WCEY Guide to Washington in 2025

EY
Building a better working world

Contents

Guide to Washington in 2025

Budget reconciliation is focus under all-Republican control

Republicans in control of the House and Senate, along with President-elect Trump, want to use the budget reconciliation process to enact several priorities, including extension of TCJA tax provisions at the end of 2025. How many reconciliation bills will be pursued – there is the opportunity for two packages in 2025 using the FY2025 and FY2026 budget resolutions – and where tax may fall have yet to be decided for certain, along with whether tax provisions will be paid for with revenue offsets and what they might be. President-elect Trump said he prefers one big reconciliation bill, possibly meaning plans for an initial reconciliation bill focused on border issues will fall away in favor of an all-encompassing effort. Some members have argued that border and tax will need to be combined to provide momentum to bring both over the finish line. Regardless, reconciliation efforts will be underway soon in the new Congress. Health care will likely feature prominently in the legislative agenda, along with financial services issues. Even before the new Congress was seated and President-elect Trump returns to office, the year-end 2024 continuing resolution (CR) provided a glimpse of how governing may be done, with Trump and allies opining about proposals and using social media to make their case. The debt limit was introduced to the debate by Trump but not acted upon, though House Republicans have indicated they may now seek $2.5t in mandatory spending cuts in conjunction with a future debt limit increase. Republicans were successful in drastically scaling back the bill, particularly the health package. Reconciliation allows for passage of GOP-only bills, but narrow majorities in the House and Senate require party unanimity on big issues.

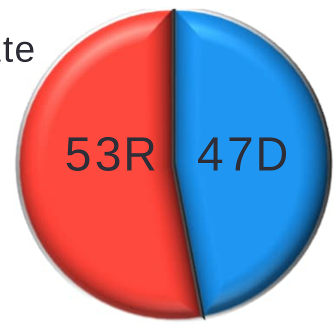
Washington Council Ernst & Young (WCEY) is a group within Ernst & Young LLP that combines the power of a leading professional services organization with on-the-ground knowledge, personal relationships and attention to detail of a boutique policy firm. We provide our clients with timely, relevant Washington insight and legislative advisory services customized to their needs.

Leadership, committees & cabinet

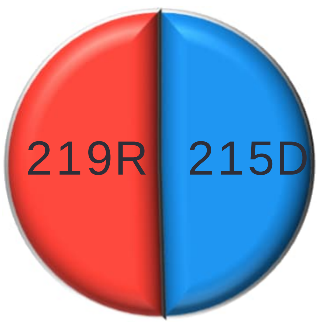
President-elect Trump returns to the White House and Republicans are in control of the Senate and House, albeit with narrow margins that will require near-unanimity in the GOP and likely the cajoling of President Trump in some cases to move bills.

Republicans have 53 senators and control of the chamber, with 47 seats held by Democrats and independents. The House party ratio begins as 219-215, with Republicans in control, but is likely to drop to 217-215 early in the year because of Trump nominations of Reps. Elise Stefanik (R-NY) and Mike Waltz (R-FL) for administration posts. On reconciliation, Speaker Mike Johnson (R-LA) said January 5 he wants to pass a budget resolution with reconciliation instructions in early February, pass the reconciliation bill in the House in early April, and have it on Trump's desk "certainly by May" or "in a worst-case scenario, Memorial Day." In addition to reconciliation efforts, Congress must act on an appropriations package to extend government funding beyond March 14.

Senate



House



One vacancy – Gaetz (R-FL)
Likely to drop to 217R with 2 additional vacancies – Stefanik (R-NY), Waltz (R-FL)

Key dates

- Early February – Target for FY25 budget
- March 14 – Government funding expires
- Early April – Target for House to pass reconciliation bill
- May, by Memorial Day – Target to pass tax bill
- Midyear TBD – Deadline to address federal debt limit
- End of 2025 – Tax cliff of TCJA provisions expiring

EY

Senate Republican Leadership

Senate Majority Leader	John Thune (SD)
Senate Majority Whip	John Barrasso (WY)
Conference Chair	Tom Cotton (AR)
Policy Chair	Shelley Moore Capito (WV)
Conference Vice Chair	James Lankford (OK)
Campaign Chair	Tim Scott (SC)
Steering Committee Chair	Mike Lee (UT)
Chief Deputy Whip	Mike Crapo (ID)

Senate Democratic Leadership

Senate Minority Leader	Chuck Schumer (NY)
Senate Minority Whip	Dick Durbin (IL)
Steering and Policy Chair	Amy Klobuchar (MN)
Strategic Communications Chair	Cory Booker (NJ)
Conference Vice Chairs	Elizabeth Warren (MA), Mark Warner (VA)
Outreach Chair	Bernie Sanders (VT)
Caucus Secretary	Tammy Baldwin (WI)
Campaign Chair	Kirsten Gillibrand (NY) *likely*
Outreach Vice Chair	Catherine Cortez Masto (NV)
Caucus Deputy Secretaries	Brian Schatz (HI) and Chris Murphy (CT)
Chief Deputy Whip	Brian Schatz (HI)

House Republican Leadership

Speaker of the House	Mike Johnson (LA)
House Majority Leader	Steve Scalise (LA)
House Majority Whip	Tom Emmer (MN)
House Republican Conference Chair	Lisa McClain (MI)
Campaign Chair	Richard Hudson (NC)
Policy Chair	Kevin Hern (OK)
Conference Vice Chair	Blake Moore (UT)
Conference Secretary	Erin Houchin (IN)
Chief Deputy Whip	Guy Reschenthaler (PA)

House Democratic Leadership

House Minority Leader	Hakeem Jeffries (NY)
House Minority Whip	Katherine Clark (MA)
House Democratic Caucus Chairman	Pete Aguilar (CA)
Assistant Democratic Leader	Joe Neguse (CO)
Caucus Vice Chair	Ted Lieu (CA)
Campaign Chair	Suzan DelBene (WA)
Policy and Communications Chair	Debbie Dingell (MI)
Policy and Communications Co-Chairs	Maxwell Frost (FL), Lori Trahan (MA), Lauren Underwood (IL)
Chief Deputy Whips	TBD

Select Senate committee leaders

	Chairman	Ranking member
Finance	Mike Crapo (R-ID)	Ron Wyden (D-OR)
Agriculture	John Boozman (R-AR)	Amy Klobuchar (D-MN)
Appropriations	Susan Collins (R-ME)	Patty Murray (D-WA)
Banking	Tim Scott (R-SC)	Elizabeth Warren (D-MA)
Budget	Lindsey Graham (R-SC)	Jeff Merkley (D-OR)
Commerce, Science & Transportation	Ted Cruz (R-TX)	Maria Cantwell (D-WA)
Energy & Natural Resources	Mike Lee (R-UT)	Martin Heinrich (D-NM)
Environment & Public Works	Shelley Moore Capito (R-WV)	Sheldon Whitehouse (D-RI)
Foreign Relations	Jim Risch (R-ID)	Jeanne Shaheen (D-NH)
Health, Education, Labor & Pensions (HELP)	Bill Cassidy (R-LA)	Bernie Sanders (I-VT)
Homeland Security & Governmental Affairs	Rand Paul (R-KY)	Gary Peters (D-MI)
Judiciary	Chuck Grassley (R-IA)	Dick Durbin (D-IL)
Small Business	Joni Ernst (R-IA)	Ed Markey (D-MA)

Regarding committee membership, Senator Roger Marshall (R-KS) has been added to the Republican side of the Senate Finance Committee. Finance Democrats, who will be in the minority but lost members to retirements and election losses, added Senators Bernie Sanders (I-VT), Tina Smith (D-MN), Ben Ray Luján (D-NM), Raphael Warnock (D-GA), and Peter Welch (D-VT). The HELP Committee added Senators Tim Scott (R-SC), Josh Hawley (R-MO), Jim Banks (R-IN), Mike Crapo (R-ID), and Marsha Blackburn (R-TN) on the Republican side. Newly added on the Democratic side are Senators Andy Kim (D-NJ), Lisa Blunt Rochester (D-DE), and Angela Alsobrooks (D-MD).

