# INSIDE YEAR ONE: KEY DEVELOPMENTS UNDER A NEW ADMINISTRATION

Ballard Spahr LLP

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## SUMMARY

*Inside Year One* examines the most impactful legal and policy developments emerging from the second Trump administration's first year in office. Drawing on the experience and market insight of leading practitioners and industry advisers deeply engaged across these sectors, the report analyzes how those decisions are reshaping the regulatory, economic, and enforcement landscape across tax and trade, technology, life sciences, education, immigration, and real estate. *Inside Year One* highlights early impacts, practical implications, and the signals most likely to shape 2026.

## FINANCE

***By Dominic J. De Simone***

A year into President Trump's second term, policy signals from Washington are increasingly influencing capital allocation, underwriting assumptions, and sector-level opportunity. The Administration's signature tax-and-spending package—H.R. 1, commonly referred to as the One Big Beautiful Bill Act (OBBBA), signed on July 4—has reshaped the outlook for after-tax ROI across industries, with a mix of extensions and revisions to prior tax policy and a rebalancing of incentives, including changes affecting energy and other project finance economics.

On the financial services front, the direction has been toward a lighter regulatory footprint and a recalibration of supervisory priorities, with potential implications for bank capital and liquidity expectations, consumer finance enforcement, and overall credit availability. At the same time, markets remain sensitive to the intersecting forces of fiscal policy, inflation, and the Federal Reserve's function, particularly as policy messaging continues to emphasize affordability and the cost of capital.

### Housing Finance Focus

Housing is an increasingly explicit focus of the Trump administration's affordability agenda, likely a meaningful driver of credit volumes in 2026. Recent steps have included directing the Federal Housing Finance Agency (FHFA) to facilitate $200 billion of mortgage-backed securities (MBS) purchases through Fannie Mae and Freddie Mac, an effort described as intended to offset the effect of the Federal Reserve's MBS runoff and, at the margin, narrow MBS spreads that feed into mortgage rates. In parallel, the FHFA increased the 2026 conforming loan limit to $832,750 for most one-unit properties, expanding the "conforming" universe and supporting the agencies' addressable market. On the multifamily side, the FHFA set 2026 agency multifamily purchase caps at $88 billion per enterprise (a combined $176 billion), signaling continued capacity for agency lending in that segment, as well.

These policy tailwinds align with industry forecasts calling for a step-up in mortgage activity in 2026, driven by both purchase demand and an expected pickup in refinance volume as rates ease. Recent market forecasts point toward higher total origination volumes in 2026 than in 2025, implying higher expected delivery/guarantee volumes for Fannie Mae and Freddie Mac relative to the prior year.

In the real economy, the Administration's emphasis on manufacturing, onshoring, and "strategic infrastructure" is steering investment, including foreign investment, toward industrial and logistics assets, particularly power-intensive projects, such as data centers and AI computers. A related push to accelerate federal permitting for large-scale data center infrastructure is intended to shorten development timelines and reduce execution risk.

Countervailing pressures remain. Tariff policy continues to affect input costs and pricing dynamics across sectors. Higher education and health care systems face renewed uncertainty around federal grants, especially research funding, often playing out through appropriations and the courts. And tighter immigration enforcement and higher-cost or more restrictive visa pathways risk constraining labor supply in construction and other labor-intensive industries, potentially complicating delivery schedules for housing, infrastructure, and industrial development.

### Five Finance Trends to Watch in 2026

Looking ahead, we are watching:

1. implementation timing and technical guidance under H.R. 1;
2. the trajectory of bank and capital-markets rulemaking and supervisory guidance;
3. tariff developments and supply-chain pass-through;
4. labor availability constraints that may affect construction budgets and completion timelines; and
5. the extent to which housing initiatives—including agency execution (loan limits, multifamily caps, and MBS-market interventions)—translate into improved affordability, higher origination volumes, and downstream demand across residential, multifamily, and related credit markets.

