

# U.S. Chamber of Commerce Update

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U.S. Chamber of Commerce



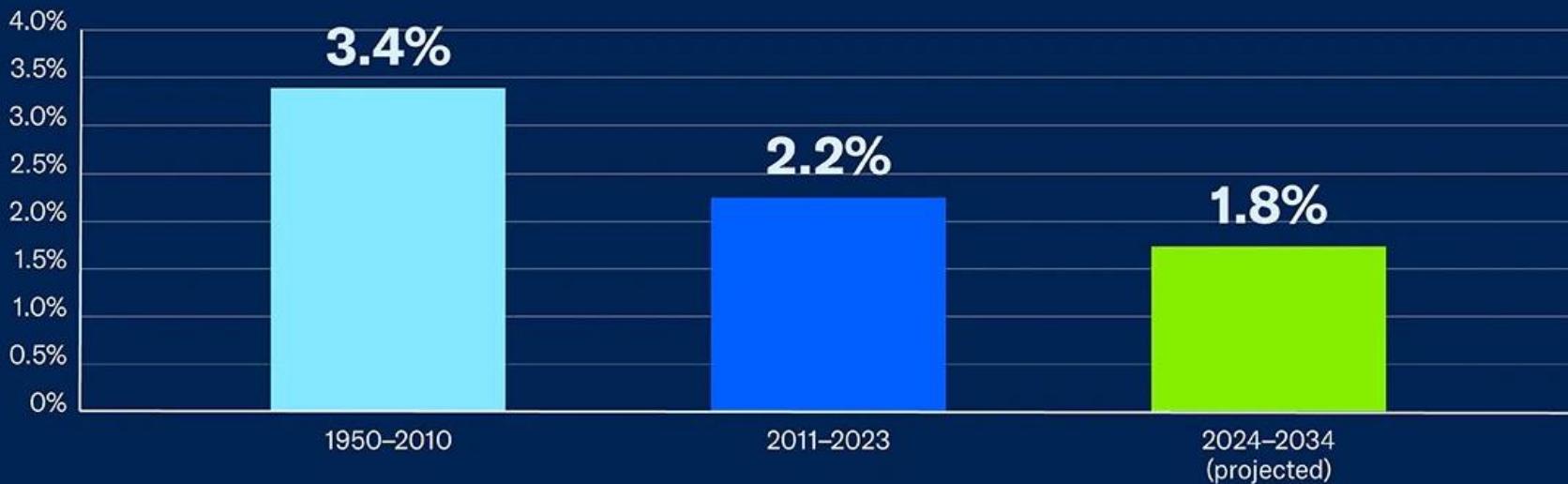
# The Growth and Opportunity Imperative



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# Annual Real Economic Growth



Source: U.S. Bureau of Economic Analysis; Congressional Budget Office

# Annual Real Economic Growth

## The Slowdown in Economic Growth

- From 1950 to 2010, real economic growth in the United States averaged 3.4% a year, even with recessions.
- As a result, the 2010 economy was seven times larger than the 1950 economy.
- The population of the U.S. also grew during this period, but the economy grew faster. Real per capita GDP was more than three times larger in 2010 than in 1950.



# The Slowdown in Economic Growth

Since 2010, growth has averaged just 2.2% a year.

The nonpartisan Congressional Budget Office projects even slower growth, averaging just 1.8% for the next decade.

Much of the slowdown is attributed to the decline in tailwinds, which had supported faster economic growth:

- In the 1950s, in the aftermath of World War II, while the rest of the world was rebuilding, America was able to convert its vast military production into domestic manufacturing production. This burst of economic activity supported rapid growth.
- Since then, our economy has matured into a more service, technology, and innovation-based economy.
- In the 1960s, the baby boomer generation began entering the workforce and continued to do so through the early 1980s, leading to a rapid expansion of the labor pool.
- With the youngest baby boomers now reaching the age of 60, most of this generation has exited the workforce.
- Beginning in the 1960s and continuing through the 1990s, there was a dramatic increase in the number of women in the workforce, with female labor force participation jumping from 38% in 1960 to 60% in 1999.
- Today, female labor force participation is 57%.



# Why Growth Matters

## **Faster Growth Is Essential to the American Dream**

A big part of the American Dream is the idea that our children will be better off than we are, and our grandchildren will be even better off than their parents. Our ability to substantially improve our lives depends, in part, on how quickly the overall economy is growing. It is much easier for our slice of the pie to get bigger when the overall pie is also getting bigger.

