2024 platform. Still, the anticipated advancement of stablecoins legislation has the potential to introduce blockchain technology to ongoing debates around credit card payment fees and the significance of dollar dominance to national security.

Market structure legislation and a determination on the roles of the Commodity Futures Trading Committee (CFTC) and Securities Exchange Commission (SEC) are likely still further out on the horizon. However, SEC Chair Gary Gensler's anticipated departure may renew a collaborative approach to blockchain regulation, potentially presenting industry sandbox and roundtable opportunities like those in the EU, the UK and other jurisdictions.

Blockchain may also find a place in lawmakers' discussions around data security, payment processing and AI. Outgoing HFSC Chair Patrick McHenry's (R-NC) support for the CFPB final 1033 rule likely indicates an ongoing bipartisan interest in giving Americans "greater control over sensitive financial data." The ongoing bipartisan push to protect minors online points to the potential to similarly promote new data standards for technology companies that allow users to download and permanently delete data they uploaded to websites. Moreover, the bipartisan support for the Federal Trade Commission's (FTC) inquiries into generative artificial intelligence (AI) partnerships suggests lawmakers' concerns about the potential competitive effects of big tech companies having advantageous access to large language models will likely continue. Thus, Members are likely positioned to consider Web3's potential to offer constituents greater data control on the backend of any service and decentralize AI systems.

Food, Agriculture and Cannabis

Beth L. Goldstein and Mara Sheldon

Despite Republican and Democratic desires to pass a farm bill – an omnibus food and agriculture bill Congress considers about every five years – lawmakers continue to find coalescing around specific policies and reforms a tough row to hoe. The last farm bill, the Agriculture Improvement Act of 2018, contained 12 titles addressing the country's food and farming system; when it expired in November 2023, Congress enacted a one-year extension for fiscal year 2024 and the 2024 crop year. The House Committee on Agriculture advanced a new bill earlier this year, but it has yet to be scheduled for a floor vote. On the other side of the Capitol, senators have not released legislative language, though Senate Committee on Agriculture Democrats and Republicans have each released summary frameworks for discussion.

Many now acknowledge the rising need for another farm bill extension during this lame-duck session – punting the farm bill debate into the 119th Congress. An extension into next year will allow the Trump administration an immediate legislative vehicle to influence US Department of Agriculture policies and programs broadly. The White House and many Congressional Republicans, including likely incoming Senate Committee on Agriculture Chair John Boozman (R-AR), will continue to support policy positions they have held the past several years, including requiring cost-neutral updates to the Thrifty Food Plan, restricting purchases of certain products in the Supplemental Nutrition Assistance Program (SNAP) and directing funds from climate-smart agricultural practices to general conservation practices. These priorities have proven to be sticking points with Democrats, who will look to leverage a potential small majority of either party in the House of Representatives to exert compromise.

President-elect Trump vowed to "let [Robert F. Kennedy Jr.] go wild on the food" during his Madison Square Garden Rally, and he has promised Kennedy "control of the public health agencies," including the Food and Drug Administration and the US Department of Agriculture. It has yet to be determined whether the Trump administration will look to engage in a potential confirmation battle on Capitol Hill or if a role as a White House "czar" or senior advisor will be offered, but Kennedy is expected to implement the Make America Healthy Again agenda. Targeting the chronic disease epidemic, Kennedy's priorities include reducing consumption of ultra-processed foods; restricting food choices in government nutrition programs; curtailing corporate influence over nutrition research, food ingredient approvals and the Dietary Guidelines for Americans; supporting regenerative agricultural practices; restricting marketing of unhealthy food products to children; and reexamining agricultural subsidies and food packaging laws. Republicans have opposed many of these stances in the past, which could lead to some strange bedfellows pushing reforms on Capitol Hill.

With most Americans supporting cannabis legalization and most states having some form of it, this election cycle saw unprecedented support from both presidential tickets. Actions to reschedule cannabis from a Schedule I drug to a Schedule III have been in the works for more than a year, and an upcoming US Drug Enforcement Administration (DEA) preliminary hearing is set for December 2. A list of 25 potential participants were notified by DEA last week about testifying. Now, however, to be able to testify, those on the list will need to make their case in writing to the chief administrative judge by November 12. This new development is likely to cause the rescheduling process to move beyond the election and into next year after a new administration is already sworn in. In Congress, the continuous reintroduction of the Secure and Fair Enforcement Regulation (SAFER) Banking Act, which would allow legal cannabis companies access to banking and financial services, had moved forward in the Senate last year only to be halted yet again by other priority agenda items. The lame-duck session provides an opportunity for the bill to be brought to the floors of both chambers, but it seems like a virtual impossibility – unless the SAFER Banking bill can get a ride on a year-end, must-pass bill.