## REAL ESTATE

***By Mary Grace Folwell and Amy M. McClain***

Trump administration policies have made a discernable impact on the real estate markets. Tariffs, and the threat of additional tariffs, have driven up project costs, with lenders often requiring a tariff reserve. Simultaneously, ongoing concerns about high labor costs stemming from changes in immigration policies are contributing to higher construction costs.

The OBBBA resulted in positive changes for several tax credits, including an expanded Low-Income Housing Tax Credit, the Qualified Opportunities Zones tax credit, and permanency for the New Markets Tax Credit. Concerns about demand for these credits resulted in tax credit pricing trending downward in 2025. The sunsetting of several energy credits has also affected project planning around the use of those incentives. More broadly, the OBBBA made permanent or extended a wide range of existing tax provisions, creating opportunities for investors, developers, and contractors.

Projects that rely on federal approvals have had varied experiences, with some approval timelines impacted by decreased staffing, but most seeing limited impact as agencies shifted compliance responsibilities to funding recipients and conducted more limited reviews. In addition, federal agencies have been encouraged to prioritize production, with staffing shifted to support programs and departments that bolster real estate development. The Administration's policy priorities have also impacted agency enforcement practices, with an increased emphasis on immigration compliance and decreased emphasis on fair housing review and enforcement.

A significant concern for federal funding recipients and contractors using federal funds are the potential impacts of certifications requiring compliance with Executive Orders (EOs), laws, and regulations. Given that there are conflicts between EOs, federal regulations and statutes, judicial interpretations, and state laws, there is understandable confusion and concern across the industry.

# IMMIGRATION

*By [R. Stephen Stigall] and [Dustin J. O'Quinn]*

As we move into 2026, employers across industries should expect continued volatility in immigration enforcement priorities, including increased worksite and community-based operations. The Trump administration appears to be inclined to use every immigration enforcement tool at its disposal. Enforcement has included a mix of strategies—paper-based audits, data-driven targeting, and high-visibility raids—to send a message to U.S. employers about foreign workers. For any U.S. organization, the takeaway is the same: the best protection against disruption is advance preparation. This means well-trained frontline staff, a clear chain of command, compliant documentation and processes, and written protocols that can be activated immediately when U.S. Immigration and Customs Enforcement (ICE) or other federal agents arrive at a place of work.

ICE's published guidance and independent analyses confirm that worksite enforcement encompasses criminal investigations, audits, civil fines, and administrative arrests of noncitizens who are out of status or using fraudulent documents. Worksite enforcement reports in 2025 have underscored that ICE will use the full spectrum of tools: large-scale raids, targeted arrests, and Form I-9 audits. Recent operations have included mass workplace raids, such as the 2025 Hyundai battery plant operation in Georgia, where approximately 475 workers were detained.

**Inter-Agency Collaboration and Increased I-9 Scrutiny**

ICE has even begun to work with the IRS and other federal agencies in these investigations and day-of-raid activities. Pursuant to an IRS-ICE Memorandum of Understanding dated April 7, 2025, which remains the subject of ongoing litigation, the IRS agreed to share confidential taxpayer information with ICE, creating an increased risk that an immigration raid could trigger parallel IRS criminal investigation, or worse, an investigation for failure to pay employment taxes.

ICE has also increased more routine but far-reaching I-9 audits and Notices of Inspection. The Department of Homeland Security has raised I-9 fines to nearly $30,000 per violation. Through 2025, ICE had reportedly issued more than 5,200 audit notices to employers nationwide, signaling a willingness to impose substantial civil penalties even where there is no headline-grabbing raid. For 2026, employers should anticipate that I-9 inspections will continue to be a central, high-volume enforcement tool while raids remain a visible means of sending a deterrent message.