Sustained economic growth provides a foundation for broad-based prosperity by expanding opportunities, increasing incomes, fostering innovation, and enhancing the overall quality of life for individuals and families. It is a critical driver in reducing poverty and creating a society where everyone has a chance to thrive.

- When our economy is growing at 3%, someone who is born today will see America's economy double in size by the time they are in their early 20s.
- At 2% growth, it will take until they are in their mid-30s for the economy to double.



## Growth and Opportunity Imperative

The Faster the Pie Grows,  
the Faster Our Slice Grows



Today



20 Years at  
2% Growth



20 Years at  
3% Growth



# Faster Growth is Essential to Taming Rising Federal Debt

Persistently high deficits and the growing federal debt are rightfully a concern. While fiscal policies are key to stabilizing our growing debt, economic growth will also play a critical role.

Increasing productivity such that we increase economic growth by just a half a percentage point a year, from 2% to 2.5%, would by itself decrease the federal deficit by \$1.2 trillion over the next 10 years.

- The opposite is also true: If productivity is less than expected under current economic assumptions and the economy grows at just 1.5% on average, that by itself would increase the deficit by \$1.2 trillion.



# The Role of Public Policy and a Pro-Growth Goal

When an economy has strong tailwinds, it can grow rapidly despite bad public policy. When those tailwinds disappear, public policy plays a critical role in maximizing opportunities for growth.

To grow America's economy and create better opportunities for Americans, we need policies that:

- Support a larger and more skilled workforce.
- Support investments in innovation and cutting-edge technology and the private-sector deployment of those innovations to improve productivity.
- Embrace the economy of the future, rather than trying to recreate one of the past, and give the private sector the certainty to plan, invest, and grow.



# A Pro-Growth Agenda

- Taxes
- Trade
- Immigration and Workforce
- AI
- Skills
- Regulations
- Antitrust
- Energy
- Federal Debt
- Legal Environment and Rule of Law
- Labor and Workforce
- Permitting
- Capital Markets
- Intellectual Property
- Infrastructure
- Housing
- Maintaining our National Economic Union
- Free Enterprise



# 2025: Political Overview



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# 119th Congress: Republicans in Control of Washington



	White House	U.S. Senate	U.S. House	State Leg.	Governors
Before Nov. 5, 2024	Pres. Biden (D)	51 D – 49 R	212 D – 220 R * 3 vacancies	41 D – 56 R	23 D – 27 R
Current	Pres. Trump (R)	47 D – 53 R	215 D – 218 R * 2 vacancies	39 D – 57 R	23 D – 27 R
Net	R flip	R flip	+ 1 D	R+1	No change



# Key Facts on the 119<sup>th</sup>

Turnover in 2024 remains high

- Senate – **12** Members left or lost
- House – **63** Members left or lost

**12** incoming Senate Freshmen: 6 Republicans, 6 Democrats

**63** Incoming House Freshmen: 30 Republicans, 33 Democrats

**75** Second Term House Members: 35 Republicans, 40 Democrats

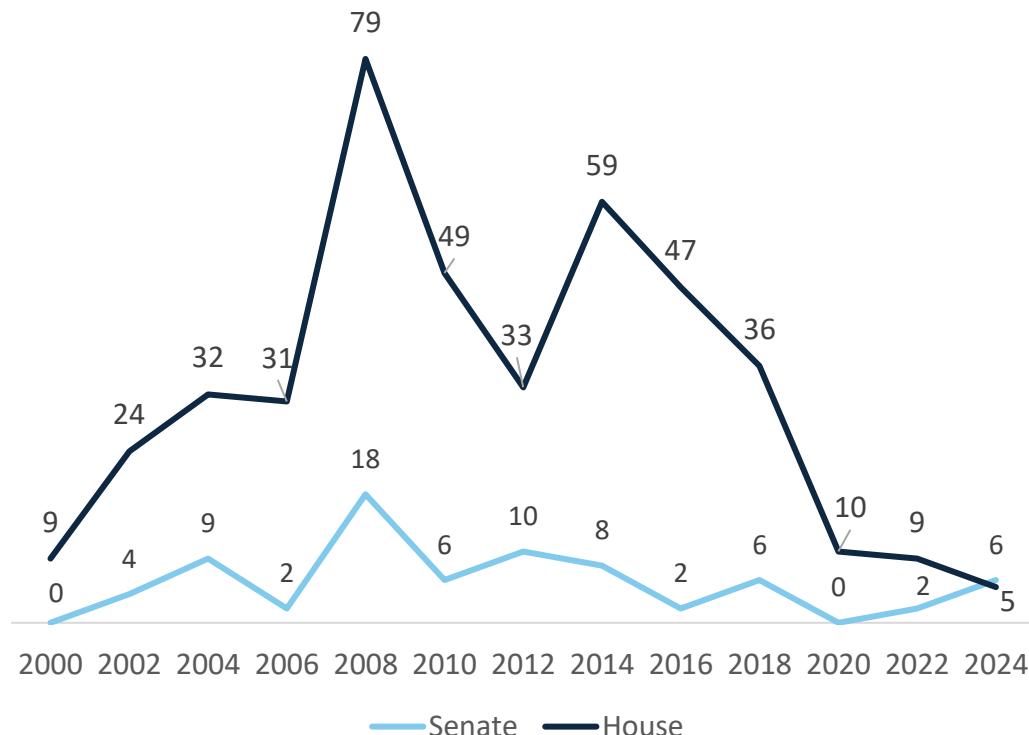
**296** Three Terms+ Members: **154** Republicans, **142** Democrats