After years of obfuscating his positions on cannabis policies, including during his previous administration, President-elect Trump, toward the end of the election, leaned in on cannabis recreational legalization. As one-issue voters headed to ballot boxes, the new clarity on his position was enticing, but ultimately even in his own state of Florida, the President-elect's late-found support did not get the measure across the finish line. Nebraska did pass an initiative that will allow medicinal use for patients who qualify.

Health

Beth L. Goldstein and Rodney P. Emery

From his unsuccessful push to repeal and replace the Affordable Care Act (ACA), to his administration's activities to address the COVID-19 pandemic, health policy efforts bookended President-elect Trump's first term. There have been few consistent details regarding his second-term health policy agenda, and President-elect Trump famously said he has "concepts of a plan" to replace the ACA. Yet, with opportunities for the Trump administration to restructure the health landscape over the next four years, President-elect Trump will work with Congressional Republicans to define and refine the parameters of his policies – and Robert F. Kennedy Jr. will counsel him on issues related to the US Department of Health and Human Services (HHS) and related public health matters.

While President-elect Trump will not launch his second term with another all-out attack against the ACA, his administration will seek to steer health policymaking to a more conservative trajectory. Notably, President-elect Trump has attacked the ACA while simultaneously taking credit for the continuation of it, and he stated he "never even thought about" repealing it – thus confirming his understanding that at least some parts of the law remain popular with the electorate. In October, Speaker of the House Mike Johnson (R-LA) also appeared to walk this gray line on health reform. According to video clips, Speaker Johnson promised a group of supporters "no Obamacare," but he described it as "deeply ingrained." He also stated massive reform is needed to ensure a deregulatory agenda. He later clarified his remarks, explaining that Republicans will not overturn the ACA but instead focus on lowering costs and improving access to, and the quality of, health services.

Should Republicans retain their majority in the US House of Representatives, they are expected to utilize the budget reconciliation process to circumvent potential Democratic opposition against their proposals and implement health-related provisions with a budgetary impact. As Congress considers broad tax legislation in 2025, the House Committee on Ways and Means and the Senate Committee on Finance will reach toward their health jurisdiction, or other committees' health jurisdictions, to consider cost offsets for the package.

The House GOP Doctors Caucus, consisting of the Republican doctors in the House of Representatives, will take a leading role in providing policy proposals, which are likely to include ending the ACA's premium subsidies, expanding consumer-driven healthcare through reforms to flexible spending accounts and health savings accounts, and implementing site-neutral payment policies and other pay reforms. Vice President-elect JD Vance has postulated that Republicans may consider changes to health insurance risk pools. President-elect Trump may continue past GOP efforts to reform Medicaid with work requirements and block grants to states. He may expand on his first-term interest in reducing drug prices, and some have suggested he would continue the Inflation Reduction Act's Medicare price negotiation program; he may also target trade practices or the role of pharmacy benefit managers. He has also announced interest in a tax credit for family caregivers.

While it remains uncertain whether Kennedy will be nominated for secretary of HHS or take on a role of czar or senior advisor to the president-elect, he will work to implement his Make America Healthy Again agenda, which he outlined in a September *Wall Street Journal* op-ed. Going against many established interests, Kennedy has vowed to rid health-related government agencies of corporate influence, target "inadequate healthcare" and reform the Food and Drug Administration, reducing its budget and reforming user fees. He is also expected to champion his views on alternative and holistic approaches to health and promote opportunities with psychedelics, hyperbaric therapies, ivermectin and hydroxychloroquine. In opposition to many oral health and public health interests, Kennedy said the Trump White House will advise all US water systems to remove fluoride from public water this January. Kennedy may also use access to federal data to question vaccine protocols, though he has clarified that the Trump administration "will not take vaccines away from anybody."

While Republicans would like to avoid an end-of-year omnibus, members of Congress are negotiating a healthcare package for potential passage during the lame-duck session. This package could include provisions addressing Medicare physician pay cuts, digital health technologies, site-neutral payment policies and other federal health program reforms.