Beyond the workplace, 2026 is also likely to see aggressive field operations, including at-large arrests in community, home, and neighborhood "surge" operations. We may also expect to see increased use of detention facilities and private contractors. Recent enforcement surges in major metro areas have combined targeted arrests with significant collateral pickups of individuals encountered on site, highlighting the risk to employees, residents, and family members who may not have been named in any warrant. Simultaneously, investigations and reporting around detention conditions and privately run facilities are driving both litigation and policy scrutiny, which are trends that can result in rapid changes to how and where individuals are processed and held.

**Clear Protocols Are Key for 2026**

Against this dynamic and unpredictable backdrop, preparation for 2026 should be holistic. Organizations should have clear protocols for: interviewing and hiring foreign employees; onboarding all employees with the most recent I-9 rules; handling unannounced visits from local or federal law enforcement; distinguishing judicial warrants, administrative subpoenas, and Notices of Inspection; and responding to an I-9 audit. As we emphasize in our training materials, frontline staff should know to refrain from volunteering information and immediately escalate ICE contact to designated leadership and counsel. Written protocols and training remain the most effective ways to ensure that when a raid, audit, or community operation touches your organization in 2026, the response is calm, consistent, and legally sound.

## TAX

***By Christopher A. Jones***

The most important development of 2025 in the tax world was the passage of the OBBBA in July. The OBBBA permanently restored 100% bonus depreciation for eligible business property acquired after January 19, 2025 (*i.e.*, immediate expensing of qualified property), and added 100% bonus depreciation for "qualified production property" through 2029.

The OBBBA also allows for immediate expensing of research and development costs for years 2025 through 2029, instead of amortization. Other key business tax provisions include changes to the international tax regimes and to the energy tax credit provisions. The energy credit provisions, in particular, have encouraged taxpayers to begin construction before certain credits are reduced and before more restrictive rules regarding foreign investment and control become effective.

On the individual tax side, the OBBBA permanently extended and modified many major individual tax provisions from the 2017 Tax Cuts and Jobs Act. Under the OBBBA, the 20% qualified business income (Section 199A) deduction is made permanent, with new phase-out rules. The state and local tax (SALT) deduction cap remains but is raised to $40,000 (adjusted for inflation) with phase-down provisions for high earners from 2025 through 2029. Likewise, the OBBBA does not restrict the ability of states to enact SALT cap workarounds. The OBBBA also introduced deductions for qualifying tip income and overtime pay (subject to caps).

Outside of the OBBBA, the government shutdown significantly curtailed IRS response times throughout the fall. Likewise, permanent reductions in force within the IRS may affect the 2026 filing season and may continue to limit the IRS's responsiveness.

Finally, in addition to funding cuts, many tax-exempt organizations have felt a chilling effect from the Trump administration's targeting of diversity, equity, and inclusion (DEI) initiatives and have been forced to evaluate their programming to ensure continued compliance with Section 501(c)(3). There remains a sense that the Administration could threaten to revoke the tax-exempt status of organizations with which it disagrees.

# FOCUS ON INDUSTRY SECTORS

## ARTIFICIAL INTELLIGENCE AND TECHNOLOGY

***By Greg Szewczyk and Charley F. Brown***

Consistent with the Trump administration's broader approach to business more generally, the AI and tech industries have gained significant advantages from the Administration's deregulatory posture in its first year. In fact, the AI and tech industries have enjoyed even greater benefits than most other industries. After a quick showing of support and influence by several members of big tech, the Administration not only sought to remove prior federal regulatory hurdles to innovation and development in the AI and tech realms, but also sought to expand the federal government's ability to preempt state laws and regulatory efforts.

For example, during the negotiation of the OBBBA, the version that originally passed the House included a 10-year moratorium on enforcement of state and local laws and regulations governing AI models, AI systems, or automated decision systems (subject to limited exceptions). While that moratorium was ultimately removed, the White House shortly thereafter released *America's AI Action Plan*, which instructed various federal agencies to investigate whether they could preempt state and local laws that regulate AI under the general mandate that "[t]he Federal government should not allow AI-related Federal funding to be directed toward states with burdensome AI regulations that waste these funds."