Select House committee leaders

	Chairman	Ranking Member
Ways & Means	Jason Smith (R-MO)	Richard Neal (D-MA)
Agriculture	Glenn Thompson (R-PA)	Angie Craig (D-MN)
Appropriations	Tom Cole (R-OK)	Rosa DeLauro (D-CT)
Budget	Jodey Arrington (R-TX)	Brendan Boyle (D-PA)
Education & Workforce	Tim Walberg (R-MI)	Bobby Scott (D-VA)
Energy & Commerce	Brett Guthrie (R-KY)	Frank Pallone (D-NJ)
Financial Services	French Hill (R-AR)	Maxine Waters (D-CA)
Homeland Security	Mark Green (R-TN)	Bennie Thompson (D-MS)
Judiciary	Jim Jordan (R-OH)	Jamie Raskin (D-MD)
Natural Resources	Bruce Westerman (R-AR)	Jared Huffman (D-CA)
Oversight & Reform	James Comer (R-KY)	Gerald Connolly (D-VA)
Rules	TBD	Jim McGovern (D-MA)

New Republican members of the House Ways & Means Committee in the new Congress are Reps. Aaron Bean (R-FL), Max Miller (R-OH), Nathaniel Moran (R-TX), and Rudy Yakym (R-IN). Democratic Reps. Brendan Boyle (D-PA), Stacey Plaskett (D-VI), and Tom Suozzi (D-NY) are returning to Ways & Means for the 119th Congress after having served on the Committee previously but not in the last Congress.

New Republican members of Energy & Commerce are Reps. Cliff Bentz (R-OR), Erin Houchin (R-IN), Russell Fry (R-SC), Laurel Lee (R-FL), Nick Langworthy (R-NY), Tom Kean (R-NJ), Mike Rulli (R-OH), Gabe Evans (R-CO), Craig Goldman (R-TX), and Julie Fedorchak (R-ND).

Select cabinet nominees

The Senate confirmation process for President-elect Trump's nominees is expected to get underway quickly.

Administration role	Nominee/Appointee
WH Chief of Staff	Susie Wiles
Deputy COS for policy	Stephen Miller
Communications Director	Steven Cheung
Press Secretary	Karoline Leavitt
WH Director of Leg. Affairs	James Braid
National Economic Council	Kevin Hassett
Department of Gov. Efficiency	Elon Musk, Vivek Ramaswamy
OMB	Russell Vought
Council of Economic Advisors	Stephen Miran
Treasury	Scott Bessent
Deputy Treasury Sec.	Michael Faulkender
Asst. Sec. for Tax Policy	Ken Kies
IRS Commissioner	Fmr. Rep. Billy Long (R-MO)
Commerce	Howard Lutnick
USTR	Jamieson Greer
Senior Trade Counselor	Peter Navarro
HHS	Robert F. Kennedy, Jr.
Deputy HHS Sec.	Jim O'Neill
CMS	Dr. Mehmet Oz
FDA	Marty Makary
Surgeon General	Janette Nesheiwat
NIH Director	Jay Bhattacharya

Administration role	Nominee/Appointee
Interior	ND Gov. Doug Burgum
Energy	Chris Wright
Transportation	Fmr. Rep. Sean Duffy (R-WI)
Agriculture	Brooke Rollins
Education	Linda McMahon
HUD	Scott Turner
SEC Chair	Paul Atkins
SSA Commissioner	Frank Bisignano
Small Business Administrator	Fmr. Sen. Kelly Loeffler (R-GA)
FBI	Kash Patel
UN Ambassador	Rep. Elise Stefanik (R-NY)
Border Czar	Former ICE Director Tom Homan
National Security Advisor	Rep. Mike Waltz (R-FL)
EPA	Fmr. Rep. Lee Zeldin (R-NY)
State	Senator Marco Rubio (R-FL)
Homeland Security	SD Governor Kristi Noem
CIA	John Ratcliffe
Defense	Pete Hegseth
Director, National Intelligence	Fmr. Rep. Tulsi Gabbard (D-HI)
Attorney General	Pam Bondi
Veterans Affairs	Fmr. Rep. Doug Collins (R-GA)

Italics – doesn't require Senate confirmation

2 Budget reconciliation & tax

President-elect Trump and Republicans in control of the Senate and House want to use budget reconciliation to act on border issues and extensions of TCJA provisions expiring at the end of 2025, but that requires decisions about sequencing and revenue that have already produced divisions within the party.

President-elect Trump January 5 called for “one powerful bill” on border, energy, renewing the Trump Tax Cuts, and exempting tip income from tax, but said later he is open to a two-bill approach. New Senate Majority Leader John Thune (R-SD) wanted a first reconciliation bill early in the new year on border, defense and energy, and to save extensions of expiring TCJA provisions for a second reconciliation bill later. Ways & Means Committee Chairman Jason Smith (R-MO) and other House Republicans want the TCJA extensions and the other issues – border, energy, etc. – to go together in one big bill early on, arguing that the momentum of the issues together is required to push them over the finish line in the tightly controlled Congress. Some members like Rep. Kevin Hern (R-OK) have concerns about leaving the tax extensions in limbo amid the uncertain feasibility of two reconciliation bills, while Senator Lindsey Graham (R-SC) is worried about not passing a border bill and how long a tax bill will take. The eleventh-hour difficulty in passing the December continuing resolution (CR) created doubts about Republicans’ ability to approve multiple reconciliation packages.

Chairman Smith and new Senate Finance Committee Chairman Mike Crapo (R-ID) are aligned in asserting that extensions of current tax policy needn’t be offset. However, the CR discussions in December left House Republicans targeting $2.5t in mandatory spending cuts with a debt limit increase or reconciliation bill. There was talk of agreement on a $1.5t debt limit increase and a promise to cut $2.5t in “net mandatory spending in the reconciliation process.”

Select expiring, changing, and changed TCJA provisions

2025 expiration	TCJA	Revenue (2025-2034)
Individual rates	10%, 12%, 22%, 24%, 32%, 35%, 37%	-$2.16t
Standard deduction	$15,000/single, $30,000/married	-$1.25t
AMT exemption	$137,000/married, $88,100/single	-$1.36t
Personal exemptions	Reduced to $0, effectively suspending the provision	+$1.72t
Child tax credit	$2,000 credit, $1,700 refundable	-$747b
199A pass-through deduction	20% deduction on certain pass-through income	-$684b
Estate tax	Exemption $13.99m (inflation-adjusted)	-$167b
Itemized deductions	SALT deduction limited to $10,000; mortgage interest deduction $750,000; casualty and theft deduction only for federal disaster	+$1.24b

2025 change	TCJA	Revenue (2025–2034)
GILTI	50% deduction (10.5% rate) changes to 37.5% deduction (13.125% rate)	GILTI and FDII combined: -$120b
FDII	37.5% deduction (13.125% rate) changes to 21.875% deduction (16.4% rate)	
BEAT	10%, or 11% for banks/dealers, changes to 12.5%, or 13.5% for banks/dealers and R&D and energy credits no longer receive favorable treatment	-$21b

Pre-2025 change	TCJA	Revenue (2025-2034)
Expensing	100%, phased down in 20% increments after 2022	-$378b
174 R&D	Expensing until 2022, when R&D expenditures amortized over a five-year period (15-year for foreign R&D)	-$8.5b for extension only through 2025
163(j)	Interest deduction limitation based on EBITDA before 2022	-$18.8b only through 2025

Sources: Congressional Budget Office (CBO), Budgetary Outcomes Under Alternative Assumptions, May 2024
Joint Committee on Taxation (JCT), JCX-3-24, Estimated Revenue Effects of H.R. 7024, The Tax Relief For American Families and Workers Act of 2024, January 2024

Republicans have suggested they will seek an extension of the full roster of TCJA expiring provisions, though some of the items will be flashpoints. Speculation that some Republicans may support an increase in the 21% corporate tax rate has fallen away, and President-elect Trump has proposed a 15% rate for domestic manufacturers. Chairman Smith said in December he is confident the corporate rate won't go up from 21%, but he is concerned about preserving the 199A passthrough deduction, which has been a focus of Committee and outside efforts.