National Security and Technological Competition

Pablo E. Carrillo, Jack Deschauer and Bridget McGovern

With the onset of the Great Power Competition, the 2024 elections represent a pivotal moment for US defense and national security policy, as the incoming administration and Congress face an increasingly complex geopolitical environment. Growing cooperation among Russia, China, North Korea and Iran, the persistence of global conflicts in Ukraine and the Middle East and mounting tensions in Asia set the stage for renewed focus on national security. The need to integrate technology and secure supply chains will prompt key adjustments across sectors, from defense contractors to tech firms and global manufacturers. Key areas to watch will include executive, legislative and regulatory shifts designed to bolster US competitiveness vis-à-vis near peers on the global stage.

Shifts in Defense Spending and Priorities

A bipartisan emphasis on defense modernization, supply chain security and global competition is likely to persist. While neither presidential candidate advocated for large defense budget increases, a defense-friendly Congress might drive incremental spending boosts, especially for munitions, supply chain resilience and high-demand capabilities such as artificial intelligence (AI), hypersonics and space technologies. Continued support for Ukraine remains central, reinforcing NATO security interests. If Congress leans more fiscally conservative, expect a focus on cost-saving reforms, public-private partnerships and the potential scaling back of select weapons systems to streamline spending. Should the post-election outlook on Congress remain uncertain, several indicators can reveal its stance on defense. Watch for early committee appointments, legislative priorities and funding debates. For defense contractors, shifts in budget allocations for high-tech capabilities or cost-cutting measures will inform strategic adaptations. These evolving dynamics will shape procurement processes and affect industry stakeholders' approaches to addressing the Pentagon's modern warfare priorities.

National Security Implications of Trade and Technology Policies

Critical technologies remain a central concern for national security, with bipartisan support for protecting US technological leadership from competitors like China. This will likely result in expanded export controls and investment restrictions, furthering policies set by the Foreign Investment Risk Review Modernization Act (FIRRMA) and the Export Control Reform Act (ECRA). The Department of Defense and intelligence agencies will likely take a stronger role in identifying key technologies, impacting global supply chains and industry partnerships. Expect heightened attention on mergers and acquisitions, especially in sectors vulnerable to intellectual property (IP) theft or dual-use concerns. Such policies aim to reduce US reliance on foreign-sourced critical technologies, strengthening American industrial resilience.

Semiconductor Policy and Outbound Investment Security

As semiconductors become increasingly essential to national security, legislation promoting domestic resilience and IP protection will be essential, and intense focus on reducing dependency on foreign suppliers, particularly China, can be expected. Policymakers may also consider expanding the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act and other measures to encourage domestic semiconductor production, alongside additional actions related to outbound investment review. These mechanisms could heighten scrutiny of US investments in foreign tech sectors, specifically in adversarial nations like China. Companies operating across borders may need to reevaluate their strategies, balancing security requirements with their market operations in complex regulatory landscapes.

Energy Security and Geopolitical Realignment

Energy security is becoming synonymous with national security, especially as geopolitical tensions disrupt supply chains. The 2024 election outcomes may accelerate efforts to decrease reliance on foreign energy sources, such as Russian oil and gas, through policies bolstering domestic production of critical minerals and materials like low-enriched uranium (LEU) and high-assay low-enriched uranium (HALEU). These materials are increasingly vital to both energy and defense sectors, with further intersections expected between energy policy and military planning. Multinational energy companies should monitor shifts in carbon border adjustment mechanisms (CBAM) and EU methane regulations, which could impact their strategies for operating in high-stakes regions.

Cybersecurity and Emerging Threats

Cybersecurity will likely top the national security agenda, with anticipated increases in funding and stricter regulations for contractors and critical infrastructure providers. New cyber hygiene and data security standards may be introduced, and contractors could see heightened compliance requirements for emerging technologies such as AI and quantum computing. Regulatory developments will necessitate proactive adaptation, as firms involved in advanced manufacturing or tech are expected to integrate robust security protocols. Government mandates may emerge, requiring companies to align with evolving cybersecurity frameworks to safeguard both domestic infrastructure and sensitive information.

Tariffs and Trade

Everett Eissenstat, David Stewart, Ludmilla L. Kasulke, and Caren Street

President-elect Donald Trump made tariffs a central theme of his campaign, as well as a foundation to funding various economic proposals. Upon his reelection, those tariffs could become a reality very quickly. There is some hope that his administration will use tariffs as a tool to open trade negotiations. But for some of the president-elect's advisors, increased tariffs are not a means to an end but the main objective. Whether and how these campaign promises are implemented will have significant implications for companies that rely on trade – in goods or services, for inputs or for finished goods and from virtually anywhere in the world.