### States Step Up Regulation

Notwithstanding federal deregulation and threats to preempt, several states have taken steps to increase their regulation of tech and AI. For example, California passed SB 53, a first-in-the-nation law that will impose standardized safety disclosure and governance obligations on developers of frontier AI systems. Colorado also moved forward with its Anti-Discrimination in AI Law without amendment during the 2025 legislative session, and the law is set to go into effect in June 2026. Even red states like Texas have brought aggressive enforcement actions against tech companies, including by alleging that AI-powered facial recognition tools violate its biometric identifier law. In the face of federal deregulatory pressure, states across the political spectrum have continued to push forward with AI and tech regulation.

In the closing weeks of 2025, the White House issued an EO that may bring the struggle over this dichotomy to a head. Under the EO, titled *Ensuring a National Policy Framework for Artificial Intelligence*, the U.S. Attorney General is tasked with establishing an AI Litigation Task Force to challenge unconstitutional, preempted, or otherwise unlawful state AI laws; the Secretary of Commerce is directed to publish an evaluation of state AI laws that conflict with national AI policy priorities; and the Administration is called upon to develop a national AI legislative framework that would preempt conflicting state AI laws.

In other words, the Trump administration has set the stage for a showdown between the state and federal governments over AI and tech regulation, and we will likely see the real battle in 2026.

## BANKING AND FINANCIAL SERVICES

*By Kelly M. Wrenn and Maria Tripplaar*

### Post-Government Reopening and Legislative Priorities

After a 43-day shutdown, the federal government officially reopened on November 13, 2025, after approval from the Senate, House, and President. The deal included FY26 funding for the appropriations bills covering the Legislative Branch, Military Construction & Veterans Affairs, and Agriculture, while stopgap funding in the form of a continuing resolution extends funding for the rest of the federal government through the end of January. As of January 1, 2026, nine appropriations bills remained pending, creating uncertainty for several industries, including banking and financial services (BFS).

The House Financial Services Committee demonstrated notable productivity in late summer and early fall, advancing several bipartisan initiatives despite the shutdown slowing momentum. There is growing legislative interest in cryptocurrency, artificial intelligence, and stablecoin regulation, signaling a shift toward modernizing financial oversight. In particular, there is serious bipartisan interest in cryptocurrency and AI legislation. Stablecoin bills are positioned to move quickly in the coming months, although the current political landscape may impact that trajectory. Additionally, the Committee passed the Community Bank Leverage Ratio Act in November, easing requirements for smaller financial institutions. Other significant measures include the Bank Competition Modernization Act and the Financial Technology Protection Act, the latter currently under Senate consideration.

### Market Trends and Emerging Risks

The alternative lending market continues its rapid expansion, now valued at $3 trillion and projected to surpass $5 trillion within the next three to four years. This growth underscores the increasing role of nontraditional lenders in the broader economy. Bank lending (whole loan) is up approximately 50% year-over-year, evidencing the fact that bank direct lending anxiety is subsiding. While regulatory oversight is loosening, be on the lookout for a Basel re-proposal in 2026 with respect to capital requirements which may impact lending activities. At the same time, Earned Wage Access products are facing heightened regulatory and litigation scrutiny, reflecting concerns about consumer protection and compliance. Adding to the sector's challenges, a major $100 million fraud case has recently affected several regional banks, reinforcing the need for stronger risk management and fraud prevention measures across the BFS industry.

### Implications for Financial Sector Companies

Taken together, these developments signal a period of accelerated change for financial services. Legislative priorities around digital assets and AI will reshape compliance frameworks, while the growth of alternative lending introduces new competitive dynamics and risk considerations as banks continue to increase refinancing lending volumes. Institutions must prepare for heightened regulatory scrutiny, particularly in emerging product categories like Earned Wage Access, and strengthen fraud detection capabilities in light of recent high-profile cases. The evolving landscape presents both opportunities, such as innovative lending solutions, and challenges, including navigating complex regulatory environments. Strategic agility and proactive risk management will be critical for success in this new era.

