

ACC San Francisco Bay & ACC Southern California The Second Trump Administration: Tax, Trade, and Tariffs

April 2, 2025



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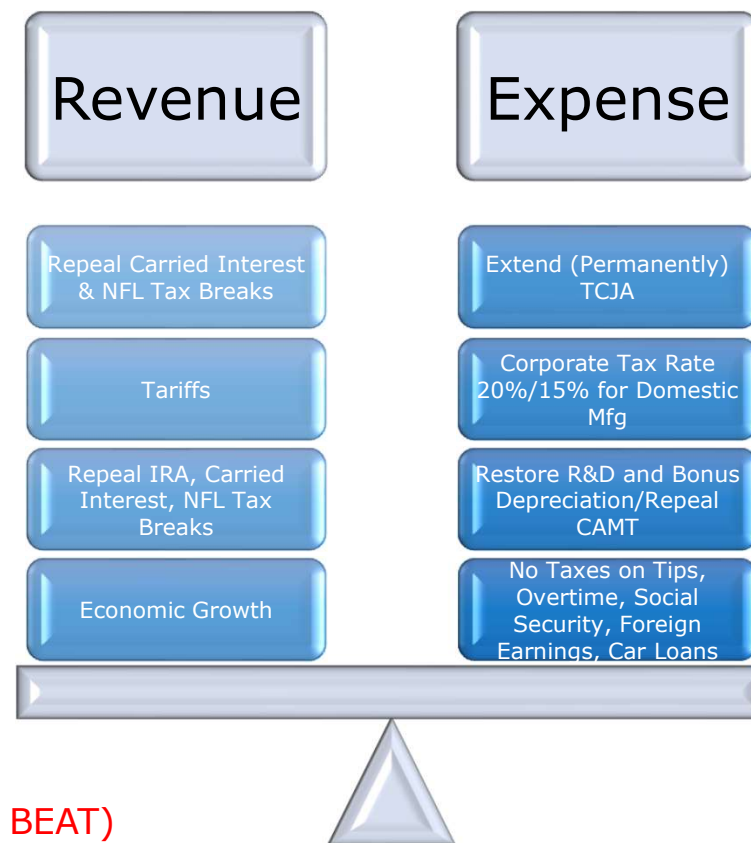
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What are the objectives of the Administration's International Tax Policy?

The Administration's Tax Policy Objectives

Background

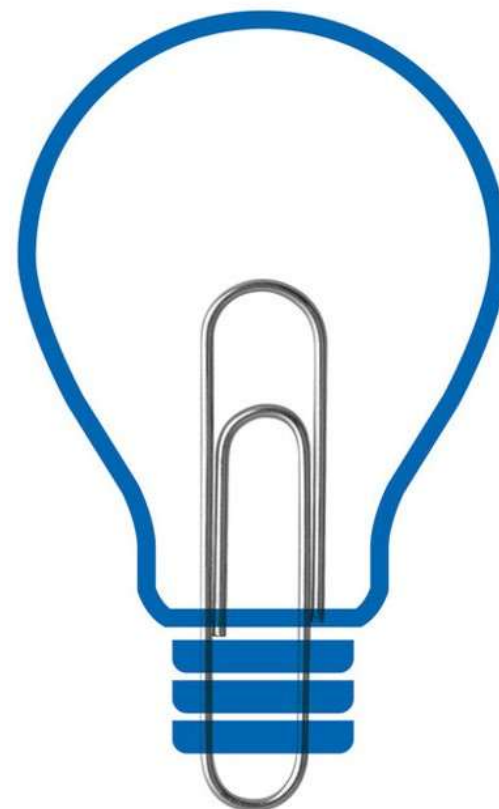
- The campaign did not release a comprehensive tax plan, but has made numerous tax policy proposals
- Focus on reconciliation process to achieve objectives
- Tariffs, IRA repeal and economic growth key to reducing cost of other elements of tax plan



Noticeably absent: International provisions (FDII, GILTI, BEAT)

Business Tax Pledges in the Campaign

- Reduce the corporate tax rate, possibly to 15% (or 20%)
- Reinstitute the domestic production activities deduction at 28.5% to reduce effective rate for domestic production to 15%
- Restore TCJA expired business tax provisions
 - 100% bonus depreciation
 - R&E Expensing
 - 163(j)
- Repeal IRA green energy provisions
- Make section 199A/QBI deduction permanent
- Noticeably absent: International provisions (FDII, GILTI, BEAT)



What role is Congress playing?