Universal Tariff

President-elect Trump has argued that the United States' baseline "Most-Favored Nation" (MFN) duty rates are unfairly low, particularly as compared to similarly industrialized countries. He has proposed a 10% universal tariff on all imports. Setting aside whether US tariffs are comparatively lower – and, if so, the economic benefits or costs thereof – only Congress can permanently increase MFN tariffs, under its constitutional authority to "regulate commerce with foreign nations." However, Congress has granted the president certain authorities President-elect Trump may use to unilaterally increase tariffs.

One statute that might be used to apply a universal tariff is the International Emergency Economic Power Act (IEEPA), which grants the president wide-ranging authority to declare national emergencies and respond through economic means. Any invocation of IEEPA could face legal challenge and could be enjoined, but the outcome would be unpredictable and take time. He might use another authority, such as Section 338(a) of the Tariff Act of 1930 (imposing new duties on countries that have discriminated against US commerce) or Section 122 of the Trade Act of 1974 (to address serious balance-of-payments deficits). Regardless of the authority, every country, industry group and interested party will want their goods to be carved out, but likelihood of success remains unclear.

If any Trump trade action is struck down by the courts, efforts to impose new universal tariffs could shift to the US Congress in search of a new tariff authority. For example, the proposed Reciprocal Tariff Act (RTA) would grant the president the authority to raise US tariffs against imports from other countries that impose higher tariffs on the same goods from the United States. The RTA certainly has its fair share of critics, but with Republicans potentially in control of both chambers of Congress, the RTA could become a reality.

Trade With China

President-elect Trump pledged to increase tariffs on imports from China dramatically, up to 50%-60%. In 2018, then-President Trump launched a tariff framework under Section 301 of the Trade Act of 1974 that grew to cover almost all trade in goods with China. Concerns are only growing as China's industrial overcapacity is increasingly exported to the rest of the world, so other tools may be examined as well.

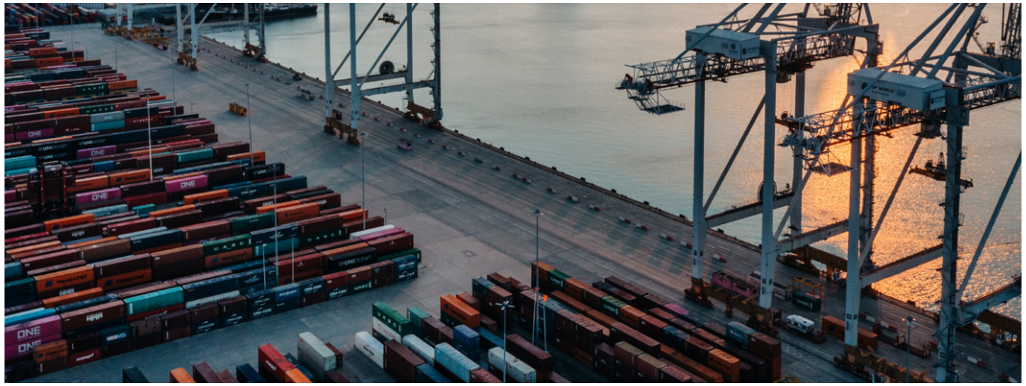
Trump allies, especially on Capitol Hill, may continue to press for the United States to revoke China's access to MFN tariffs. This would dramatically raise tariffs on all China imports, similar to a trade investigation or executive action. While full revocation of MFN rates is unlikely, Congress remains keenly focused on the perceived risks of China's economic competition with the United States. They may seriously consider some alternative baseline tariff regime, as well as expand actions targeting Chinese dominance in certain high-tech/dual-use sectors, intellectual property violations and alleged human rights abuses, among other areas.

North American Trade Review

President-elect Trump will also lead the United States through the three-party review of the US-Mexico-Canada Agreement (USMCA) in summer 2026, six years after entry into force. A central, and bipartisan, concern is that China will increasingly use existing preferential trade agreements, particularly the USMCA, to circumvent US import protections on inputs and to avoid increased tariffs on goods directly from China. But there are a number of major concerns, particularly between the United States and Mexico, that will be on the table and that could complicate the review and even lead to potential renegotiation of the agreement as part of the 2026 review.