## EDUCATION

*By Maria Tripplaar and Katlyn E. Koegel*

### Overview of Federal Education Policy Changes in 2025

Federal education policy underwent significant changes in 2025, driven primarily by executive action and litigation rather than legislation. Executive Orders (EOs), restructuring of the Department of Education (ED), new regulations, and enforcement actions have created a complex compliance environment for institutions. With the ED operational reorganization underway, institutions must navigate an expanded field of regulators and stakeholders in the higher education landscape.

### Impact on Institutional Operations and Governance

Organizational changes began with a March EO directing the Secretary of Education to initiate the process of closing the ED and transferring authority over education to states and local communities. Secretary McMahon subsequently worked to transition the ED's operational functions. By November, agreements had been executed transferring core ED responsibilities to other agencies. Educational institutions now interface with the Department of Labor on elementary and secondary education matters, the Department of the Interior on Native American education, the Department of State on international education and foreign language programs, and the Department of Health and Human Services for on-campus childcare support programs. These reassignments represent a fundamental shift in the administrative structure governing education. Secretary McMahon has been very public about her views that these re-assignment efforts are an essential piece of the ED's final mission.

### Impact on Student Rights and Campus Policies

Beyond organizational changes, recent policy developments have impacted institutions' internal policies and student relations. Two January 2025 EOs altered the compliance landscape under the Civil Rights Act.

The first EO established a federal policy recognizing two biological sexes: male and female, and directed agencies to rescind contradictory guidance, with immediate implications for Title IX interpretation. This change has bearing on ongoing legal proceedings, as the Supreme Court is scheduled to hear *Little v. Hecox and West Virginia v. B.P.J.* on its January 2026 docket. These cases examine state laws restricting transgender female participation in women's college track and girls' middle school sports teams, respectively. In the West Virginia case, the appellate court found the law violated Title IX, meaning the Supreme Court's decision will shape how the statute is interpreted and applied going forward.

The second January 2025 EO directed agencies to address what the order characterizes as discrimination and race-based preferences, affecting Title VI enforcement in education. The EO made receipt of federal funds contingent on certification that recipients do not operate programs promoting DEI, with false certification potentially resulting in contract cancellation, rescinded funds, and treble damages. Concurrently, the Administration ramped up enforcement efforts to remedy alleged existing civil rights violations at colleges and universities.

## Institutional Responses to Federal Enforcement

Meanwhile, enforcement efforts to address alleged civil rights violations have intensified. Multiple federal agency investigations into alleged violations of federal anti-discrimination laws at Columbia University resulted in a three-year, $200 million settlement between the university and the federal government. Columbia will also pay an additional $21 million to settle investigations brought by the U.S. Equal Employment Opportunity Commission. The settlement agreements restored most of the school's previously awarded federal grants, which had been terminated or paused during the investigation, and will allow Columbia to access current and future grant funds. As part of the settlement, Columbia agreed to: (1) review its portfolio of Middle East-focused programs; (2) appoint new faculty with joint positions in the Institute for Israel and Jewish Studies and economics, political science, and SIPA; (3) add an administrator to serve as a liaison to students concerning antisemitism issues and support Jewish student wellbeing; (4) discontinue programs that promote efforts to achieve race-based outcomes, quotas, diversity targets, or similar efforts; and (5) maintain merit-based admissions policies.

When faced with similar federal funding freezes and investigations, Harvard University chose to litigate, challenging the government's actions as unlawful. The U.S. District Court for the District of Massachusetts agreed, granting Harvard summary judgment on constitutional grounds in early September. The government has appealed, subjecting the matter to additional judicial review. The outcome will determine whether federal funding freezes remain available to the government as an enforcement mechanism or whether alternative approaches will be necessary.