As majorities have declined in the recent decade, bipartisanship has become necessary.



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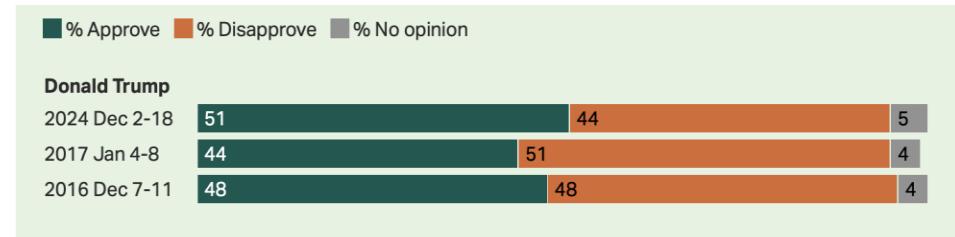
## Changes in House and Senate Majorities from 2000 - 2024



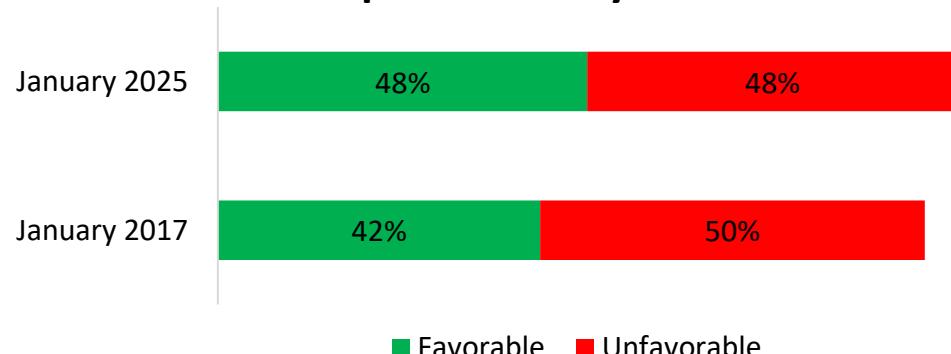
# Trump's Increased Support

President Donald Trump enters his second term with a near all-time high in personal approval ratings. Likewise, his transition maintained a majority of public support in approval ratings.

## Trump's Transition Approval



## Donald Trump Favorability: 2025 vs. 2017



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# Economic Issues Remains Top Concern

Which of these is most important to you?

