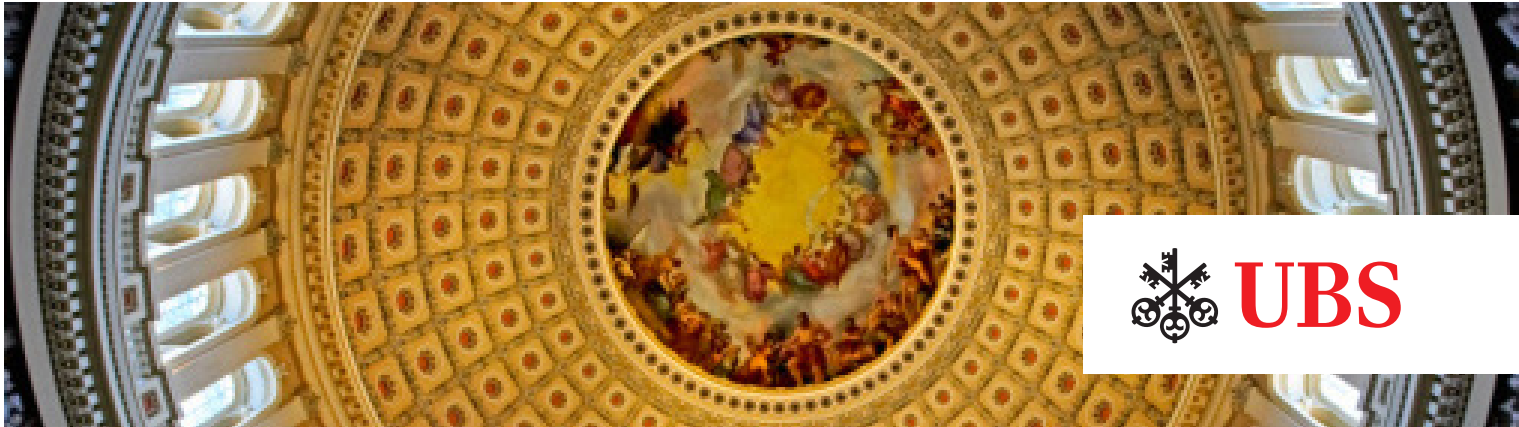


# Washington Weekly

Under the Dome: The Week in Review

5 September 2025



**This Week:** The **Senate** debated the National Defense Authorization Act (NDAA). The **House** passed bills related to government funding of Energy and Water development and sanctions with respect to Chinese producers of synthetic opioids and holding Chinese officials accountable for the spread of illicit fentanyl.

**Next Week:** The **Senate** will resume consideration of the NDAA and vote on several Trump administration nominees. The **House** will vote on several government funding bills and will consider the NDAA.

## The Lead

**Government Funding.** The main event in Washington as Congress returns is the fight to fund government operations. It is all but certain that Congress will come well short of passing all twelve appropriations bills by the September 30th deadline when funding runs out. Without an extension, there will be a government shutdown on October 1st. This means that Congress will need to reach an agreement on a continuing resolution to keep the government funded. Since a funding bill will need 60 votes to overcome procedural hurdles in the Senate, this will need to be bipartisan. However, tensions are high. Democrats and some Republicans have misgivings about the Trump administration's use of "pocket rescissions" to unilaterally claw back funding already approved by Congress. Senate Minority Leader Schumer (D-NY) also caught flak from his own party for supporting an extension of government funding earlier this year. Further complicating discussions is the expiration of public health extenders, the national flood insurance program, farm bill programs, and others. These will need to be dealt with as part of any agreement on government funding. *With the negative political environment and little time to address these issues, there is a fair chance of a government shutdown.*

## Other Issues

**Tariff Litigation.** On August 7th, the Trump administration's reciprocal tariffs (ranging from 15% to 50%) on over

90 countries went into effect. Later in the month, a federal appeals court upheld a lower court's ruling that those reciprocal tariffs were unconstitutional. The case now will be appealed to the Supreme Court by the Trump administration. Since, under the normal process, a ruling wouldn't be made until later next spring, the Trump administration has pressed for expedited consideration. The appeals court's decision allows the tariffs to stay in place until mid-October, and the Supreme Court could grant a similar stay to allow them to stay in place while it makes its decision. A ruling against the reciprocal tariffs by the Supreme Court would blow a big hole in the Trump administration's trade strategy. The administration has imposed sectoral and other tariffs under other legal authorities, and could pivot to rely more on those. *However, it would be more complicated and time-consuming to apply tariffs on such a broad basis.*

**Another Reconciliation Bill?** The final version of the "One Big Beautiful Bill" increased the deficit by \$4 trillion, roughly \$600 billion more than the version passed by the House. Some House Republicans have been frustrated by this differential and are pushing for another reconciliation bill focusing on deficit reduction. There will be noise about this in the coming weeks. *However, we believe that these efforts will fall short as most Republicans, most notably President Trump, are not on board with a deficit reduction bill of this size.*

