Now What? Navigating the Post-2024 U.S. Election Landscape for Business Impact

With the 2024 U.S. presidential election behind us, businesses across the country are closely monitoring the potential shifts in policy that could reshape the corporate landscape. Should Republicans sweep the White House and both chambers of Congress, there will be significant implications for corporate strategy, investment decisions, and U.S. economic competitiveness.

Readying for administration and policy-driven impact on business is essential

Here's what businesses should expect across key areas of policy.

Corporate Investments, Incentives and Development

- **CHIPS Act: Securing Semiconductor Manufacturing**

  The CHIPS Act was designed to bolster U.S. leadership in semiconductor manufacturing, and it received bipartisan support, including from many Republicans. However, with a Donald Trump return to the White House, there's likely to be a shift away from large government programs viewed as "corporate welfare."

  In a Republican-controlled Congress, particularly with fiscal conservatives at the helm, expect calls for a reassessment of the CHIPS Act's funding levels. While national security concerns around semiconductor production may maintain bipartisan backing, the direct financial support for private companies will likely face more scrutiny.

  Businesses can anticipate proposals that limit or redirect funding to ensure a more market-driven approach. Additionally, there could be a stronger emphasis on incentivizing private-sector investment rather than relying on direct government subsidies.

- **Research & Development (R&D) Tax Credits: Boosting Innovation**

  Trump's 2017 tax reform helped stimulate R&D incentives, and there's potential for further expansion of these tax credits, particularly in sectors like advanced manufacturing, defense, and energy. The Trump administration is expected to continue favoring a market-driven approach, reducing the administrative burden associated with claiming R&D credits.

Enhanced or simplified R&D tax credits would benefit companies in high-tech industries, including clean energy, pharmaceuticals, and artificial intelligence. Robust R&D incentives would also encourage investment in innovative technologies, keeping U.S. businesses competitive globally.

- **Inflation Reduction Act (IRA): A Shift Toward Energy Independence**

  The Inflation Reduction Act (IRA) was a cornerstone of Biden's efforts to combat climate change, promote clean energy, and incentivize electric vehicle (EV) adoption. Under a Republican administration, with Trump's focus on deregulation and energy independence, significant opposition to the IRA's provisions is expected.

  A Republican-controlled Congress would likely push to repeal or scale back key aspects of the IRA, especially those related to clean energy tax incentives, electric vehicle subsidies, and climate change measures. Republicans may argue that the IRA's costs outweigh its benefits, burdening businesses and taxpayers with government-funded programs that yield unclear returns.

  While a Trump administration might not eliminate the IRA entirely, expect to see substantial reductions in energy tax credits and a return to policies that favor fossil fuel industries. There could also be a renewed focus on energy independence through traditional sources like coal and natural gas, rather than continuing the push for green technologies.

- **Energy and Sustainability Initiatives: Favoring Traditional Energy Sources**

  While the Trump administration historically supported fossil fuel industries and energy independence, it also prioritized reducing the regulatory burden on energy companies. Under a second Trump term, businesses in energy-intensive industries (such as manufacturing and transportation) would benefit from reduced energy costs and tax incentives for fossil fuel investments. This could drive down operational costs for companies in these sectors.

  Energy businesses may find more favorable tax treatment for exploration, extraction, and infrastructure investments. Overall, businesses could expect a more market-driven approach to energy policy, with less emphasis on clean energy and more focus on maximizing use of traditional energy sources like coal, oil, and natural gas.

Corporate & International Tax Environment

- **Corporate Tax Rates: Potential for Further Reductions**

  One of the hallmark achievements of Trump's 2017 Tax Cuts and Jobs Act (TCJA) was the reduction of the corporate tax rate from 35% to 21%. If Trump returns to office with a Republican Congress, businesses can expect these lower rates to remain intact, or even face further reductions.

  Trump's economic agenda typically favors lowering corporate taxes to encourage investment, capital repatriation, and enhance U.S. economic competitiveness. Under this administration, there could also be tax cuts targeted at capital-intensive sectors, such as manufacturing, energy, and technology.

  For businesses, maintaining or lowering the corporate tax rate means more after-tax income, which could spur reinvestment in operations, R&D, and employee compensation. Additionally, lower taxes would make U.S. businesses more attractive for foreign investment, potentially improving competitiveness in the global marketplace.

- **International Tax Policy and the Global Minimum Tax**

  Republicans, particularly under Trump, have generally pushed for reducing the tax burden on U.S. companies operating abroad. With a Republican administration, businesses can expect efforts to ease restrictions on repatriating profits and potentially rollback provisions like the global minimum tax introduced under OECD agreements.