Republicans from high-tax states won't be satisfied with a continuation of the $10,000 state and local tax (SALT) deduction cap but allowing it to expire would add more than $1t to the projected cost of TCJA extensions. Some GOP members said increasing the cap to $20,000 still wouldn't be enough.

The President-elect put forward many other tax proposals during the campaign, and exempting tip income from tax seems the one most likely to move in a tax bill. "We're going to put that in the bill," House Majority Leader Steve Scalise (R-LA) said in December, adding "we promised we'd do it."

Reconciliation

President-elect Trump said he prefers one big reconciliation bill but is open to two bills. While he will steer development of legislation at a high level, it is unclear how soon his economic team will be in place with Senate confirmations. He announced January 2 that Ken Kies is his nominee for Assistant Treasury Secretary for Tax Policy.

The revenue decisions surrounding a tax reconciliation bill are not settled. Republicans will have to decide on a revenue target for the bill, meaning whether continuing tax policies should or should not be offset must be resolved. It's also unclear how GOP desires to cut mandatory spending can be realized, but spending cuts now seem tied to the tax bill. In December, conservatives led by Senator Rick Scott (R-FL) and House Freedom Caucus Chair Andy Harris (R-MD) wrote to GOP leaders, "after factoring in the dynamic score of extending the Trump Tax Cuts, that reconciliation bill should reduce the deficit by including necessary spending reforms and cuts… This includes, but is not limited to, repealing the green tax credits in Democrats' so-called 'Inflation Reduction Act' and the estimated $2.5 trillion worth of cuts that the Department of Government Efficiency will identify as necessary to restore the fiscal health of the nation."

It is unclear what those recommendations will be or how Republicans may seek to cut mandatory spending, though work requirements and other more strict policies for Medicaid and nutrition assistance were discussed previously. Reconciliation can be used to make changes in mandatory spending (but not Social Security), revenues or the debt limit, but cannot be used to change discretionary spending – annual appropriations.

Congress rarely uses reconciliation to increase the debt limit, because for political reasons the majority party will want the minority party to join in supporting the debt limit increase or further suspension. The current debt limit suspension ended January 1, 2025, and extraordinary measures are expected to be used by the Treasury Department through sometime midyear. Speaker Johnson said of the prospects for raising or eliminating the debt ceiling as part of a big tax bill, "I think we're going to have to do it in that bill… If you do it in reconciliation, you can do it just with the Republican party."

Revenue offsets

Separate from the forthcoming Department of Government Efficiency (DOGE) recommendations for budget cuts and potentially mandatory spending cuts, Republicans have targeted IRA energy tax credits as a revenue source. Two House GOP 2023 bills proposed to cut back the credits, estimated by the Joint Committee on Taxation (JCT) in May 2023 to cost $650b/10 years.

Outside estimates suggest even greater revenue gain from rolling back the credits. The University of Pennsylvania Wharton Business School budget model now estimates the cost of IRA energy credits to top $1t/10 years, roughly three times the original government estimate due to higher-than-expected uptake and rulemaking. The model attributes $393b of the cost to EV credits, which some see as more expensive after some vehicles not made in the US were allowed to benefit. In its latest tax expenditure estimates, Treasury projected that the energy production credit, which was modified and extended under the IRA, costs $290b/10 years.

The energy issue isn't clear-cut: odds of full or near-full repeal of IRA energy credits are low, as many projects are in GOP-represented states and districts; Republicans, particularly from the Midwest, support credits for biodiesel, alternative fuel, and carbon capture and storage; and repealing tax credits for solar and wind projects is opposed by some members. Several House Republicans in August warned against "prematurely repealing energy tax credits, particularly those which were used to justify investments that already broke ground."

- Republicans have been especially critical of EV credits.
- Wind & solar seen as next places Republicans would turn for repeal revenue after EV credits.
- Credits for clean hydrogen, storage, and technology-neutral credits have also been targeted.
- Republicans, particularly from the Midwest, support credits for biodiesel, alternative fuel, Sustainable Aviation Fuel, and carbon capture and storage.
- There is bipartisan interest in preventing foreign rival nations from benefiting from the 45X credit.
- Carbon sequestration and fuel credits were omitted from the 2023 House Republican debt limit bill that proposed repeal or return to prior law for the remaining IRA credits.

Inflation Reduction Act (IRA) energy provisions	10-year revenue, May 2023 JCT
Clean vehicle credit (30D)	$99.1b
Credit for previously-owned clean vehicles (25E)	$763m
Credit for qualified commercial clean vehicles (45W)	(included in above estimate)
Credit for renewable electricity (Sec. 45)	$85.5b
Energy credit (48)	$57b
Increased solar credit for low-income communities	(included in above estimate)
Nonbusiness energy credit (25C)	$22.8b
Residential energy efficient credit (25D)	$23.9b
Commercial buildings deduction (179D) expansion	$707m
New energy efficient home credit (45L)	$2b
Credit for production of clean hydrogen (45V)	$34.8b
Clean electricity production credit (45Y)	$25.2b
Clean electricity investment credit (48E)	$90.5b
Clean fuel production credit (45Z)	$7.4b
Cost recovery for energy storage	$603m
Advanced manufacturing production credit (45X)	$135b
Zero-emission nuclear power production credit (45U)	$30b
Sustainable aviation fuel credit	$205m
Alternative fuel refueling property credit (30C)	$1.3b
Advanced energy project credit (48C)	$7.5b
Carbon sequestration (45Q)	$29b
Biodiesel, renewable diesel, alternative fuel credits	$9.6b
Second generation biofuel incentives	$3m
TOTAL	$652.5b

International tax

International tax changes are already scheduled under current law, as TCJA provisions – the Global Intangible Low-Taxed Income (GILTI), the Foreign Derived Intangible Income (FDII) incentive, and the Base Erosion Anti-Abuse Tax (BEAT) – become more onerous or, in the case of the FDII incentive, less generous. In addition, when calculating BEAT liability for taxable years beginning after December 31, 2025, regular tax liability is reduced by all credits. As Republicans develop a budget reconciliation tax bill to address the TCJA tax cliffs, they may be looking at modifications or fixes to some of those provisions. Further, President-elect Trump has proposed a 15% “Made in America” tax rate for companies that make products in America, drawing comparisons to the Section 199 domestic production activities deduction repealed under the TCJA. It is unclear whether or how that proposal could be addressed in a TCJA tax extenders bill.

Regarding the OECD-led global tax agreement, the first-term Trump Treasury Department was involved with negotiations before walking away over the broader group’s insistence that Pillar 1 be mandatory. The first-term Trump Treasury argued in December 2019 that the goals could be “substantially achieved” by making it a safe-harbor regime. It is possible that the second-term Trump administration walks away from Pillar 1 entirely, though some US businesses see benefits from it and foreign-imposed digital services taxes, which Pillar 1 is in part intended to eliminate, will likely have to be addressed in some manner.

As for Pillar 2, more than 40 countries have enacted in their domestic laws the various aspects of the global minimum tax regime. The global agreement reached in December 2021, in part, requires the global minimum tax to be applied on a country-by-country basis in contrast to the US’s minimum tax (GILTI) that is computed on an average basis. Prior to reaching global agreement, the first-term Trump Treasury Department argued for GILTI to be grandfathered with its average basis computation and treated as a Pillar 2 minimum tax, but that was prior to introduction of the qualified domestic minimum top-up tax (QDMTT) rules in December 2021. Most countries that have adopted Pillar 2 into their domestic law have also adopted the QDMTT as well. Moving GILTI to a country-by-country basis was proposed in the September 2021 Build Back Better Act (BBBA) at the insistence of the Biden Treasury, but the Democratic-controlled Congress was unable to enact these changes, keeping GILTI from being treated as a compliant Pillar 2 income inclusion rule or IIR minimum tax. Republican contempt for the Pillar 2 agreement has grown since the Model Rules were agreed to in December 2021 and, in particular, to the idea that the backstop rule in Pillar 2 – the undertaxed profits rule or UTPR – could apply to US earnings of US companies and cause tax payments to be paid to other countries.

