

The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes. The lighting is dramatic, with a bright glow in the upper right corner, suggesting a sunrise or sunset. The flag's colors are muted and dark, with the stars appearing as bright white and yellow points against a dark blue field.

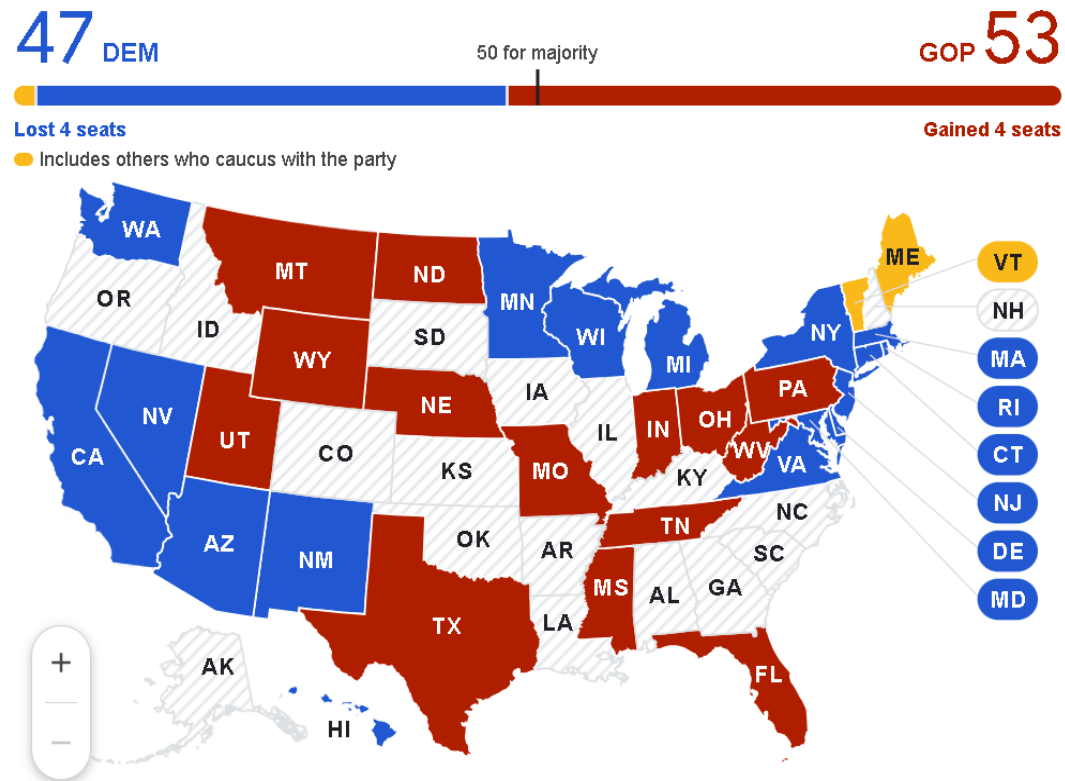
Post-Election 2024 Outlook:

US and European Union Relations

Thursday, November 21, 2024

Holland & Knight

2025 Senate Composition: GOP Control



2025 Senate Leadership

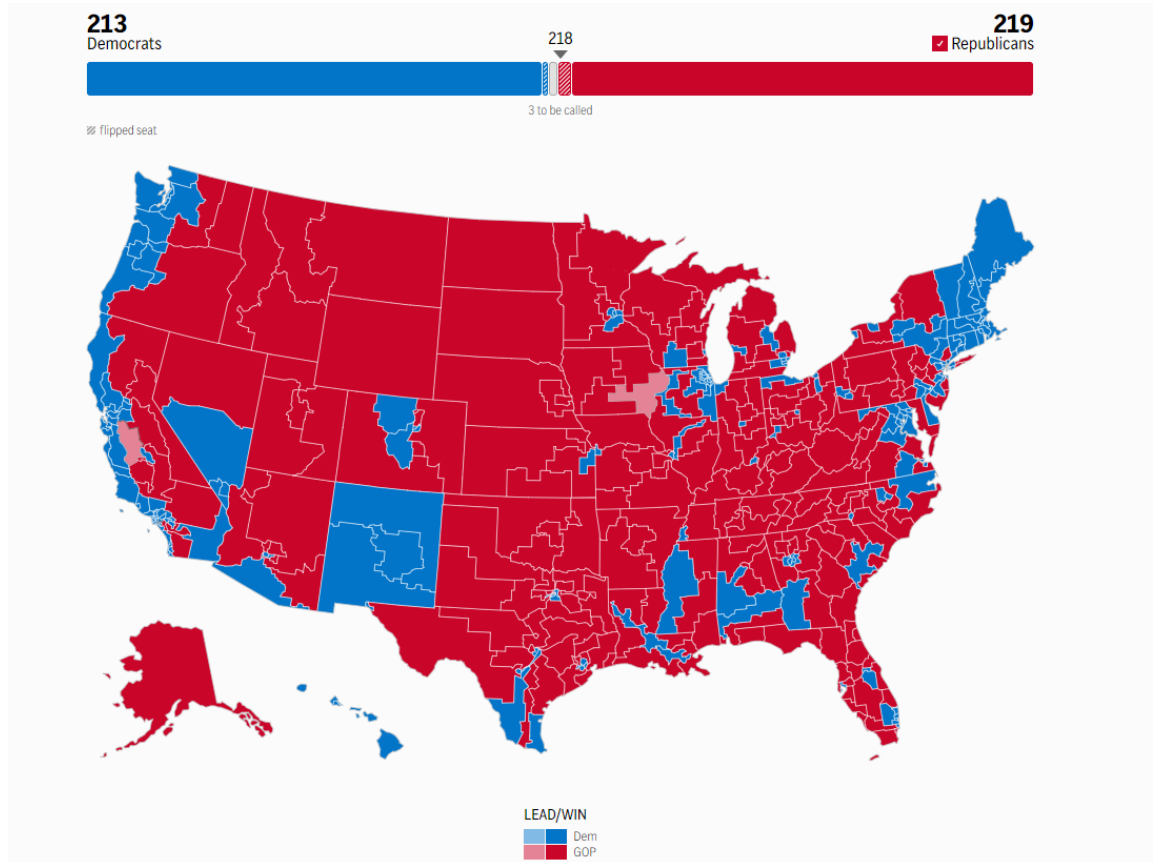
Majority Leader: Senator John Thune (R-SD)