TCJA Expiring Provisions in 2025

Expired provisions:
section 174 current
expensing; section 168(k)
bonus depreciation;
section 163(j) add-back

GILTI rate increases from
10.5% to 13.125%; FDII
rate increases from
13.125% to 16.4%

BEAT minimum tax on
U.S. earnings would rise
from 10% to 12.5%

CFC look-through expires
(consider 245A
implications)

Corporate tax cut in TCJA
was permanent—remains
at 21%



For purposes of this United States Policy, we will consider Countries that use the VAT System, which is far more punitive than a Tariff, to be similar to that of a Tariff.

President Trump on Truth Social, February 15, 2025



Tax Related Executive Actions and Pending Bills

1/20/25

The OECD Global Tax Deal (anti-Pillar 2)

1/20/25

America First Trade Policy (section 891 for countries with discriminatory or extraterritorial taxes)

1/21/25 HR 591

Defending American Jobs and Investment Act (increases U.S. tax (incl. WHT) by 5%/year up to 20% for entities from countries with discriminatory or extraterritorial taxes)

2/21/25

America First Investment Policy (investigate terminating China tax treaty)

2/21/25

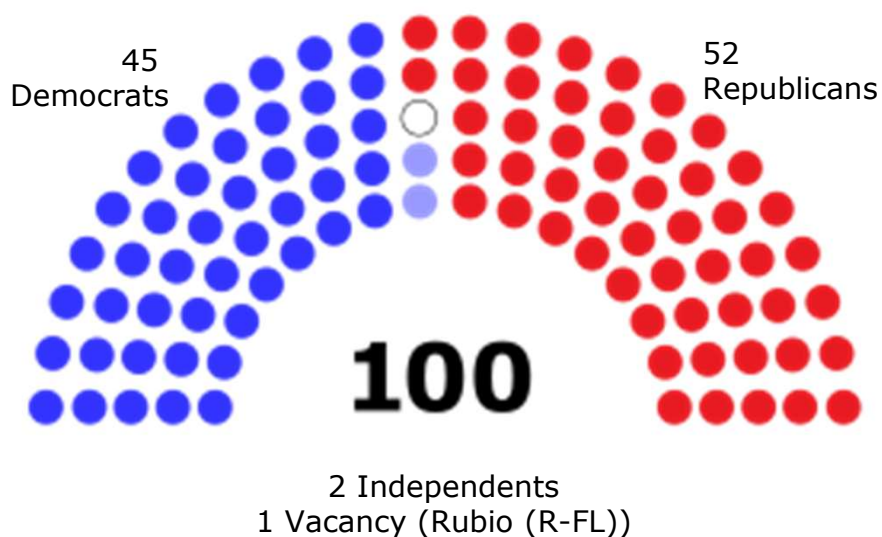
Overseas Extortion and Unfair Fines and Penalties (tariffs based on DSTs of France, Austria, Italy, Spain, Turkey, the UK and Canada, investigate unfair regulatory practices, 891)