Unlike Democrats, the Trump administration and the Republican-controlled Congress will not seek to align GILTI and Pillar 2. Instead, they will likely push to reopen the administrative guidance that has been released since the Model Rules in December 2021, or to reopen the Model Rules themselves. At a minimum they will want to block the ability of foreign governments to impose UTPRs on US MNE earnings beyond the current delay from 2025 to 2026. A broader question is whether they will try to eliminate the UTPR entirely, make the blended CFC push down guidance that is helpful to US MNEs permanent, or seek other changes through further OECD negotiations.

While little has been explicitly said about how the US government under GOP-only control will approach the OECD BEPS 2.0 global tax agreement, strong opposition by congressional Republicans and the confrontational approach of the President-elect toward other nations suggest it will be contentious. Senate Finance Committee member Marsha Blackburn (R-TN) said December 2 President-elect Trump "is not going to allow U.S. companies to carry the bulk of" the tax burden imposed by Pillar 1 and Pillar 2 (global minimum tax) of the BEPS 2.0 project. GOP tax writers have been warning other countries regarding the global agreement, especially the UTPR that allows foreign governments to tax American companies. Broadly, "It's not something we're going to, quite frankly, put up with to be able to do a transfer of wealth from the United States to the rest of the world," said Senate Finance Committee member James Lankford (R-OK).

This opposition was made clear in 2023 when House Republicans introduced two retaliatory measures. The first was introduced in May 2023 by Chairman Smith and joined by every Republican on the Committee, titled the Defending American Jobs and Investment Act, aimed at discouraging countries from adopting the UTPR by increasing taxes on the US businesses of companies headquartered in countries that enact the UTPR and apply in the context of other taxes imposed on US businesses, if those taxes meet a set of criteria deeming them to be either extraterritorial or discriminatory in nature. The second was introduced in July 2023 by Ways & Means member Rep. Ron Estes (R-KS), who has been vocal on global tax issues, that would amend the BEAT calculation for specified Foreign-Owned Extraterritorial Tax Regime Entities, as another reciprocal tax measure for countries that target the US under the OECD-led agreement. It is possible similar legislation will be introduced in the new Congress, at least in part to give the incoming Trump Administration more leverage in negotiations with the OECD on possible changes to Pillar 2.

3 Tariffs & trade

Trade returns as a focus issue in Washington under President-elect Trump, who has proposed tariff increases to potentially pay for tax cut extensions and cajole other nations to meet US demands on issues like immigration. Reports suggest the Trump team plans to impose tariffs then seek side deals for exemptions.

Trump’s main proposed revenue offset is tariffs, describing them as at least 10%-20% for imported products, 25% for nations seen as contributing to US immigration issues, 60% for products from foreign adversaries, and 100%-200% for some foreign automakers. There has been some suggestion that the tariffs could be limited to critical imports. Some members have been open to the revenue-raising opportunity. Ways & Means Chairman Smith, who said in September that codifying various aspects of the 301 tariffs could raise hundreds of billions of dollars, suggested more recently that while tariffs may be tapped to pay for tax provisions, they may not be included in the bill.

The executive branch of the US government has wide-ranging authority to modify tariff rates and impose trade remedies on the basis of national security or economic injury, including under Section 232 of the Trade Expansion Act of 1962, Section 201 and Section 301 of the Trade Act of 1974, and the International Emergency Economic Powers Act.

There has been some speculation that in speaking about tariffs, President-elect Trump is asserting his authority and positioning the US to try to strike a more advantageous deal in the United States-Mexico-Canada Agreement (USMCA) review called for by the existing agreement in 2026. Trump may use an early Executive Order to notify Mexico and Canada of his intent to seek a better deal.

Health care

The Republican-controlled Congress will be returning to a packed agenda. While much focus is on the potential GOP reconciliation packages, lawmakers in the near term will need to tie up leftover items from the 118th Congress and get started on President-elect Trump's list of nominees, including leaders at the Department of Health and Human Services, the Centers for Disease Control and Prevention, and the Food and Drug Administration.

In the final month of the 118th Congress, Republican and Democratic leaders negotiated a broad health care package that included two-year extensions for expiring telehealth flexibilities, funding to offset Medicare physician pay cuts and extend advanced alternative payment model bonus payments, new requirements for pharmacy benefit managers (PBMs), new hospital honest billing requirements, language to update the drug patent system to address "patent thickets," Medicaid reforms, policies to ensure accurate provider directories in Medicare Advantage (MA) plans, and much more. However, in an 11th-hour move, President-elect Trump and allies came out against the package.

Ultimately, Congress passed a short-term continuing resolution (CR) that extended federal funding to March 31 and included a very narrow package of health extenders, with a three-month extension of Medicare telehealth flexibilities. This means Republicans have three months to address FY 2025 funding, the telehealth flexibilities, and other programs that were allowed to expire, as well as decide whether to address omitted policies such as PBM reform, MA plan provider directories, physician pay cut offsets, and more that were left out of the final CR.

Timing on these and other health policies are uncertain, as Republicans are looking to use the reconciliation process to first tackle other priorities, such as tax reform and immigration. While many health items, particularly those that generate revenue like capping the employer tax exclusion for health benefits, are likely to come up as part of those discussions, the prospects for a broader health package remain unclear. And while health care was not a large topic on the campaign trail in the 2024 elections, it remains a large portion of the federal budget and a top priority for certain members.

House Speaker Mike Johnson (R-LA) also has stated his commitment to advancing President-elect Trump's "America First" agenda and working with the Department of Government Efficiency (DOGE) to rein in the federal government – both of which are expected to have key implications for health policy. For example, Senate GOP lawmakers in December 2024 launched a "Make America Healthy Again Caucus" the aims to work with the incoming Trump administration and the DOGE to overhaul US health policy.

Below are examples of health care policies the Republican-controlled Congress may pursue in 2025.

Telehealth. In the near-term, Congress will need to address the Medicare telehealth flexibilities and the Acute Hospital Care at Home program set to expire on March 31. While there is bipartisan support for telehealth, and the incoming administration has touted building on digital health technology to improve patient care, cost and lingering concerns around fraud and abuse remain barriers to permanent extension. The Congressional Budget Office (CBO) has estimated a permanent extension would cost about $30 billion over a decade. Republicans may revisit short-term extensions included in the initial CR that would have extended Medicare telehealth policies for two years. House Energy & Commerce Committee Chairman Brett Guthrie (R-KY) has hired senior staff with experience in broadband and 5G implementation, which could play a role in extending telehealth access.

Lawmakers also are likely to face outside pressure to reinstate the telehealth provision that allows employers the flexibility to offer telehealth services below the deductible to employees with a Health Savings Account (HSA). A provision to extend this policy was originally included in the initial CR but was ultimately left out of the final package and allowed to expire on December 31, 2024.

Pharmacy benefit managers. After two years of intense negotiations to increase oversight of PBMs, broad reforms stalled in the last Congress. In the final hours of the 118th Congress, Republican leadership stripped provisions from the CR that would have barred spread pricing in Medicaid, required PBMs to de-link payment for

Part D drugs from the drug's list price, required PBMs to fully pass through 100% of drug rebates and discounts, and added new transparency and reporting requirements for PBMs. These policies, which would generate billions in savings, are likely to be revisited this year, as they could serve to pay for health priorities such as telehealth extensions or other priorities. PBMs also are likely to continue to face congressional scrutiny through hearings and investigations as increasing transparency into the industry remains a top priority for lawmakers, which is likely to be bolstered by recent comments from President-elect Trump who said he plans to "knock out" drug-industry middlemen.