## Impact on Student Financing and Career Decisions

Students face evolving considerations regarding financing post-secondary education due to changes in federal financial aid policy. A March EO modified the Public Service Loan Forgiveness (PSLF) Program to ensure that the definition of "public service" excludes organizations that engage in activities with a "substantial illegal purpose." The order specifically identifies as examples: (1) illegal discrimination; (2) surgical castration of children; (3) violations of federal immigration laws; and, (4) violations of state tort laws such as trespassing, disorderly conduct, public nuisance, vandalism, and obstruction of highways.

The ED promulgated final rules implementing this order at the end of October. Questions remain about how these definitions apply to various organizations, such as those which resettle immigrants under Biden-era policies or advocate for transgender youth. Students utilizing the PSLF program must consider whether their prospective employers will qualify under the modified criteria.

Additionally, the OBBBA affects federal loan availability for certain programs. Its passage prompted draft regulations from the ED establishing loan caps for graduate degrees and redefining "professional degrees" to exclude nursing, public health, and accounting, among others. This may affect enrollment in programs no longer classified as professional degrees if students cannot secure alternative funding sources, creating pressure on private funders and institutional scholarships.

## Looking Ahead to 2026

Educational institutions face a complex compliance environment as they move into 2026. Policy changes, along with shifting regulatory and enforcement approaches, have led some entities to enter settlements while others have undertaken litigation. Students must confront financing decisions with modified options for public loans and loan forgiveness. As the ED continues to transfer its operational functions, institutions must engage with an evolving array of regulatory bodies. With federal funding now contingent on certification regarding DEI programming, federal grant recipients must evaluate their programs and compliance obligations. Educational institutions must carefully navigate the numerous changes in federal education policy implemented in 2025 and anticipate continued developments in 2026.

## HEALTH CARE

*By Philip Legendy and Maria Tripplaar*

During President Trump's first year in office, the health care sector saw notable policy changes that have continued to shape the landscape. One major development was the expiration of enhanced premium tax credits introduced under the American Rescue Plan, which ended in late 2025. If Congress does not reinstate these credits, this change is expected to increase insurance premiums and could lead to coverage losses for millions of Americans, while also impacting insurers, hospitals, and other providers through higher uncompensated care costs and reduced clientele. Medicaid expansion incentives have concluded, and certain regulations intended to streamline Medicaid enrollment have been suspended, which may influence state-level decisions on Medicaid coverage and slow or reduce Medicaid enrollment.

### Legislative Impacts and Administration Initiatives

The OBBBA implements several Medicaid and Medicare changes between 2025 and 2027. In particular, nondisabled adult Medicaid recipients will need to demonstrate monthly work, education, or volunteer activities starting in 2027, while eligibility reviews shift from annual to semiannual for expansion populations. Additionally, according to the provisions in OBBBA, states lose the ability to use health care provider taxes for program financing, and certain enrollees will face new cost-sharing requirements in 2029. Moreover, federal senior health coverage becomes restricted to specific residency and citizenship categories, and facilities offering abortion services lose federal reimbursement for all care. As a result, federal analysts at the Congressional Budget Office (CBO) project 10 million more uninsured individuals by 2034. We expect that health care providers will experience increased uncompensated care costs, with rural facilities facing particular risk given existing financial pressures. The law allocates approximately $50 billion over five years for rural health support; however, some analysts question whether this addresses the full financial impact.

Two January 2025 EOs addressed transgender policy. The first eliminated federal recognition of transgender identities and terminated government funding for related initiatives. The second EO imposed restrictions on gender-affirming care for transgender youth. Medical facilities serving patients under 19 years old with these services risk losing federal support and facing heightened government oversight. Courts have intervened in multiple jurisdictions, with judges in Washington, Minnesota, and Oregon blocking implementation, and other rulings temporarily halting the funding restrictions

The EOs present operational and financial challenges for health care providers. Following the EOs, medical facilities in multiple states modified or suspended certain clinical programs, while organizations offering specific services to patients under 19 face potential federal funding losses and heightened regulatory oversight. Ongoing litigation has created varying enforcement requirements across different jurisdictions, complicating compliance planning and resource allocation for health care administrators. These policy changes may also affect patient confidence in health systems, requiring providers to strengthen outreach and communication efforts while navigating an uncertain regulatory environment.