Landscape of Current Congress

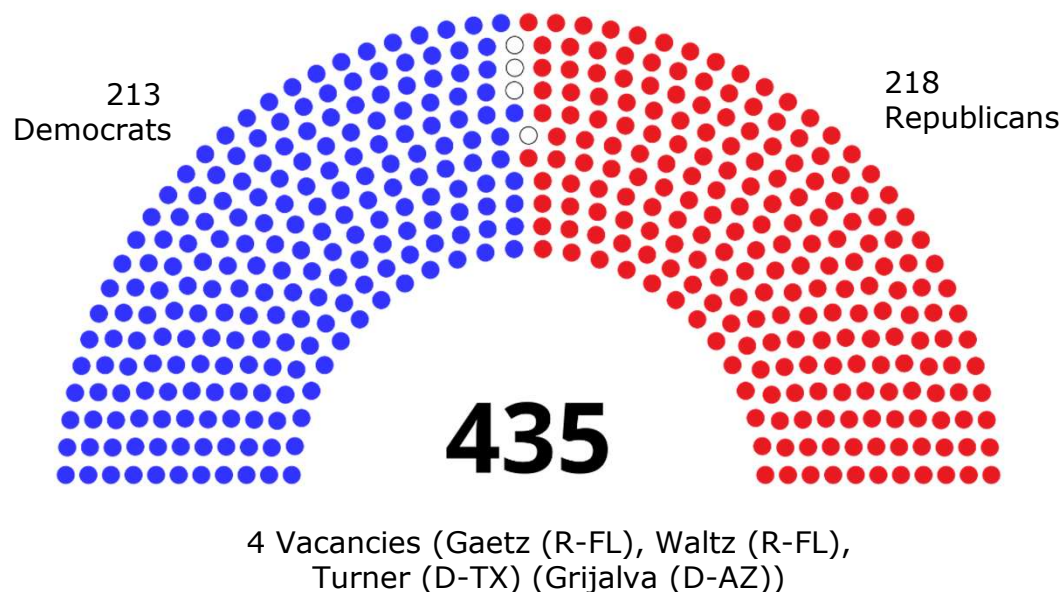
Congressional Majorities

- Republicans hold slim majorities in both the House and Senate.
- The House margins are even more tenuous with anticipated political appointments, and in the Senate, Republicans are shy of the 60 votes needed to avoid a filibuster.

U.S. Senate



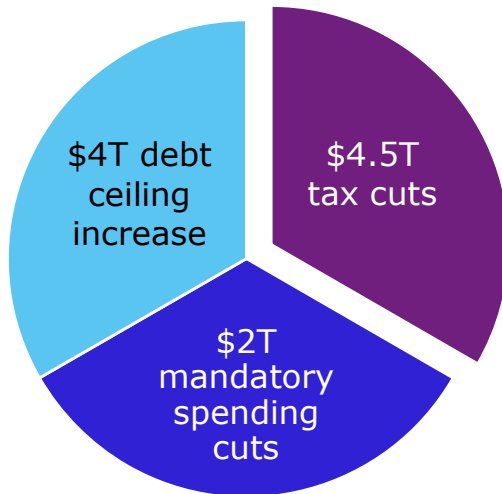
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Stefanik (R-NY) UN nomination pulled

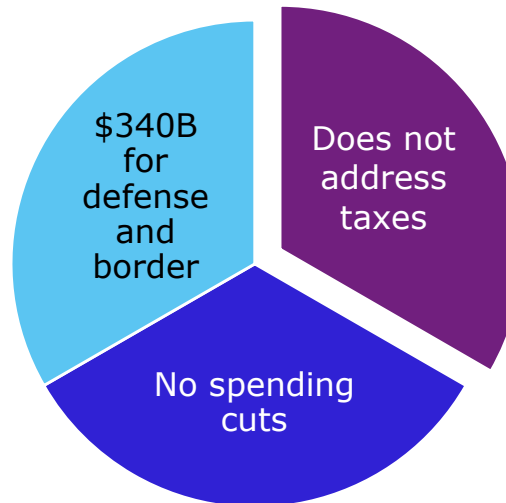
House and Senate Budget Resolution & Tariffs

U.S. House



House framework does not make TCJA cuts permanent, includes significant cuts to Medicaid

U.S. Senate



Sen. Thune anticipates Senate budget framework this week, will likely include debt ceiling increase, may not make same cuts as House framework

Tariffs



Budget Reconciliation Scoring – W&M “Wish List”

Savings	Amount	Costs	Amount
Repeal Title I of the IRA (45Q, 45U, 45Z, and EV Tax Credit)	\$404.7B in 10-year	Repeal CAMT	\$222B in 10-year
Repeal Green Energy Tax Credits	Up to \$796B in 10-year	Cancel amortization of R&D Expenses	\$169B in 10-year
Repeal SALT Deduction	\$1T in 10-year relative to TCJA extension	Modify SALT Deduction	\$15k/\$30k SALT Cap = \$500B cost relative to TCJA extension
Border Adjustment Tax	\$1.2T in 10-year	Eliminate Tax on Tips and Overtime	\$850B in 10-year
10% Tariff Across the Board	\$1.9T in 10-year	Lower the Corporate Rate	15% = \$522B in 10-year costs; 20% = \$73B in 10-year costs
Medicaid Per Capita Caps	Up to \$900B in 10-year		