Affordable Care Act Premium Tax Credit. The American Rescue Plan Act (ARPA) and the Inflation Reduction Act included temporary provisions to enhance the Affordable Care Act's (ACA) premium tax credit (PTC) and expanded income eligibility for individuals able to receive cost sharing assistance to people with income greater than 400% federal poverty level (FPL). These changes expire at the end of 2025; however, Congress will receive increased pressure from states and insurance carriers to address the enhanced subsidy before premium rates are determined in the summer of 2025.

But extending the expanded PTC faces major headwinds in the Republican-controlled Congress, as Republicans strongly oppose the enhanced funding and will have limited revenue as they look to extend the expiring TCJA tax provisions; CBO and JCT have estimated that making permanent the expanded PTC would cost $335 billion over the budgetary window. The strong opposition from conservatives makes allowing the enhanced PTCs to expire a real possibility, but the potential for political backlash and the broader tax reform debate may prompt discussions to more broadly reform the ACA's PTC, while winding down the enhanced PTC for those with income greater than 400% FPL.

Alternative coverage options. While the Republican-controlled Congress is not expected to revisit the 2017 ACA repeal and replace debate, they are likely to champion policies that aim to broaden coverage options for consumers and employers. For example, House Committee on Education and Workforce Chairman Tim Walberg (R-MI) has authored legislation to codify the Trump administration's rule to allow employers to band together to form association health plans (AHPs). The Senate MAHA Caucus also voiced its support for expanding AHPs, as well as increasing access to direct primary care models and expanding health savings accounts – the latter policy also has been advanced by the House Ways and Means Committee.

Medicare Advantage. While Medicare Advantage is expected to flourish under the incoming Trump administration, congressional scrutiny of Medicare Advantage spending and prior authorization practices is likely to continue in 2025. Revenue generating policies, such as modifying Medicare Advantage risk adjustment payments, could come up in reconciliation and deficit reduction discussions. In addition. Lawmakers also may seek to re-introduce the Improving Seniors' Timely Access to Care Act, which passed the House in 2022. The bill would streamline Medicare Advantage's prior authorization process and has broad bipartisan support. The latest version aims to reduce the cost of the legislation, which will improve the bill's likelihood of passage.

Medicaid. With full control of Congress, Republicans may pursue policies to curb Medicaid spending and increase state flexibilities as part of broader efforts to control the growing federal deficit. During a December House Budget Committee hearing, Rep. Tom McClintock (R-CA) proposed adding work requirements to entitlement programs for able-bodied adults – a proposal initially put forward by the Trump administration. Other policies that would reduce federal spending include block grants, per capita caps, lowering the minimum 50% Federal Medical Assistance Percentage (FMAP), and lowering the federal 90% Medicaid expansion match rate – many of which were proposed during Republicans' 2017 efforts to repeal and replace the Affordable Care Act. House Energy and Commerce Committee Chairman Guthrie in December suggested that a per capita cap should be included in GOP's reconciliation package. The Congressional Budget Office has projected those policies could generate hundreds of billions in federal savings. For example, CBO estimated removing the federal floor on the FMAP would save $530 billion through 2034.

Insurer and hospital transparency. Last year, the House passed the Lower Costs, More Transparency Act, which included several provisions to increase transparency on health care prices and costs by codifying insurer and hospital transparency rules and adding new transparency provisions for prices of clinical diagnostic laboratory tests, imaging and ambulatory surgical centers. These policies have bipartisan and bicameral support and were the focus of numerous committee hearings in both the House and Senate. The policies also generally have support from industry stakeholders. After fierce negotiations at the beginning of last year, an agreement was struck between eight out of 10 Committee Chairs and Ranking Members, but agreement was not reached in time for the policy to be included in the continuing resolution passed in December. Congress is likely to revisit the negotiations this year.

Drug and supply chain. While most of the congressional focus on pharmaceuticals in 2025 is expected to fall on PBMs, Republicans may seek to advance legislation that repeals or reforms the IRA's drug price negotiation program.

Such reforms, at a minimum, may address Republican concerns regarding the program's impact on innovation. Congress may nibble around the edges of the law by exempting from the program drugs approved for multiple rare conditions or extending the exclusion period for small molecule drugs. Congress also may continue to explore policies to lower drug costs and ensure patients have access to high-cost medications. For example, the Senate HELP Committee may explore legislation to create a subscription model for hepatitis C treatment. Any efforts to fully repeal the IRA's drug pricing provisions, may be opposed by President-elect Trump, who has previously taken a heavy-handed approach to curbing prescription drug costs and included lowering drug costs as a part of his Presidential campaign. President-elect Trump may also use the IRA's authority to implement new drug pricing regulations, such as international reference pricing (similar to the "Most Favored Nation" regulation from the last Trump administration).

Work on a "Cures 2.1" bill also is expected to continue in the 119th Congress, though with former Rep. Larry Bucshon's (R-IN) retirement, any hope for passage in the Republican-controlled Congress would require a new Republican to champion the legislation. In late December, Reps. Dianna DeGette (D-CO) and Bucshon released a discussion draft, outlining priority areas for a potential "Cures 2.1" legislation. The draft includes policies to ensure that advances in technology and products are available to patients who need them, including modernizing Medicare coverage and payment mechanisms to provide access to high-cost treatments, such as gene therapies. The discussion draft also calls for modernizing remote patient monitoring policies and permanently expanding telehealth and hospital-at-home Medicare flexibilities.

Another top area of focus is likely to be shoring up the US drug and medical supply chain and addressing drug shortages. The 118th Congress ultimately failed to advance a bill, the BIOSECURE Act, that would prohibit federal agencies from contracting with or issuing loans or grants to certain China-based biotechnology companies and any entity that contracts with such companies. Expect to see continued interest in how US bio data and drug supply flow through China and other countries labeled as adversarial.

Congress also may feel pressure from the administration to enact broader reforms at the Food and Drug Administration (FDA), including its approval processes and foreign inspections program – the latter of which has been criticized by House Energy and Commerce Committee Chairman Guthrie. Congress also may seek reforms to address concerns that drugmakers are incorrectly extending patents. For example, the final CR removed language to update the drug patent system to address "patent thickets."

The FDA user fee program may come under scrutiny, as likely incoming Department of Health and Human Services (HHS) Secretary, Robert F. Kennedy Jr., has stated that the FDA user fee process should be reformed. In an op-ed, Kennedy states that "this money makes up about 75% of the budget of the Food and Drug Administration's drug division. That creates a barrier to entry to smaller firms and puts bureaucrats' purse strings in the hands of the pharmaceutical industry." Industry may get a preview on how the Trump administration will approach the larger user fee bills later this year, as the reauthorization of the Over-the-Counter Monograph Drug User Fee Program is set to expire September 30, 2025.

Food is Medicine. If confirmed by the Senate to run HHS, Robert F. Kennedy Jr. has voiced support for using nutritious foods to combat chronic disease conditions and the Senate MAHA Caucus has signaled its intent to prioritize nutrition policy in the next Congress to increase access to nutritious, affordable food and non-pharmaceutical interventions to address chronic illnesses. This could include reforms to the Supplemental Nutrition Assistance Program (SNAP) and other federal nutrition programs, as well as funding or incentives for providers and payers to build out nutrition-focused programs and coverage.

Further, the Trump administration could put new pressure on Congress to revise regulatory authority over the nation's food supply and push its 2018 proposal to create a new food safety agency under the US Department of Agriculture. Senator Dick Durbin (D-IL) and House Appropriations Committee Chair Rosa DeLauro (D-CT) in July 2024 introduced legislation that would create a new independent agency under HHS but any proposal to strip the FDA of its food regulatory authority would likely need to find Republican support to advance, which is where pressure from the Trump administration could play a key role.