Environmental, Social and Governance (ESG)

Like during his previous term, President-elect Trump will likely rollback ESG policies, prioritizing the economy and deregulation. President-elect Trump has pledged to pull the United States out of the Paris Climate Accord again and could take swift executive action to repeal emissions-limiting regulations implemented over the last four years, including in response to the Inflation Reduction Act. While US ESG policy will change under a Republican-controlled Washington DC, companies need to balance the implications of ongoing ESG regulations in the EU, particularly as they apply to trade flowing into the continent.



Tax

David Stewart, Aubrey A. Rothrock III, and Michael D. Hawthorne

Tax policy will dominate the legislative landscape in 2025 – regardless of final margins of party control in the 119th Congress. As the nation approaches the eighth anniversary of the Tax Cuts and Jobs Act (TCJA), the stakes for tax legislation have never been higher. Next year, US$8 trillion in tax cuts and US$3.4 trillion in revenue raising measures expire. With trillions of dollars in tax hikes on the horizon, it is not a question of whether Congress will consider tax legislation, but how and when Congress will advance a tax package. While most of the expiring provisions are targeted toward individuals, the risk to the business community is that corporate rate increases could be on the table to finance extensions of these provisions in 2025.

Driving the tax policy debate are sunsetting TCJA policy changes, most notably, those impacting individuals, which Congress purposefully made temporary in the 2017 tax law. Individual tax policy changes include lower marginal income tax rates and wider brackets for all taxpayers, doubling of the standard deduction, a cap on the state and local tax (SALT) deduction and the expanded Child Tax Credit (CTC). Expiration of TCJA's individual tax changes will impact nearly every American taxpayer. As a result, Congress and President Trump have strong economic and political imperatives to address sunsetting provisions and prevent tax hikes on households and individuals next year.

Other expiring provisions include Opportunity Zones, the Section 199A deduction for pass-throughs and the increase in the estate and gift tax exemption. On the other hand, several TCJA changes to business taxation, including the decreased corporate income tax rate, were made permanent in 2017. However, Congress may amend these provisions in 2025 and will be under significant fiscal and political pressure to do so. Congress is also likely to debate several sought-after business tax changes, including immediate deductibility of research and development (R&D) expenses, bonus depreciation and interest deductibility, all considered in the stalled Smith-Wyden deal in 2024.

While Republicans and Democrats have begun to prepare for the tax debate, next year's political landscape may present significant challenges. For many Republican lawmakers, traditional political attitudes towards the federal deficit have evolved dramatically since 2017 due to increasing debt, annual budget deficits and inflation. Thus, in 2025, Republicans may be more willing to embrace tough choices in favor of extending individual relief, at the expense of the corporate income tax rate and other business tax provisions. For many Democrats, recent legislation, including the Inflation Reduction Act, has encouraged the use of tax policy to implement other policy priorities, such as reducing healthcare costs and encouraging the clean energy transition. Next year, Democrats may compromise on a partial TCJA extension to preserve or expand certain clean energy tax incentives and safety net provisions. Most notably, few members of Congress's tax-writing committees – the House Committee on Ways and Means and the Senate Committee on Finance – participated on those panels in the 2017 tax debate.

The 2025 tax policy outlook will ultimately reflect the final margins of control in the House and Senate. While President Trump endorsed various tax proposals during the 2024 campaign, final details of a tax reform package will be determined in the coming months, with input from party and congressional committee leadership. In a divided government, a short-term, partial extension of TCJA is most likely, and a slim House majority may result in a divisive tax debate, possibly extending through 2025. If Republicans sweep control of Washington, they are likely to advance tax legislation through expedited reconciliation procedures in the first 100 days of the new Congress, meaning tax writers and stakeholders will have limited time to evaluate and shape proposals before enactment. It also can be expected that the Trump Administration will be active in proposing new tax regulatory measures through the Treasury Department, especially in the context of a closely divided government.

While Congress and the President are likely to address the 2025 "tax cliff" through legislation, implementation and adoption of new federal tax policies will stretch beyond 2030. Individuals, businesses, state and local governments and tax practitioners should closely monitor the 2025 tax policy debate and be prepared to account for major tax changes in the months and years ahead.