The Economist/YouGov Poll: Jan 26-28, 2025

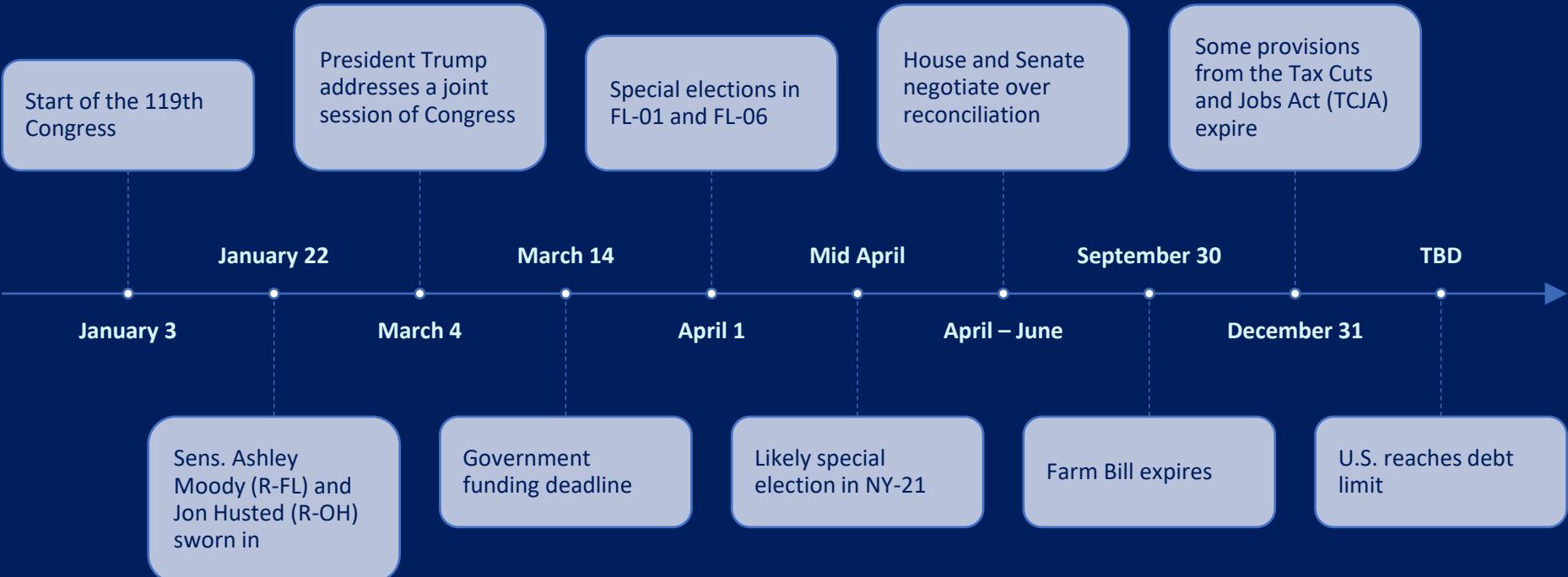
- Inflation/prices and jobs/economy account for a third (34%) of all Americans' top concerns.
- Democrats' top concerns are inflation/prices (15%), health care (15%), climate (13%), civil rights (11%) and jobs/the economy (10%).
- Independents' top concerns are inflation/prices (30%), jobs/the economy (12%), and health care (11%).
- Republicans' top concerns are inflation/prices (24%), immigration (24%), jobs/the economy (12%) and taxes/gov't spending (11%).



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	TOTAL	Democrats	Independents	Republicans
Inflation/prices	23%	15%	30%	24%
Jobs and the economy	11%	10%	12%	12%
Immigration	11%	4%	7%	24%
Health care	11%	15%	11%	6%
Climate and environment	6%	13%	6%	1%
Civil rights	6%	11%	7%	1%
Taxes and gov't spending	6%	3%	5%	11%
National security	6%	4%	6%	7%
Abortion	6%	8%	4%	5%
Guns	3%	5%	3%	2%
Education	3%	3%	4%	2%
Civil liberties	3%	5%	2%	1%
Crime	3%	2%	2%	3%
Criminal justice reform	3%	1%	2%	0%
Foreign Policy	1%	2%	0%	0%

# 119<sup>th</sup> Congressional Timelines



# Public Policy Update:

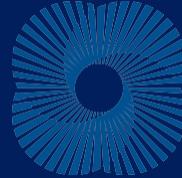
## Taxes, Trade & Immigration



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# 2025 Tax Cliff: Cost of Extending all Temporary Tax Provisions



## 10-Year Budgetary Effects of Permanent Extension\*

Tax Cuts	-\$7.5 trillion
Tax Increases	+\$3.0 trillion
<b>Net Increase (-) in the Deficit</b>	<b>-\$4.5 trillion</b>

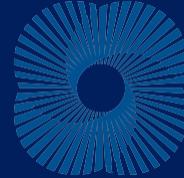
\*These figures *exclude* any associated debt-service costs or savings.

Increased net interest outlays would add another **\$674 billion** to the deficit.

All figures cited herein derive from the Congressional Budget Office's May 2024 report, *Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues*, and its supplemental data, both of which are available on the agency's website at <https://www.cbo.gov/publication/60114>.