Data privacy / AI / Cybersecurity. The Change Healthcare attack brought data privacy and cybersecurity to the forefront for Congress and regulators. Last Congress, committees in the Senate and House held hearings to examine the cybersecurity breach and its effect on the health care sector. Members on both sides of the aisle expressed concerns over physician payments and the consolidation in the market of payers. The cybersecurity breach came at a time when Congress was already examining ways to bolster data privacy in the health care space. For example, Senate Commerce Chair Maria Cantwell (D-WA) and former House Energy and Commerce Chair Cathy McMorris Rodgers (R-WA) released the American Privacy Rights Act. However, the data privacy bill failed to gain consensus in the House and its markup was abruptly cancelled in late June. Prospects for a broad data privacy bill are dim in the next Congress, but expect to see continued focus at the committee level.

For example, Senator Bill Cassidy (R-LA) released a health data privacy report in early 2024. Democrats in the House Education and Workforce Committee ensured that additional privacy protections were included in the House transparency bill.

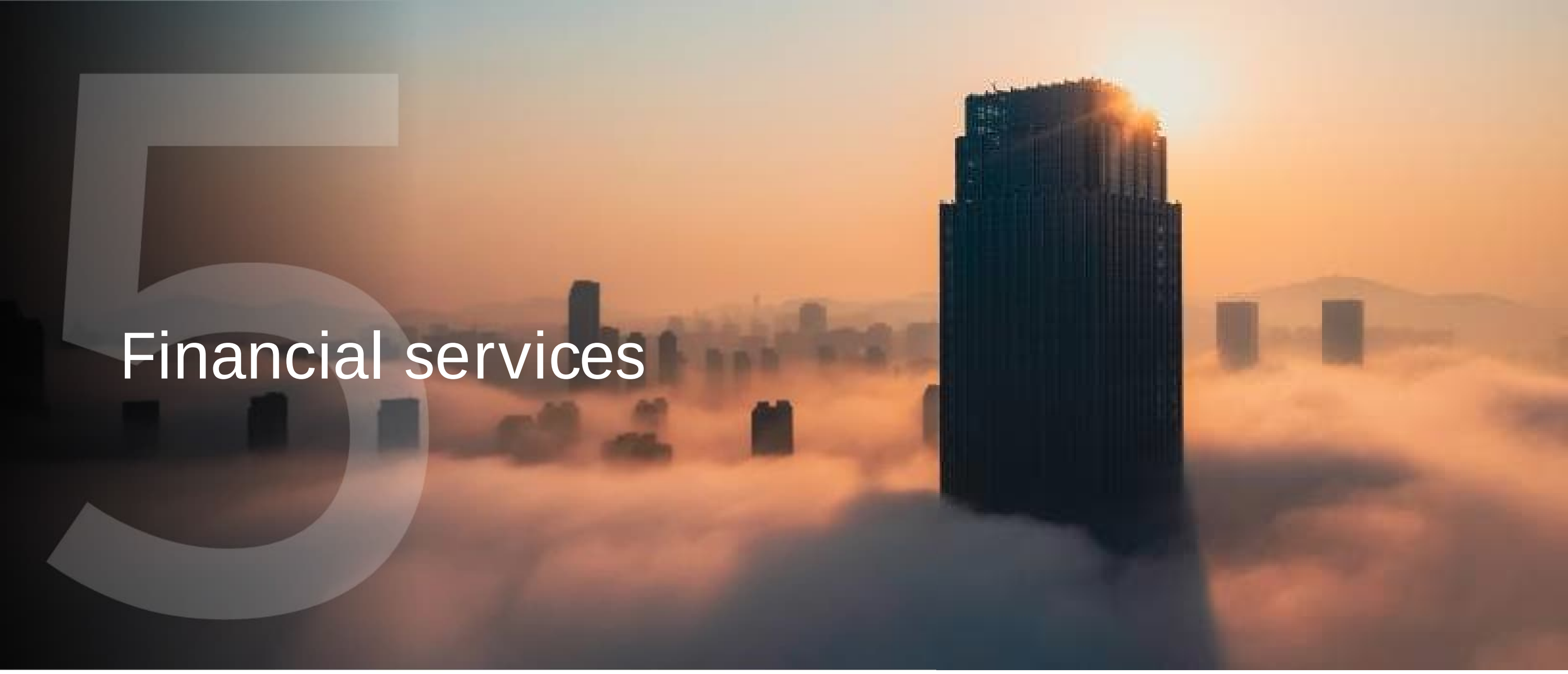
The use of artificial intelligence in health care is an additional topic that Members are tracking closely, with Committees in both the House and Senate holding hearings on the topic. Physicians in Congress are increasingly worried about the use of AI in prior authorization and health insurance, while other Congressional MedPAC advisors have testified on AI's ability to fuel growth and lower health care costs. In December, House lawmakers unveiled new bipartisan framework that details seven guiding principles and more than 150 findings and recommendations for Congress as it considers how to regulate AI in the United States, including how AI fits into liability laws and Medicare reimbursement. Those discussions are likely to continue in the 119th Congress, with most of the AI activity focused on areas in which consumer or patient harm is perceived, such as in coverage decisions.

Hospital outpatient care costs. Last Congress, several House committees advanced bills that aim to curb rising hospital outpatient care costs by expanding site-neutral and "fair billing" payment reforms (site-neutral policy aims to align payments across sites of care, and fair billing policies aim to ensure insurers have clarity into where a service was performed). The Lower Costs, More Transparency Act, which passed the House in November 2023, included a narrow site-neutral payment policy targeting drug administration services and fair billing. CBO projected those policies would generate roughly $4.1 billion in combined savings. These policies face strong opposition from hospital groups and despite bipartisan support, failed to gain traction in the Senate. However, site-neutrality was supported by the first Trump administration and would provide needed revenue to extend expiring health care programs and telemedicine extenders, which could increase the chances they are included in a GOP reconciliation package. President-elect Trump promised not to cut Medicare during his campaign, which may make selling some of these changes politically more challenging.

Physician pay. In November, CMS finalized another round of cuts to the Medicare Physician Fee Schedule. Despite pressure from provider groups, the continuing resolution passed in December ultimately left out provisions that would have partially offset the 2.83% reduction that took effect January 1. Congress may still include partial offsets in a spending bill they must pass by March 31, revenue remains and is expected to begin discussions on long-term changes to Medicare reimbursement, including revisiting the Merit-based Incentive Payment System and alternative payment models. Enacting these reforms, however, may take more time as Congress will be focused on other priority issues in the first term.

Other policies. The House Ways and Means Committee in June passed a bill to allow Medicare to cover GLP-1 drugs for weight loss under certain circumstances, but the future of the bill is unclear in light of the Biden administration's proposed rule to reinterpret the statutory ban on Medicare coverage of weight-loss medications and uncertainty around whether the Trump administration will finalize the rule. Senate Majority Leader John Thune (R-SD) has led a bipartisan effort in the Senate to address the 340B Drug Pricing Program and while those discussions are likely to continue in 2025, lawmakers may not have the bandwidth to enact broader 340B bill this year.

Similarly, Senate HELP Committee Chairman Cassidy and Senator John Cornyn (R-TX), a member of the Senate Finance Committee, are expected to introduce legislation that would increase funding for GME programs, prioritize rural and underserved communities, and lay the groundwork to reform how residency positions are allocated, however, broader GME reforms may be put on hold amid other GOP priorities. Rural health and the status of tax-exempt organizations also are expected to remain key areas of focus as lawmakers look to increase access to care and rein in federal spending.



5 Financial services

In financial services, the House and Senate banking committees will each have new chairmen, with both Rep. French Hill (R-AR) and Sen. Tim Scott (R-SC) expressing interest in moving quickly to move bills focusing on regulation of digital assets like Bitcoin, and some bipartisan prospects in other areas like housing policy and capital formation.

New leadership. Congress' two banking committees will have new leaders in the 119th Congress, as Rep. French Hill (R-AR) last month won the Steering Committee's nod to chair the House Financial Services Committee, defeating Rep. Andy Barr (R-KY) and two other contenders, and Sen. Scott was unopposed to chair the Senate Banking Committee after Republicans won the Senate majority in November. Scott will also chair Senate Republicans' campaign committee, a key position for dealing with GOP contributors, aspiring candidates and senators seeking re-election. The new ranking Democrat on the Senate Banking Committee will be Sen. Elizabeth Warren (D-MA), and on the House side, the ranking Democrat on Financial Services will remain Rep. Maxine Waters (D-CA).