Budget Reconciliation Scoring – W&M “Wish List”

Savings

Costs

“The math doesn’t
add up”

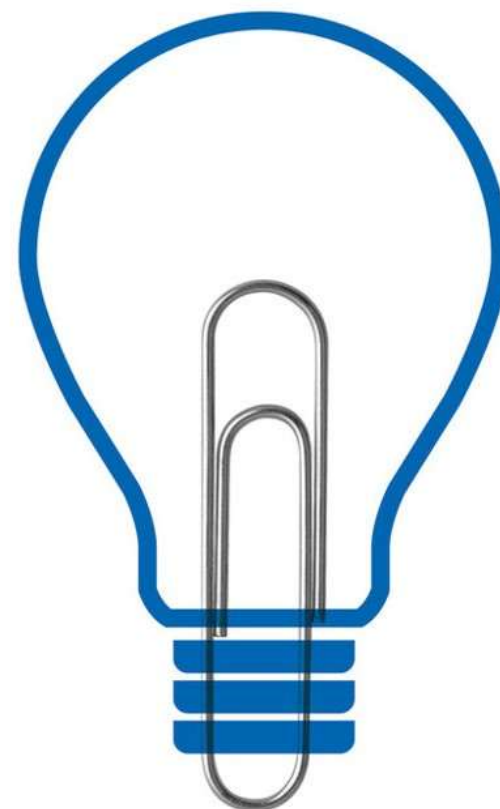
– Senator Peter
Welch of Vermont

Enactment of
Wishlist Results
in More than
\$4.5T in Costs



Scoring Considerations

- Current law baseline (TCJA as expiring, used to reduce costs when TCJA enacted) - \$4T
- Current policy baseline (TCJA as continuing) - \$0
- Tariffs– votes not there to incorporate into the bill - plans to incorporate into revenue offset
- Economic growth scoring
- Parliamentarians Jason Smith (House), Elizabeth MacDonough (Senate)



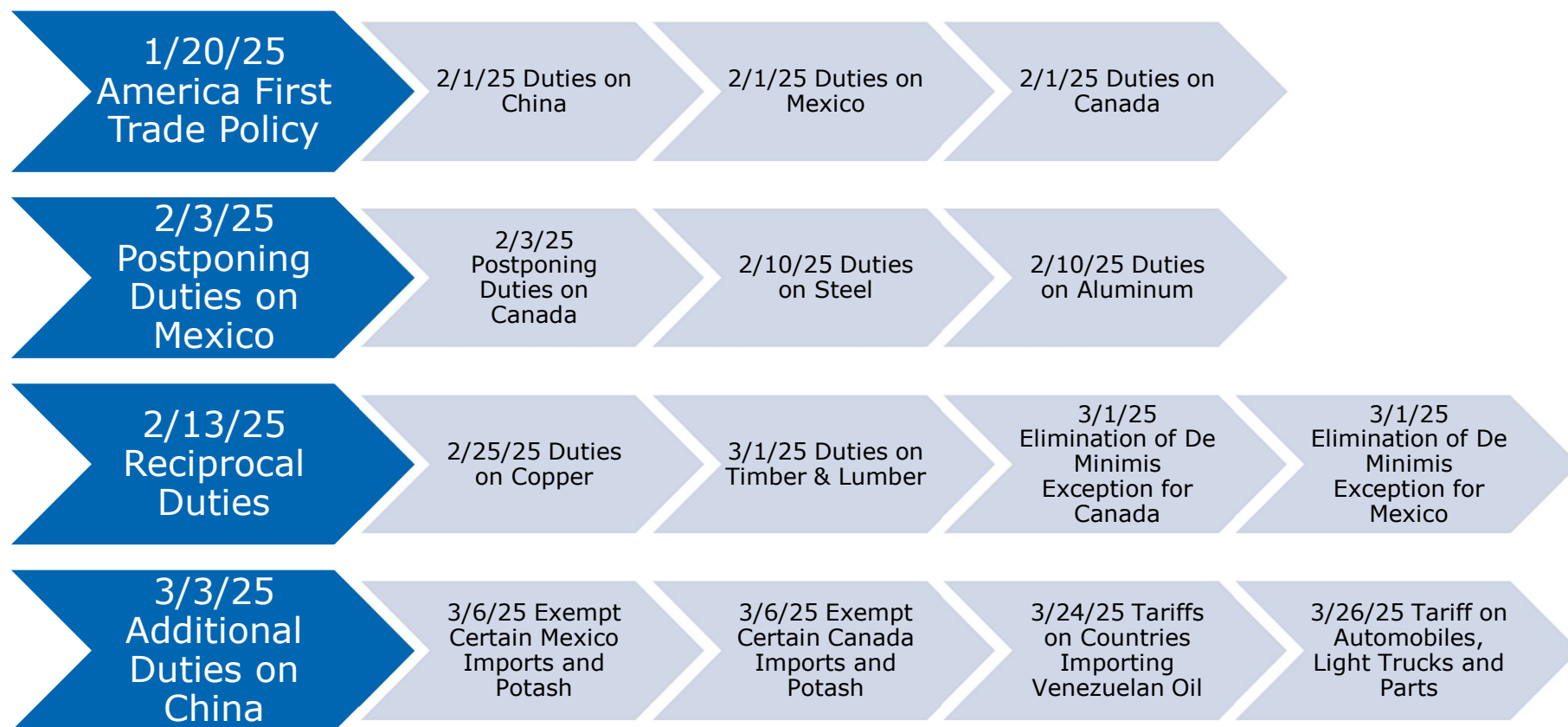
Senate Finance Chair Mike Crapo on 3/12/25