## LIFE SCIENCES

*By Scott D. Marty, Ph.D., and Kate A. Belinski*

Since President Trump took office in January 2025, the life sciences sector has undergone major shifts, particularly in manufacturing, regulation, and drug pricing.

One of the most significant developments has been the push to bring drug manufacturing back to the United States. The Administration framed this as both a national security priority and an economic growth strategy. Major companies responded with unprecedented investments: Johnson & Johnson pledged more than $55 billion toward U.S. manufacturing, research and development, and technology investments; Roche announced a $50 billion commitment to domestic expansion; and Gilead Sciences committed $11 billion to supplement an already planned expenditure of $21 billion in U.S. manufacturing and R&D through 2030 to bolster its U.S. operations. This reshoring effort reflects President Trump's broader agenda of reducing reliance on foreign supply chains, especially after vulnerabilities exposed during the COVID-19 pandemic.

Another key change has been in FDA regulation and oversight. The Trump administration has emphasized deregulation, with the goal of accelerating approvals for advanced therapies, rare disease treatments, and biotech innovations. Some argue that streamlining the process could shorten development timelines, reduce costs, and encourage investment in cutting-edge fields, such as gene therapy and cell-based treatments. At the same time, critics across party lines caution that loosening regulatory standards may risk patient safety, create uneven access to new medicines, and place pressure on the FDA's ability to maintain rigorous oversight. The Administration's significant cuts to staffing levels at the FDA have exacerbated concerns over patient safety and may nullify any benefits from the streamlining process. The debate reflects a broader issue: how to balance innovation and speed with the safeguards needed to protect public health.

Regardless of perspective, the Administration's stance has already reshaped how companies allocate resources, with many pivoting toward high-risk, high-reward therapies that benefit from faster pathways.

Drug pricing policies have also disrupted the industry. In May 2025, President Trump signed an EO to lower medication costs, coupled with tariffs on imported pharmaceuticals. Deals with major companies to reduce Medicaid drug prices underscored the Administration's approach. While these measures aimed to make medicines more affordable for Americans, they also introduced volatility into global markets, as companies recalibrated supply chains and pricing strategies. The combination of reshoring, deregulation, and pricing reforms has created a turbulent but transformative environment, positioning the U.S. life sciences sector for long-term change.

Various patent reform efforts have also unfolded in 2025 alongside President Trump's broader push to strengthen U.S. competitiveness in life sciences. These reforms are critical because intellectual property (IP) protections are the backbone of pharma and biotech innovation. As noted in our Life Sciences Industry Update from August 2025, the four main patent reform bills (RESTORE, PERA, PREVAIL, and ETHIC) have seen varying degrees of movement in Congress. PERA and PREVAIL have gained bipartisan traction and were reintroduced in both chambers in mid 2025, while RESTORE remains under debate and ETHIC continues to face industry opposition. Together, these potential reforms are shaping a new IP landscape that could strengthen patent protections and investor confidence in biotech, though the final balance between innovation and competition remains unsettled.

September saw the release of the second report by the Make America Healthy Again (MAHA) Commission outlining 128 policy recommendations. Like the first report, it serves largely as a statement of policy priorities in the form of voluntary initiatives and studies, rather than enforceable regulatory actions or concrete metrics. Some of the key takeaways include proposals to significantly restructure the Department of Health and Human Services (HHS), increased collaboration between CMS and state Medicaid, a cross-agency focus on chronic disease, and tightening the rules on direct-to-consumer (DTC) advertising of pharmaceutical products. As with any major regulatory proposals, it is far easier to propose change than it is to implement it so only time will tell what priorities move forward.