- Currently Senate Minority Whip
- Senate Committee on Agriculture, Nutrition, & Forestry
- Committee on Commerce, Science, & Transportation
- Committee on Finance

Minority Leader: Chuck Schumer (D-NY)

- Currently Senate Majority Leader
- Seeks to confirm as many judicial nominees as possible before the term ends

2025 House Composition: GOP Control, 220-214



2025 House Leadership

Speaker Mike Johnson (R-LA)

- Speaker Johnson became Speaker in October 2023 in the aftermath of a controversial ousting of former Speaker Kevin McCarthy (R-CA-20)
- Ardent supporter of President Trump and has embraced policies his policies on deportations, tax cuts, and cutting the federal workforce
- The GOP has a slim majority because Trump has already tapped three GOP House members to serve in his cabinet
- New House Republican conference rules require nine lawmakers to push for removal of the Speaker instead of one

Minority Leader Rep. Hakeem Jeffries (D-NY)

- Currently serving as the Democratic Leader
- Congressional Black Caucus

Trump Administration Priorities – Foreign Policy

- **Israel and the Middle East.** President-Elect Trump has pledged to stand with Israel and restore peace in the Middle East by rebuilding the U.S. alliance network in the region. He has spoken in support of Israel's mission, though he has at times been critical of Prime Minister Benjamin Netanyahu.
- **China.** President-Elect Trump has promised to take a strong stance on China but has declined to say if he would send troops to defend Taiwan. He plans to revoke China's [Most Favored Nation](#) trade status, attain economic independence from China and prevent China from buying American real estate. Has already threatened China with increased tariffs.
- **Russia and Ukraine.** President-Elect Trump has said that he would end the Russia-Ukraine war on his "first day in office." He could curtail support to Ukraine to try to force a settlement, claiming that the U.S. risks World War III by continuing in the conflict. ***He has been critical of NATO, saying that the U.S. pays too much while European countries do not carry their weight.***
- **Mexico and Canada.** President-Elect Trump has said that he will formally notify Mexico and Canada of his intention to utilize the six-year renegotiating provision of the [United States-Mexico-Canada Agreement \(USMCA\)](#) to strike what he views as a better deal, notably in the car industry. Has threatened 25% tariffs on both countries if they don't do more to stem the flow of illegal immigrants, drugs, and Chinese products/
- **Trade agreements.** President-Elect Trump has said he will increase tariffs on foreign countries, arguing that raising tariffs and implementing universal baseline tariffs, coupled with lowering domestic taxes, will make America a manufacturing powerhouse again. Prefers bilateral 'us vs. them' agreements; expect a review of the Korean-U.S. Trade Agreement (KORUS) and the USMCA, among others, in a second term.

Trump Administration Priorities - Taxes

- Many parts of the law known as the [Tax Cuts and Job Act \(TCJA\)](#) expire or get worse after 2025.
- The TCJA was a Republican-only bill, utilizing budget reconciliation.
- Given control of Congress and the White House, Republicans will again use the reconciliation process (requiring only simple majorities) to pass tax reforms.
- Making the expiring provisions permanent would cost \$4.6 trillion over 10 years, not including any modifications suggested by then-candidate Trump.

Expired Provisions

2022

- Interest Deduction for Businesses - Adjusted taxable income base used in section 163(j) calculation changed from earnings before interest, taxes, depreciation, and amortization (EBITDA) to earnings before interest and taxes (EBIT).
- Research and Development - Requirement to amortize research and experimentation expenditures rather than immediately deduct.