# 2025 Tax Cliff: Business, Pass-through, and International Tax Provisions **-\$1.2 trillion (net)**



## Business Tax Incentives

**-\$409 billion**

- Deduction for research (R&D) expenses\*
- Pro-growth interest deductibility limitation\*
- 100% bonus depreciation (-\$378 billion)
- Deductibility of employee meals (-\$31 billion)

\*The deduction for R&D expenses and pro-growth (EBITDA-based) interest deductibility limitation both expired at the end of 2021. As a result, the budgetary effects of permanently extending them were not included in CBO's projections.

## Pass-through Tax Provisions

**-\$662 billion (net)**

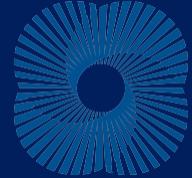
- 20% deduction for qualified pass-through business income (-\$684 billion)
- Limitation on losses for noncorporate taxpayers (+\$22 billion)

## International Tax Provisions

**-\$141 billion**

- Higher deduction percentages for FDII and GILTI (-\$120 billion)
- Reduced base erosion and anti-abuse tax (BEAT) rate (-\$21 billion)

# 2025 Tax Cliff: Individual, Estate and Gift, and Other Tax Provisions **-\$3.2 trillion (net)**



## Individual Tax Provisions

**-\$2.6 trillion (net)**

- Lower income tax rates (-\$2.3 trillion)
- Higher standard deduction (-\$1.2 trillion)
- Individual alternative minimum tax (AMT) exemption and phaseouts (-\$1.4 trillion)
- Expanded child tax credit (-\$0.7 trillion)
- Repeal of personal exemption (+\$1.7 trillion)
- Limits on itemized deductions, including SALT deduction (+\$1.2 trillion)

## Estate and Gift Tax Relief

**-\$167 billion**

## Expanded Healthcare Tax Credits

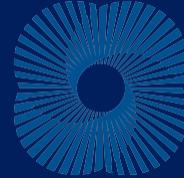
**-\$335 billion**

## Other Expiring Tax Provisions

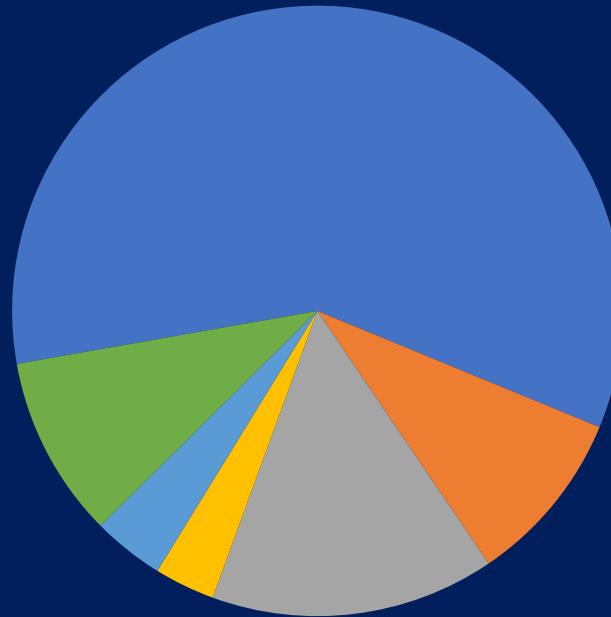
**-\$72 billion**

# 2025 Tax Cliff: Business vs. Individual

## 10-Year Net Budgetary Cost (-\$4.5 trillion)

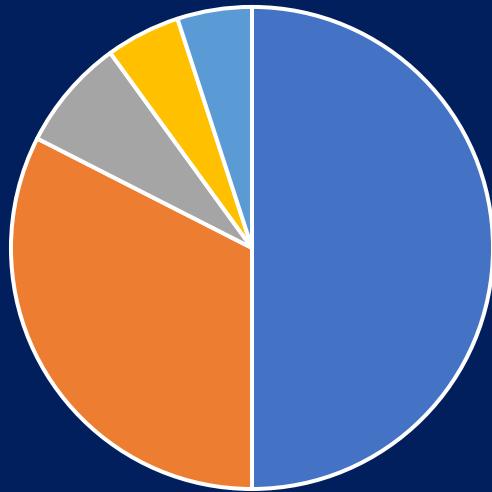


- Individual Tax Provisions
- Business Tax Incentives
- Pass-through Tax Provisions
- International Tax Provisions
- Estate & Gift Tax Relief
- Other Expiring Provisions



# Trump Campaign Tax Proposals

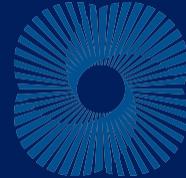
## 10-Year Net Budgetary Cost (-\$4.0 trillion)