  A rollback of the global minimum tax would benefit U.S. multinational corporations by lowering tax obligations on foreign earnings. This could encourage foreign direct investment (FDI) in U.S.-based operations, as businesses would face fewer barriers to moving profits back to the U.S. Additionally, repatriation incentives could lead to more domestic investment and job creation.

- **Capital Gains Tax: Preserving Incentives for Investment**

  Under Trump, the U.S. saw a focus on low taxes for investment income, and this is expected to continue. Republicans, including Trump, generally oppose increases in capital gains taxes, believing that higher taxes on investment income would discourage entrepreneurship and limit growth potential.

Trump's agenda would likely keep capital gains taxes at current rates, or potentially lower them for long-term investments, incentivizing more investment in U.S. stocks, real estate, and small businesses. A favorable capital gains tax regime would encourage entrepreneurs, venture capitalists, and private equity firms to invest more in business ventures, driving long-term economic growth. Additionally, it could make it easier for business owners to sell their companies, fostering mergers and acquisitions.

- **Small and Pass-Through Businesses: Tax Relief and Growth**

  Trump and many Republican lawmakers have historically supported tax cuts for small businesses, including pass-through entities (S-corporations, LLCs, and partnerships), which pay taxes at the individual rate. A Republican administration could push for further tax relief for small business owners, particularly high-income earners.

  Lower individual tax rates or expanded tax benefits for pass-through businesses would reduce the tax burden on small business owners, potentially leading to more investment in business expansion, hiring, and infrastructure. Additionally, the continuation or expansion of the 20% Qualified Business Income (QBI) deduction introduced under TCJA could incentivize entrepreneurial growth and the creation of new businesses.

Banking and Financial Services Impact

- **Basel III Regulations**

  The incoming Trump Administration would likely alter the direction of Basel III's "endgame" phase, which focuses on increasing capital requirements and more precise risk-weighting for banks. Republicans and Trump-aligned policymakers have previously argued that stringent capital rules can stifle economic growth and overburden U.S. banks relative to global competitors. Consequently, the Trump White House may either pause, modify, or scale back Basel III regulations, prioritizing flexibility for financial institutions over stringent oversight. This could entail reducing compliance burdens for smaller and regional banks, which have expressed concern that the capital requirements under Basel III could disproportionately affect their competitiveness.

- **Community Reinvestment Act (CRA)**

  Under Republican-led federal government, the CRA could shift toward a more business-friendly stance, potentially easing requirements for banks in low-to-moderate-income lending. CRA reform under Trump's previous term suggested greater leniency in enforcement and a focus on reducing regulatory burdens for banks, and a similar approach could be expected again. With less stringent CRA enforcement, banks might see reduced costs related to community investment requirements. However, such changes could also decrease federal incentives for banks to invest in underserved communities, potentially impacting low-income areas that benefit from CRA-backed programs.

- **Small Business Administration and SBA 7(a) Lending**

  SBA Lending has seen continued strength in both the previous Trump and current Biden administration with notable spikes surrounding COVID-19 pandemic support. While we would expect a Trump White House to streamline regulation and make the lending process easier the likely tradeoff is more responsibility pushed to banks for making those loans profitable. With a rise to a 2.79% default rate in September as shown by the Small Business Default Index (SBDFI), and ongoing default and delinquency challenges, we could anticipate a cap or reduction in SBA subsidy. That will put more burden on banks to adhere to the current mandate of "be prudent" in lending as conveyed by the SBA. Lenders should adhere to stronger risk management approaches and deeper connection to loan customers to both reduce impact and run ahead of potential opportunities.

Take Action: Preparing for a Shifting Policy Landscape

The 2024 U.S. election marks a pivotal moment for businesses, with the potential for dramatic shifts in economic policy. From corporate tax rates and international tax policy to energy, R&D incentives, and small business support, companies must be prepared for a wide range of outcomes. Understanding these potential changes—and how they impact your business strategy—is essential to staying competitive in a rapidly evolving environment.

How Pontex Advisors Can Help

Pontex Advisors brings global business expertise and a deep understanding of U.S. policy dynamics. We can help your company navigate this changing landscape and capitalize on emerging opportunities in both federal and state regulatory environments. Our team specializes in positioning businesses for success in this new political and economic era. If you have questions about the analysis or to schedule a follow-up discussion please reach out at info@pontexadvisors.com.

About the Author

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