Transportation, Infrastructure and Affordable Housing

Carolina L. Mederos, Patricia Doersch, Mara Sheldon, Kara-Marie Urban, and Stacy A. Swanson

With the Infrastructure Investment and Jobs Act (IIJA) set to expire at the end of FY 2026, lawmakers will begin work in 2025 on the next surface transportation reauthorization proposal. This process will likely involve hearings on a range of considerations, including oversight of IIJA programs and the funding split between highways and transit. A major focal point will likely be the sustainability of the Highway Trust Fund (HTF) and whether reforms are needed to ensure its longevity, considering the growth of the electric vehicle (EV) market and the fund's dependence on the gas tax for revenue.

House Republicans are eager to draft a bill they believe will address perceived shortcomings in the largely Senate-driven IIJA. They are expected to scrutinize the IIJA's various EV initiatives and push for lower overall funding for transit and passenger rail. Meanwhile, Democrats are likely to defend the IIJA's EV programs and advocate for strengthened environmental standards across transportation initiatives. Interested parties should begin engaging lawmakers early on the next surface transportation bill.

Apart from this effort, in the immediate term, Congress is expected to consider a disaster relief package in the upcoming lame-duck session to address damage from the recent hurricanes and the Baltimore bridge collapse. This measure will likely include emergency relief funds for highways and transit.

On the regulatory front, the Trump administration is expected to reverse several Biden-era policies governing transportation programs, including prioritizing climate considerations in making project selections, and the Justice40 initiative, which directs 40% of benefits from certain programs to disadvantaged communities.

Though it remains to be seen how President-elect Trump's close relationship with Tesla CEO Elon Musk will influence his policies on EVs, we expect the administration to take steps to weaken several of the Biden administration's rules to incentivize EV adoption. These include the Environmental Protection Agency's (EPA) vehicle emission standards for model years 2023-2027, the Department of Transportation's (DOT) Corporate Average Fuel Economy (CAFE) standards for 2027-2031 and the Federal Highway Administration (FHWA) rule requiring state DOTs to measure and report on greenhouse gas (GHG) reduction targets. Trump has also pledged to reinstate the One Nation Program, which he introduced during his first term. This rule stripped California of its Clean Air Act preemption waiver that has enabled the state (and 17 other states and DC that followed California) to impose emissions standards that are stricter than EPA's requirements.

Further, the automotive sector is likely to be a central focus for the administration, with Trump proposing a "Build It in America Plan" aimed at strengthening domestic auto manufacturing. The plan includes tax incentives and high tariffs to encourage domestic production, with a particular emphasis on imposing steep tariffs on automotive imports from Mexico to prevent China from using the country to circumvent US duties.

Generally, we expect transit to continue to receive public support. Transit funding measures appeared on ballots across the country, and public transit advocates secured the majority of victories. Two notable wins occurred in central Ohio and the Denver Metro area. In Ohio, voters approved a sales tax increase to support the ambitious LinkUS mobility initiative. Meanwhile, in Denver, voters allowed the local transit agency to retain current sales tax revenues – funding that would have been cut due to the state's taxpayer bill of rights (TABOR) laws – ensuring the continuation of existing services.

Affordable Housing

With narrow margins in Congress, lawmakers will need to work together in both chambers to advance legislation in the 119th Congress that addresses the lack of affordable housing across the country. This issue has broad bipartisan support in Washington DC and with US governors. In Washington DC, lawmakers tabled bills in the latter half of 2024 that may be revisited in some form in the 119th Congress.

President-elect Trump has vowed to open federal lands to build new homes and to reduce regulatory burdens on the homebuilding industry. He also believes that further tackling inflation and helping to lower mortgage rates will contribute to making housing more affordable across the states and territories. A bill tabled in the 118th Congress that likely will be revised and revisited in some form in the Senate next year is the ROAD to Housing Act. Sen. Tim Scott (R-SC) – a Trump ally and campaign surrogate – introduced the bill in September, seeking to make targeted reforms across all segments of the US housing market.

Transportation and infrastructure initiatives can oftentimes cut through partisanship and become the basis for bipartisan cooperation in Congress, but there are also different visions between the parties when it comes to how to prioritize available resources and what conditions and requirements to put on those resources. I'd expect the new Trump Administration and Republicans in Congress to try to put their mark on some of the sweeping infrastructure initiatives that were enacted under the previous administration. There will be a lot to keep an eye on, and for stakeholders, engagement in the process is going to be essential."

Former US Representative and House Committee on Transportation and Infrastructure Chair Bill Shuster (R-PA)
Senior Policy Advisor, Squire Patton Boggs.

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