- Senate now focusing on one bill
- Extension of TCJA - \$3.8T
- Permanent R&D expensing, bonus depreciation and 163(j) - \$500B
- No tax on tips, overtime or Social Security - \$3-4T depending on features
- Additional boost for child tax credit - ? (\$50B in BBB)
- Increase to SALT cap - ? (\$50B in BBB)
- 200 additional tax proposals from Senate GOP
 - Repeal or reduce estate tax
 - Increase low-income housing credit
 - Changes to Opportunity Zones



What is the Administration seeking to accomplish through its tariff policies?

Administration Trade Releases



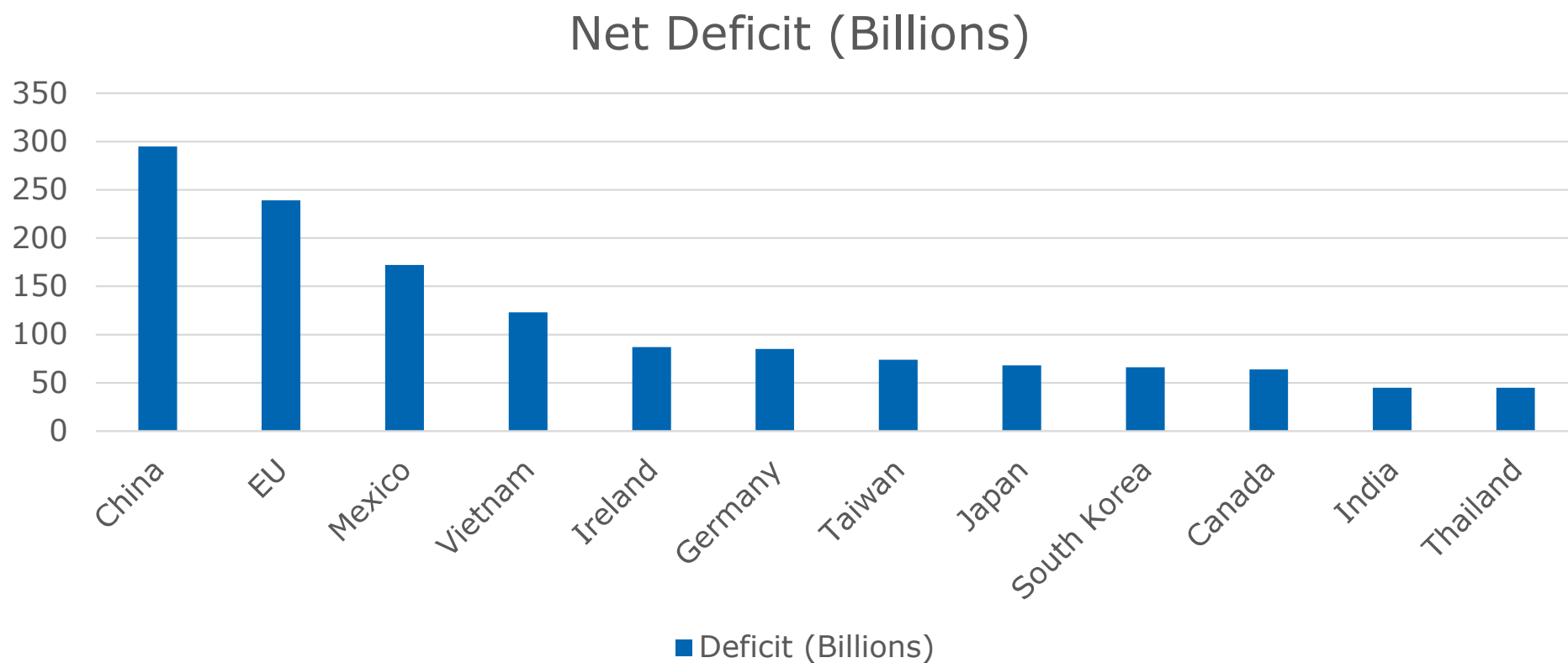
In-Force Tariffs

	Effective Date	Additional Rate
Imports from China	February 4/March 4	10%/20%
Imports from Canada and Mexico (except USMCA qualifying goods from Mexico and auto-related USMCA qualifying goods from Canada)	March 4	25% (10% on energy and potash from Canada)
Imports of steel and aluminum, including downstream products	March 12	25%
Pharmaceuticals, semiconductors	April 2	25%
Reciprocal tariffs (focusing on the “dirty 15,” thought to be Cambodia, Canada, China, EU, India, Indonesia, Japan, Malaysia, Mexico, South Africa, South Korea, Switzerland, Taiwan, Thailand, Vietnam)	April 2	TBD
Imported passenger vehicles, light trucks and certain parts (engines, transmission, powertrain, electrical)	April 2	25% (importers under USMCA will only pay tariff on value of non-US content, USMCA-compliant parts tariff free temporarily)