In an interview with CNBC on December 13, Rep. Hill said the House leadership had marked cryptocurrency legislation as a priority for the first few months of the session: "We need a market structure for digital assets. We don't have rules of the road. That is the top priority for us. And our majority leader, Steve Scalise, has it on his first 100 days of the House to move a regulatory structure bill for digital assets – and, I also believe, a dollar-backed payment stablecoin under U.S. law, as well." In the same interview, Hill said his other top priorities for the committee include rolling back rules for community and commercial banking to make those sectors more competitive, and easing limits on investing to make it easier for private companies to become publicly traded.

Housing

On the Senate side, Sen. Scott has said he wants to prioritize boosting the supply of affordable housing by streamlining regulations. Scott's spokesperson has said the senator wants to advance legislation he introduced in September 2024 (S. 5027, with a House companion sponsored by Rep. Hill) that would overhaul HUD policies by allowing more private investment in affordable housing and expanding a program that ties housing to work requirements. Hill has said he wants to target community development block grant (CDBG) programs, Section 8 housing vouchers and alleged corruption in public housing authorities. Such a focus could garner bipartisan support, though it would fall short of the approach favored by Ranking Member Waters, who has championed bills to "end homelessness" by spending $250 billion on investments in low-income housing and rental assistance.

Sen. Warren has built a reputation as a fierce critic of big banks, but identified housing as an area where she could feasibly work together with Sen. Scott. Another senior committee Democrat, Sen. Mark Warner (D-VA), agreed, telling *American Banker* the area of likeliest bipartisanship is "Housing, housing, housing," adding that he would like to work with Scott on capital formation and opportunity zones as well.

- GSE Conservatorship. Beyond Congress, some observers have said the new administration could seek to privatize Fannie Mae and Freddie Mac, the government-sponsored housing enterprises (GSEs), which have been under federal conservatorship since the 2008 financial crisis. Mark Calabria, who served as director of the GSEs' watchdog, the Federal Housing Finance Agency (FHFA), during Trump's first term and has been considered for positions in the new administration, advocated for ending the conservatorship then and still believes they should be privatized. Housing market analysts have worried that such a dramatic move for entities that own about 70% of U.S. mortgages could increase mortgage rates or otherwise disrupt the housing market, however.

Crypto

Like many Republicans, Sen. Scott became a vocal supporter of digital assets over the course of 2024 and wants to prioritize work on creating a regulatory framework for crypto in the new Congress. Banking Committee member Sen. Cynthia Lummis (R-WY) has been a leading voice calling for industry-friendly oversight of crypto, and has offered and updated a bill with Sen. Kirsten Gillibrand (D-NY) in recent years that gained little traction when the committee was chaired by Sen. Sherrod Brown (D-OH), who was defeated for re-election.

(Lummis has also advocated for creating a federal "strategic Bitcoin reserve," which would amount to a 5% stake in the world's Bitcoin supply.)

On the House side, the "FIT21" crypto regulation framework (HR 4763), sponsored by outgoing Financial Services Chairman Patrick McHenry (R-NC) and others, which would hand much of the SEC's authority over digital assets to the CFTC, passed the House in May 2024 with support from 71 Democrats, and is likely to return to the committee in some form in 2025. Incoming chairman French Hill chaired the committee's Digital Assets Subcommittee in the 118th Congress and helped draft the FIT21 bill, and has said the House leadership wants to move crypto regulation bills in the first 100 days.

While crypto skeptics like Sen. Warren and senior Banking Committee member Jack Reed (D-RI), who have defended the SEC's authority over digital assets, could complicate Senate passage of a broad regulatory framework bill, a less sweeping bill focusing on regulation of stablecoins – a key element in the universe of crypto trading – appears more achievable and was the subject of many months of bipartisan negotiation between McHenry and Ranking Member Waters. The newly nominated White House "czar" for crypto and AI policy, Silicon Valley venture capitalist and podcaster David O. Sacks, will likely be involved in drafting crypto regulation legislation.

Banking policy

Sen. Scott is reportedly considering a banking policy framework that would "tackle priorities like regulatory rollbacks, agency oversight and financial literacy," sources told *Politico* in October 2024. On the House side, in November, Rep. Hill released a set of principles on community banking. Among other ideas, Hill called for more "tailoring" of regulations by supervisors; limiting how regulators interact with international bodies; simplifying bank merger reform so that regulators cannot indefinitely delay mergers; having regulators report to Congress on how to address the lack of *de novo* bank charters; and allowing nonbank capital sources to partner with qualified banks to be pre-approved for an FDIC "shelf charter."

- Regulatory reform. In April 2024, Rep. Hill cited a number of banking regulations he wanted to revisit, including the Basel III capital rules, the CFPB's Section 1071 rule on small-business lending data collection; the CFPB's rule on credit card late fees; and the Fed's guidance on bank partnerships with fintech companies and other "novel activities." "Let's make community banking and commercial banking competitive again by removing some of the calcification in the regulatory system that's made it so hard to be profitable, serve customers and be safe and sound," Hill told CNBC.

- Capital rules. The Basel III Endgame rule, a sweeping capital rule proposed by the Fed and other regulators, appeared to reach a stalemate in September 2024 when Fed Vice Chair Michael Barr floated a partial re-proposal of the rules, meaning a new period of notice and comment – but the Fed's proposal did not attract enough support on the FDIC's board to be approved. The banking industry is expected to seek more changes to the Basel III proposal in 2025 under President-elect Trump's regulators, as well as easing other requirements on leverage ratios and stress testing. "There is a full suite of capital regulations, all of which need to be appropriately assessed and calibrated so we can get the U.S. banking system and the U.S. economy in the right position," Goldman Sachs Chief Financial Officer Denis Coleman told American Banker in December.

- Bank mergers & acquisitions. Rep. Hill and other Republicans have called for allowing more bank mergers. In the December CNBC interview, Rep. Hill said, "I don't believe we have too many banks. I think the market ought to determine how many banks we need. I believe we would have a more competitive banking market if we didn't have the regulatory structure that actually pushes consolidation in the banking industry to the largest banks, because nobody can cope with the regulatory burden."

- FinTech relationships. "Fintech should be able to partner with banks in a safe and sound way and allow their knowledge of AI or fintech applications to either find new customers or serve customers better, or do compliance in a more effective way," Hill told CNBC in December. "That ought to be available to small- and medium-sized and regional banks, because that will make them more competitive."

Capital formation

Sen. Scott reportedly wants to move on a bill he offered in September 2024 that would expand investment in privately held companies by lowering the SEC's threshold for "accredited investors" who are permitted to buy investments subject to less-stringent transparency rules. This idea could appeal to Financial Services Ranking Member Waters, who has described those restrictions as obstacles to closing the wealth gap. In the CNBC interview, Rep. Hill said the committee would remove impediments for companies "when it comes to capital formation and make it easier to go public and stay public in a more affordable way."

Student debt

The Trump transition and its advisers have reportedly been reviewing ways to quickly dismantle several of the Biden administration's student loan policies, including 1) billions of dollars in debt cancellation blocked by federal courts; 2) the SAVE program for lower monthly repayments; and 3) how to resume collecting defaulted student debt, which has been suspended since the pandemic. The incoming administration is likely to simply stop defending the debt cancellation programs in court. The technical work associated with rescinding and recalculating millions of dollars in repayments under SAVE would likely take months of work, however.

ESG and climate risk disclosure

A reconstituted SEC under Trump would likely pause implementation of the agency's climate risk rule, which is under litigation, and use restrictive guidance to place limits on ESG-related (environmental, social and governance) proxy shareholder proposals. Draft SEC rules targeting misleading ESG labels for investment funds are unlikely to be finalized. In Congress, the Financial Services Committee under Hill is expected to move bills targeting ESG policies in the financial world, but these are unlikely to pass the Senate where 60 votes would be required for passage.