**Another Tax Bill?** If there is another reconciliation bill, there will be interest in having it include additional tax measures, though President Trump generally succeeded in getting his tax priorities into the "One Big Beautiful Bill." Beyond reconciliation, there is some potential for a bipartisan tax bill later this year. During COVID, Congress expanded the eligibility for households with income above 400% of the federal poverty line to claim health insurance premium tax credits. These are set to expire at the end of the year. *Some sort of renewal of this policy could serve as the basis for a bipartisan tax bill, though we are pessimistic about something significant materializing.*

**Nomination Frustration.** The confirmation of Trump administration nominees continues to be a hot topic given that the Senate has 130 nominations still outstanding. Senate Republicans are frustrated that Democrats have used Senate procedures to slow down the process. It's not uncommon for the minority party in the Senate to take these measures, though it is less common with lower-level and relatively noncontroversial nominees. There are ongoing discussions about making certain procedural changes to speed up the process. Proposals include shortening the amount of debate time that must elapse between a procedural vote and a final vote, as well as reducing the number of executive branch roles subject to Senate confirmation. Senate Republicans could invoke the "nuclear option" by changing Senate rules with a simple majority vote. *These discussions are fluid and we think there is a good chance that Senate Republicans will make changes to expedite approval of nominations.*

**Fed Drama.** For months, the Federal Reserve and its Chairman Jay Powell have been targets of President Trump. The president has jawboned the Fed on cutting interest rates and has complained about the cost of a renovation of the Fed's facilities. More recently, President Trump took the unprecedented step of trying to fire Federal Reserve Governor Lisa Cook (on the grounds of alleged mortgage fraud). The attempted firing is now the subject of lengthy litigation that is likely to go up to the Supreme Court. Economists and others have expressed concerns that the attacks on the Fed could erode its independence and therefore credibility. This issue provided the backdrop of a Senate hearing on the nomination of Stephen Miran (currently serving as head of the Council of Economic Advisors) to fill a temporary vacancy at the Federal Reserve. Republicans are trying to quickly push through Miran's nomination. The bigger change will come in May when Chairman Powell's term expires. President Trump has made no secret of his interest in replacing Powell and could name a replacement for Powell well in advance of May. *In the meantime, the intrigue and criticism will continue.*

**Tensions Flaring.** Since Congress recessed at the end of July, a number of issues have stoked tension between the two parties (and sometimes within the parties). There will continue to be calls and efforts by many lawmakers to force the release of all files related to Jeffrey Epstein. Additionally, President Trump's use of the National Guard in Washington to combat crime and his threat to use the guard in other cities has divided lawmakers along party lines. Other controversies include the aforementioned legal fight regarding the firing of Fed Governor Cook and questions about HHS Secretary Robert F. Kennedy Jr.'s leadership after his firing of CDC Director Susan Monarez and changes to vaccination policies. *These and other issues have kept tensions high in Washington, but Republicans in and out of Congress largely remain behind President Trump.*

**Government in the Boardroom.** In a departure from traditional US economic policy, the federal government has taken direct equity stakes in private companies, most notably the conversion of prior grants into a 10% share in Intel last month. The Trump administration has expressed interest in starting a sovereign wealth fund and having the government become a shareholder in more US companies, with defense contractors being eyed as the government is their main customer. While this isn't the first time the US government has invested in private companies, many of the prior instances (e.g. investments in banks and auto companies during the financial crisis) were structured differently and intended to be temporary. While the Trump administration's investments are outside of traditional Republican economic orthodoxy, some progressives have praised these efforts. *As the line between private and public blurs, the coming years will test both the ambition and limits of this "government as stakeholder" model.*

**Congressional Stock Trading?** The buzz around Congress and the long-debated issue of stock trading by lawmakers continues. While this issue has arisen before, there's now a growing set of bipartisan bills aimed at limiting, or banning, Members of Congress from trading stock. Comprehensive legislation introduced this week would force Members of Congress (and their families) to divest or use blind trusts. It would impose those same strictures on the President and Vice President, though, as currently written, these requirements only would apply to future presidents and vice presidents. Speaker Mike Johnson (R-LA) and Minority Leader Hakeem Jeffries (D-NY) have both conveyed qualified support for legislation to prevent Members of Congress from stock trading, but that's not a guarantee they'll support this particular effort. This is especially the case if President Trump comes out against the bill. The bill's sponsors argue that the public's overwhelming support (86% according to recent polls) makes an eventual ban inevitable. *While Congress's near-term preoccupation will be government funding, this issue could boil over towards the end of the year.*

## **The Final Word**

**The Odd Years.** New Jersey and Virginia each have gubernatorial elections in November. These elections are typically thought of as an early barometer for the mid-term elections and a political gut check for the president in power. In 2021, Republicans won the governor's mansion back in Virginia and came closer to winning New Jersey than they had in decades. In New Jersey, Democratic nominee Congresswoman Mikie Sherrill faces off against Trump-endorsed Republican Jack Ciattarelli, the 2021 nominee who came close to a major upset. In Virginia, Republican Lt. Governor Winsome Earle-Sears squares off against Democratic Congresswoman Abigail Spanberger. *Both races will offer early insights into how voters are reacting to Trump's agenda and whether Democrats can rally around pragmatic campaigns amid lingering partisan fatigue.*

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