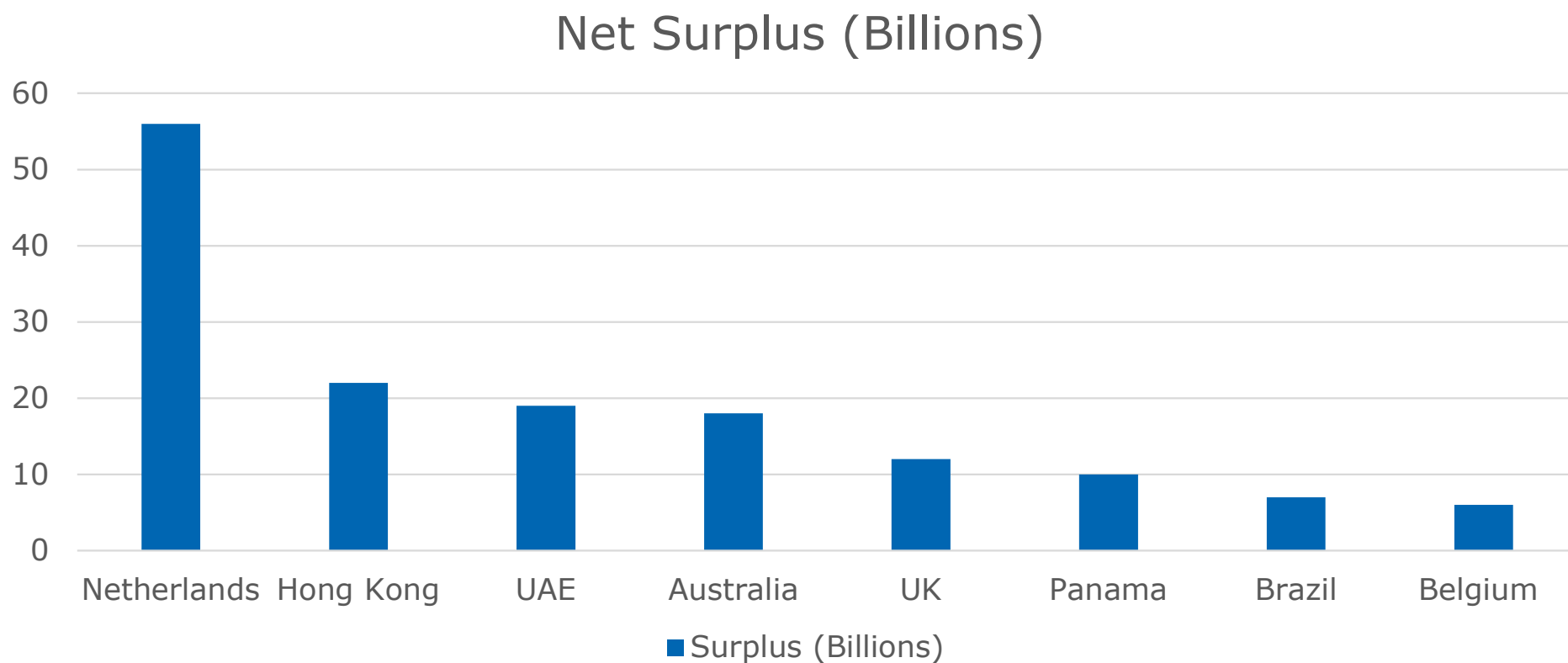
Proposed Tariffs

	Effective Date	Additional Rate
Imports from Colombia	Paused after deportation planes allowed	25%
BRICs (Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran and UAE)	TBD	150% if replace U.S. dollar as a reserve currency
European wine, Champagne and spirits	TBD	200% if the EU imposes a 50% tariff on American whiskey
"Secondary tariffs" on all imports from any country that import oil from Venezuela (also threatened for Russian oil export)	TBD	25%
Copper	TBD Section 232 report due Nov 22	TBD but potentially as high as 25%
Lumber	TBD Section 232 report due Nov. 26	TBD but potentially as high as 25%
Canada dairy and lumber products	TBD	250%
Canadian agricultural products	Threatened April 2	25%

2024 US Trade Deficits (Goods) - Commerce Dep't



2024 US Trade Surplus (Goods) - Commerce Dep't



How should companies and international supply chains be reacting in the face of uncertainty?

Contractual Provisions - Risk Shifting for Tariffs/Taxes

- Commercial Impracticability (UCC)
 - A price increase rarely constitutes commercial impracticability unless extremely huge
 - Financial hardship does not excuse performance
- Force Majeure
 - Rarely included in the list of force majeure events
 - Tariff increase does not fundamentally alter contractual obligation
- Incoterms
- Change in law provision
 - Typically requires a second negotiation
- Tariff-specific provision
 - Specify the importer of record
 - Explicitly allocate tariff costs
 - Provide for price adjustments triggered by tariff changes
- Specific right for seller to adjust prices



Potential Responses to Tax/Tariff Pressure

Leave operations the same

- Can affect tariffs through engineering/change in product mix
- No cost to move
- Minimizes disruption in raw materials/intermediate inputs chains
- Subject to tariff unpredictability/escalation/trade wars

Move to a third country(2-3 years)

- Cost to move/potential incentives to move
- Tax costs and uncertainty in transfer pricing
- Countries with significant US trade surplus may be just as risky
- Countries without a significant US trade surplus may not have supporting infrastructure
- Introduces disruption in raw materials/intermediate input chains
- Subject to tariff unpredictability/escalation/trade wars
- Impact on capital/people/IP

Move to the US (2-3 years)

- Cost to move/potential incentives to move
- Tax costs and uncertainty in transfer pricing
- US exports subject to tariff unpredictability/escalation/trade wars
- Impact on capital/people/IP

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