2023

- 100% expensing of new and used business property began phaseout, with continued phase-outs in future years:
 - 2023 → 80 percent
 - 2024 → 60 percent
 - 2025 → 40 percent
 - 2026 → 20 percent

Expiring Provisions - Business

- The 21% corporate rate does not expire, but...
- Tax credits: NMTC, WOTC and Empowerment Zone expire.
- CFC look through expires (section 954(c)(6)).
- GILTI rate increases from 13.125% to 16.406%.
- FDII rate is less beneficial, increasing from 13.125% to 16.406%.
- BEAT rate increase from 10% to 12.5%, and all tax credits are “bad” credits.

Expiring Provisions – Individuals

- Tax rates revert:
 - This means, for example, top marginal rate reverts from 37% back to 39.6%.
- Standard deduction reverts and itemized deductions no longer limited:
 - For example, for MSJ reverts from \$24,000 back to \$13,000.
 - Limitation on deduction of SALT (capped at \$10,000) expires.
- Child Tax Credit (CTC) reverts, e.g., from max \$2,000 per child to \$1,000 per child.
- Section 199A expires: Allowed taxpayers to exclude up to 20 percent of their pass-through business income from tax.
- Estate tax exemption – which was doubled - reverts:
 - From \$11.1 million back to \$5.5 million (indexed for inflation) for single filers.

President-Elect Trump Tax Plan Ideas

- Corporate:
 - Corporate rate of 20 % or 15%, depending on US production.
 - Permanence for TCJA phased-out provisions (bonus depreciation, R&D expensing, EBITDA-based interest limitation).
- Individual:
 - Permanence of TCJA rates.
 - Exemp tips, overtime pay, and Social Security income from income tax.
 - Eliminate SALT limitation.
- Energy tax:
 - Modify Inflation Reduction Act.
- Other potential policies:
 - Withdraw from OECD (Project 2025).
 - Withdraw or modify tax regulations.

Congress is Already Working on Tax Reform

- House Committee on Ways & Means Tax Teams.
- Senate Committee on Finance Working Groups.
- Budget committees in both houses will need to set the reconciliation instruction(s) for tax legislation.

Will the US Align with OECD Pillar Two?

- Option One: Modify GILTI to tax on a per jurisdiction basis and adopt a QDMTT.
- Option Two: Respond with increased taxes.
 - HR 3665, Defending American Jobs and Investment Act, would increase taxes by 20 percentage points on certain payments and entities where a foreign country applies an extraterritorial tax or discriminatory tax (e.g., UTPR, digital services tax).
 - HR 4695, Unfair Tax Prevention Act, would make modifications to the BEAT where the foreign country applies the UTPR (and other extraterritorial taxes).
 - Convert 50% of cost of goods sold into base erosion payments.
 - Eliminate the services cost method safe harbor.
 - Payments withheld upon treated as base eroding payments.

U.S. Trade Outlook

- 2024-2025: Immediate Post-Election Trade Policy Adjustments
 - New leadership at the Department of Commerce, Howard Lutnick, and U.S. Trade Representative, Jamieson Greer.
 - Withdrawal or renegotiation of trade agreements, including decreased labor and environmental protection and increased emphasis on U.S. economic independence.
- 2026: USMCA Review Clause Activation & Renegotiation
 - Article 34.7 of USMCA requires parties to conduct a joint review of the Agreement on July 1, 2026, and must confirm in writing whether to continue agreement.
 - President Trump has indicated his intention to renegotiate the agreement
- Core Trade Policies Moving Forward
 - Prioritization of bilateral trade agreements over multilateral arrangements to maximize U.S. leverage.
 - Aggressive use of tariffs to resolve trade imbalances and force concessions in bilateral negotiations.
 - Increased trade enforcement mechanisms to safeguard U.S. industries.
 - Trump and his advisors hold that current statutory powers enable a trade agenda that operates independently of Congressional approval.

Trump Administration Trade Agenda

- Aggressive decoupling of the U.S.-China economy, increased emphasis on industries deemed critical to national security (e.g., critical minerals, steel, aluminum, critical energy sector).
- Tariffs as a core tool to safeguard domestic industries and exert geopolitical influence.
 - Proposed a 10 – 20% Universal Baseline Tariff on all imported goods, and 60% on Chinese imports
 - E.g., Threatened Mexico with 25 – 100% tariff if they fail to curb illegal immigration
- Continued utilization of Section 232 and Section 301 tariffs to remedy trade imbalances and to advance national security. Section 232 Tariffs on imports that threaten U.S. national security.
 - In his first term, Trump Administration initiated eight Section 232 investigations and imposed tariffs under two investigations on steel and aluminum
 - Investigations determined aluminum (e.g., used in electric energy transmission cables, nuclear high voltage power transmission) and steel (e.g., used in power distribution transformers) are critical to national security
- Section 301 retaliatory tariffs on perceived unfair trade practices.
 - In his first term, Trump Administration initiated six Section 301 investigations and imposed two tariffs on U.S. imports from China and U.S.
 - Broad interpretation of “unfair trade practices”

Trump Administration Trade Advisors

- Secretary of Commerce: Howard Lutnick
- U.S. Trade Representative: Jamieson Greer
- Secretary of Treasury: Scott Bessent
- White House Chief of Staff: Susie Wiles
- National Security Adviser: Michael Waltz
- Director of White House National Economic Council: Kevin Hassett

Questions?

Thank You