- Exempt Overtime Income (\$2.0 trillion)
- Exempt Social Security Benefits (\$1.3 trillion)
- Exempt Tip Income (\$300 billion)
- 15% Corporate Rate for U.S. Manufacturers (\$200 billion)
- Other Business, Individual Relief (\$200 billion)



# 119th Congress – First Day of Tax School



## House of Representatives

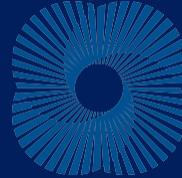
- > 58% of House elected since 2017 and **more than 125** Republicans with no voting record on TCJA
- Only **12 of 25** Ways and Means Republican Members were in Congress in 2017
  - Only **5 of the 24** Ways and Means Republicans who helped write the 2017 law remain on the committee
- **14 of 18** Ways and Means Democratic Members were in Congress in 2017

## Senate

- Nearly **25%** of the Senate and **14 out of 53** Republican Senators will not have a voting record on TCJA
- Only **5** Finance Committee Republicans on the Committee in 2017
- Only **4** Senate Finance Committee Democrats on the Committee in 2017

# Addressing the 2025 Tax Cliff

## Budget Reconciliation

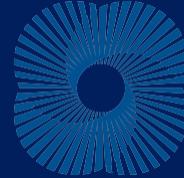


Budget reconciliation is a multi-step legislative process with special rules that lowers the usual threshold for votes in the Senate from 60 to 51 and generally takes several months.

1. **Budget Resolution:** Both chambers of Congress must adopt identical concurrent resolutions on the budget that instruct committees on revenue or spending targets
2. **Committee Consideration:** Committees develop and report legislative language
3. **Floor Consideration:** Senate process includes amendment “vote-a-rama” and rules that limit the subject matter and budgetary impact of reconciliation legislation (**Byrd Rule**)
  - ✓ No non-budgetary (policy) changes
  - ✓ Cannot increase the deficit beyond 10 years (no permanent net tax cut)
  - ✓ No changes to Social Security

# Addressing the 2025 Tax Cliff

## Guiding Principles & Policy Priorities



In 2025, Congress must pursue comprehensive, industry-neutral solutions for a pro-growth and globally competitive U.S. business tax system that:

1. **preserves our newly competitive business tax *rates*** (i.e., 21% corporate income tax rate, 20% pass-through deduction for qualified business income);
2. **restores our competitive business tax *base*** (e.g., one that allows a deduction for research (R&D) expenses, full capital expensing for certain business assets, a pro-growth interest deductibility limitation); and
3. **maintains the competitiveness of the U.S. international tax system**—for both U.S. companies operating abroad and foreign companies investing in the United States—while preserving our corporate tax base.

# • Trade

- 80% of the world's purchasing power is outside of the US.
- 97% of American exporters are small businesses.
- 10 years since we've added a new trade deal, meanwhile other countries have inked 100 new trade deals without us.
- US has trade deals with 20 countries. EU: 78, Mexico: 50, China: 35.
- If you are standing still, you're falling behind – we've been standing still for over 10 years.
- Trade also enhances our national security.



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# Trade

- The United States derives huge benefits from trade and trade agreements:
- More than 41 million American jobs depend on trade and jobs tied to trade tend to pay 15-20% higher wages.
- Nearly half of everything American manufacturers make is destined for export markets.
- In fact, about 6 million of the 13 million Americans employed in manufacturing owe their jobs to exports.
- Similarly, about 25% of US farm products are exported each year.



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# Border Security and Immigration

- Reality Check – we cannot get one done without the other.
- We need both: record levels of border crossings AND historically low levels of legal immigration.
- The business community must lead – we cannot hope Washington will get something done – we need to insist that they do something.
- Focus on small steps to break the logjam – it doesn't have to be all or nothing
- LIBERTY Campaign.



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# New Congress and Administration Must Act to:

1. **Preserve our competitive business tax rates:** Retain our globally competitive 21% corporate income tax rate and make permanent or extend the 20% deduction for pass-through business income (section 199A).
2. **Restore a pro-growth business tax base:** Reestablish a tax base that allows a deduction for research and development (R&D) expenses, full capital expensing for certain business assets, and a growth-oriented interest deductibility limitation.
3. **Maintain a competitive U.S. international tax system:** Pursue comprehensive, industry-neutral solutions to maintain a pro-growth and globally competitive U.S. business tax system.



# Questions?

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