CFPB

Making sweeping changes to the structure and funding of the Consumer Financial Protection Bureau has been a priority for Trump and Republicans almost since the Bureau's opening in 2011. Sen. Scott said after the election that given the Republican sweep, "I look forward to restoring accountability at the Bureau and promoting common-sense reforms that increase innovation and actually support consumers," adding that the CFPB has "acted outside the scope of its authority" and that reforms could include rethinking the agency's budget. Incoming House Financial Services Chairman Hill has made similar remarks. Bringing the CFPB under the appropriations process or shifting it to a commission structure would likely require legislation subject to the difficult 60-vote filibuster threshold in the Senate, however, if it were not somehow included in a budget reconciliation package, and Sen. Warren is sure to muster Democratic opposition to efforts to revamp the agency that was her brainchild in 2010.

The CFPB has been busy churning out rules since the election. The Bureau finalized a rule bringing large nonbank digital payments companies under its supervision, and proposed rules targeting data brokers and addressing credit reporting issues for domestic violence and elder abuse victims. The Bureau is also working on a rule barring most medical debts from being placed on credit reports, and a rule capping overdraft fees. The CFPB's rule cutting credit card late fees from $30+ to $8, which was struck down by a federal judge in December, could be rescinded by a new Trump-appointed director.

New director. A 2020 Supreme Court ruling allowed the president to fire the agency's director for any reason, meaning current Director Rohit Chopra will be replaced. Analysts have said they expect the CFPB under a new Trump-appointed director to quickly freeze its enforcement actions, block the launch of new enforcement actions and settle ongoing litigation. Names that were in the mix for Chopra's replacement include George Mason University law professor Todd Zywicki, former CFPB Deputy Director Brian Johnson, former Treasury official Craig Phillips and former Federal Housing Finance Agency Director Mark Calabria.

Other regulators

- SEC. At the Securities and Exchange Commission, President-elect Trump has said he will nominate former SEC commissioner Paul Atkins, a booster of crypto assets and fintechs, as chair to replace Gary Gensler, who was harshly criticized by Republicans for the Commission's aggressive rulemaking in areas like climate risk disclosure and equity market structure, as well as its enforcement actions against crypto firms. Democrats' plans to confirm Democratic commissioner Caroline Crenshaw for another term during the lame-duck session fell apart under Republican objections and limited floor time. Crenshaw's term officially ended in June 2024; she can serve until January 2026 if no one is confirmed to her slot. But President-elect Trump could use Crenshaw's spot to nominate Atkins, and because current Chairman Gary Gensler and Democratic Commissioner Jaime Lizárraga both plan to depart the SEC in January, such a move would leave the agency for a time with a three-member, all-Republican Commission.

- FDIC. As with the SEC, some observers have suggested the President-elect may decide not to fill Democratic slots on the board of the Federal Deposit Insurance Corporation (FDIC), which supervises smaller banks and manages the resolution of failed banks. In a December 10 story titled "Trump could bypass Democratic picks for FDIC Board," American Banker speculated that Trump "may be poised to shake up" the tradition of allowing members of the minority party to recommend their members on the FDIC's board, "potentially setting up a partisan tiff next year." The agency's five-member board is made up of a chairman, a vice chair, the heads of the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau, and one member of the opposition party.

The Brookings Institution's Aaron Klein said, "There's nothing that requires the president to put forward a full board. You can have the minority spots sit vacant…" Embattled FDIC Chairman Martin Gruenberg has said he will step down before Trump's inauguration, and Republican FDIC Vice Chair Travis Hill is seen as the front-runner to lead the FDIC during the Trump administration.

- CFTC. At the Commodity Futures Trading Commission, which could end up overseeing most of the crypto markets under GOP-supported legislation, Trump is reportedly considering replacing current Chairman Rostin Behnam with Perianne Boring, founder and CEO of The Digital Chamber, a trade association representing the blockchain industry, or one of the agency's currently serving Republican commissioners, Caroline Pham. Both have deep pro-crypto credentials.

- OCC. At the Office of the Comptroller of the Currency, Michael Hsu served in an acting capacity during President Biden's term and must step down when Trump is sworn in. Jonathan Gould, a partner at the Jones Day law firm and former chief counsel of the OCC and of the Senate Banking Committee, is a leading contender for Comptroller, as is a former acting comptroller from the first Trump administration, Keith Noreika.

- Federal Reserve. President-elect Trump will have the opportunity to name a new vice chair of supervision at the Fed, after current Vice Chair Michael Barr said on January 6 that he would step down from his key regulatory position on February 28 (unless a successor is confirmed earlier). Barr said he will serve out the remainder of his term as a Fed governor, however. Amid speculation that the new administration could try to fire or demote him, Barr said, "The risk of a dispute over the position could be a distraction from our mission." Barr's term on the Fed's board does not expire until 2026, as does Fed Chairman Jerome Powell's. Trump is considered unlikely to renominate Powell as chair when his term expires, preferring to appoint a new chair such as former Fed governor Kevin Warsh.

Consolidated or shrinking regulators

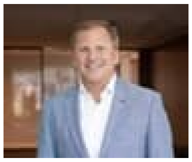
On December 12, the *Wall Street Journal* reported that in interviews with potential nominees to lead bank regulatory agencies, President-elect Trump's advisers have asked whether he could abolish the FDIC. The *Journal* reported that "advisers have asked the nominees under consideration for the FDIC, as well as the Office of the Comptroller of the Currency, if deposit insurance could then be absorbed into the Treasury Department." Billionaire Elon Musk, who has been named to co-lead the new DOGE, in December also used his X social media platform to call for eliminating the CFPB, saying, "There are too many duplicative regulatory agencies." The *Journal* reported that Trump advisers and potential nominees "have also discussed plans to either combine or otherwise restructure the main federal bank regulators: the FDIC, OCC and the Federal Reserve." On December 23, Musk posted on X that the Fed is "absurdly overstaffed."

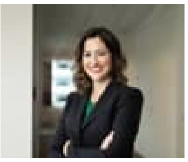
About WCEY

Washington Council Ernst & Young (WCEY) is a group within Ernst & Young LLP’s National Tax Department that combines the power of a leading professional services organization with the on-the-ground knowledge, personal relationships, and attention to detail of a boutique Washington-insider firm. WCEY offers our clients timely, relevant Washington insight, tailored to their needs, and assists clients in navigating all aspects of the federal legislative and regulatory process. Service offerings include representation before the House, Senate and executive branch; strategic legislative and regulatory advice, planning and monitoring; coalitions; and communications. Our publications include What to Expect in Washington, This Week in Tax Policy, and This Week in Health Policy. See also, “Prospects for Budget Reconciliation in 2025.”
https://www.ey.com/en_us/insights/tax/prospects-for-budget-reconciliation-in-2025


Ray Beeman
ray.beeman@ey.com


Ryan Abraham
ryan.abraham@ey.com


Adam Francis
adam.francis@ey.com


Heather Meade
heather.meade@ey.com


Bob Schellhas
bob.schellhas@ey.com


Tara Bradshaw
tara.bradshaw@ey.com

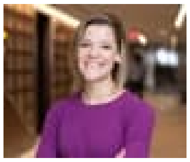

Rebecca Burch
rebecca.burch@ey.com


Wes Coulam
wes.coulam@ey.com


Jeff Levey
jeff.levey@ey.com

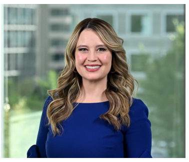

Lisa Wolski
lisa.wolski@ey.com


Jessica Cameron
jessica.cameron@ey.com


Laura Dillon
laura.dillon@ey.com


Evan Giesemann
evan.giesemann@ey.com


Will Heyniger
will.heyniger@ey.com


Taylor Hittle
taylor.hittle@ey.com


John Porter
john.porter@ey.com


Kurt Ritterpusch
kurt.ritterpusch@ey.com


Heather Bell
heather.bell@ey.com


Samantha Schwarz
samantha.schwarz1@ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

ey.com