Most recently, the BIOSECURE Act has continued to progress through Congress, including House and Senate consideration, as part of the FY26 National Defense Authorization Act. The annual bill would authorize a record $901 billion in national security spending next year. The BIOSECURE Act is designed to limit Chinese biotech companies and manufacturers from accessing U.S. funding and collaborating with U.S. pharma companies using federal funding. With China-based companies being responsible for 20% of drugs in development, the effect of the BIOSECURE Act will be interesting to monitor.

## MANUFACTURING

*By Brendan K. Collins*

The year 2025 began with optimism for the manufacturing sector, with hopes for tax relief, deregulation, and a generally pro-business environment under the second Trump administration. We captured some of this optimism in our Manufacturing Moment podcast series, featuring leaders of federal and state trade associations. The results have been decidedly mixed.

The sector's hopes for a stable business climate were toppled in April when President Trump began trade wars with all significant U.S. trading partners simultaneously, imposing unprecedented tariffs under the International Emergency Economic Powers Act (IEEPA), a little-used statute conferring some of Congress' intrinsic and exclusive trade authority on the President. These tariffs triggered hurried negotiations with many nations, resulting in dizzying on-the-fly changes that have frustrated companies trying to mitigate the impact on supply chains and cost structures. High-level accords with countries have been very slow to granularize, leaving manufacturers to cope with an ever-evolving, or devolving, landscape. Moreover, early in 2026 the Supreme Court is expected to render a final decision whether the IEEPA tariffs were within the President's power or are invalid. If those tariffs are struck down, we can expect further disruption, even to the bilateral trade agreements that were negotiated under threat of those tariffs.

There have been some wins. In July, the Administration delivered on tax relief critical to manufacturing. The OBBBA made permanent several key tax benefits for the sector that were adopted in 2017 as temporary measures. These include immediate deductions for R&D spending and factory capital spending, and provisions supporting small and family-owned businesses related to pass-through and estate exemptions. The Administration has relaxed or simply waived a number of environmental regulations, from narrow rules affecting a handful of facilities to broad efforts to eliminate addressing climate change or fossil fuel pollution. Many of these actions are subject to ongoing legal challenges but remain in effect. The Administration has also taken a number of steps within its power to speed federal permits and approvals of all types, but hopes for broader permit reform legislation were dashed when the Administration acted to revoke approvals already issued to offshore wind projects, including some already under construction, collapsing bipartisan support.

Last year brought other new federal and state actions that contributed to an overall sense of turbulence in the business climate. Some of these actions reflect predictable policy changes that have had surprising manifestations. Tightened immigration enforcement was expected, but the deportation of highly skilled and executive-level personnel that followed an immigration raid at Hyundai's Georgia facility was surprising, particularly after a bilateral trade agreement with South Korea was reached. The President called for lower interest rates during his campaign, but his all-out war with the Federal Reserve's Chairman and Board of Governors has shaken confidence in the implacable prudence of U.S. monetary policy. Executive side quests attacking universities, DEI programs, political enemies, and law firms raise concerns that the Administration has not brought a single-minded focus to the task of improving the economy. Meanwhile, states continue to assert their own independent authority to regulate business. The recent proliferation of state-extended producer responsibility and packaging laws is particularly confounding for consumer products manufacturers, as a patchwork of regulatory requirements takes shape.

All of these political and legal developments have contributed to a sense of unease, and 2026 offers only limited hope for firmer ground, at least with respect to trade issues. The question of the President's authority to levy tariffs under the IEEPA will be settled early in the year, but that decision will produce its own uncertainty. If the tariffs are struck down, existing trade agreements may be jeopardized, the Administration will replace the IEEPA tariffs by using more established authority, and the U.S. will face an onslaught of tariff-refund cases. If the IEEPA tariffs are upheld, industry can expect the mercurial application of that authority to continue in hard-to-anticipate ways. Meanwhile, the most impactful trade agreement in U.S. history, the U.S.-Mexico-Canada Agreement, will enter into a renegotiation period that could reshape the North American economy for decades. Manufacturers and consumer products companies will once again need to demonstrate strategic flexibility to navigate the challenges of the coming year.