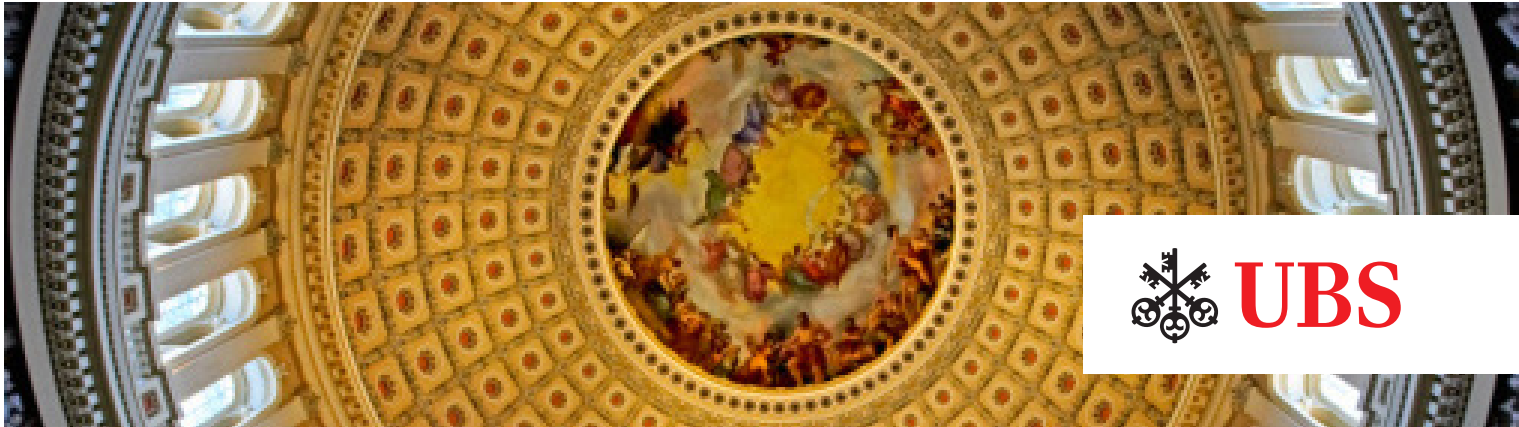


Washington Weekly

Under the Dome: The Week in Review

1 August 2025



This Week: The **Senate** confirmed several Trump administration nominees (see below) and may pass a fiscal year 2026 government funding package (see below). The **House** was out of session.

Next Week: The **Senate** may stay in session to confirm further Trump administration nominees. The **House** will be out of session until September 2.

The Lead

Trade Flurry. With today's deadline for the imposition of reciprocal tariffs, the Trump administration this week continued to announce more bilateral agreements, most notably one with the EU that will impose a 15% tariff on most European imports. At this point, the US has tentative trade agreements with most of its biggest trading partners. While the Trump administration sees these deals as favorable (higher tariffs on goods from these trading partners), there is generally limited detail on other aspects of these agreements (e.g. commitments to purchase US goods or make investments, reductions in non-tariff barriers), and much ongoing debate on the ultimate economic impact. Most trade with Canada and Mexico is covered by a previous trade agreement and is excepted from higher tariffs, though other trade with those nations is subject to a 25% tariff rate that will go to 35% for Canada. Discussions with China are on a separate track, and the Trump administration announced a 90-day extension to an August 12 deadline to provide a glidepath for further high-level negotiations. Many other countries face an increase in tariffs to 15% or more. The imposition of these tariff increases is August 7, which allows for more last-minute negotiating. In the background of this frenzy of negotiating were hearings in federal court on the legality of President Trump's use of an emergency trade authority to impose these tariffs. This case likely will end up in the Supreme Court in what will be a lengthy

process. *Beyond the increased tariffs for many trading partners, the Trump administration imposed a 50% tariff on copper and is readying further tariffs that will be applied to other sectors of the economy (lumber, pharmaceuticals, semiconductors, among others) and are expected to have a significant impact.*

Other Issues

Nominations. The Senate was busy this week trying to confirm as many nominations as it could before leaving for its scheduled August break. This was not without complications. The Senate has confirmed about 100 nominations so far this year, but it still has over 140 nominations awaiting confirmation. Senate Democrats have used Senate procedures to slow down the process of approving Trump administration nominees. It is not unusual for the minority party in the Senate to do this, though it is less typical with lower-level and relatively noncontroversial nominees. President Trump is pushing the Senate to stay in session through August to confirm more nominations. Senate Majority Leader John Thune (R-SD) may keep the Senate in session next week, but they will likely continue with their scheduled recess after then (if not sooner). Growing frustrations among Senate Republicans also have led to discussions about changes to Senate rules, including shortening the amount of debate time that must elapse between a procedural vote and a final vote and reducing the number of executive branch roles that are subject to Senate confirmation. However, any of these rule changes would need 67 votes in the Senate unless Senate Republicans invoked the so-called "nuclear option" by changing Senate rules with just a majority vote. This was used in 2013 by Senate Democrats to lower the threshold to a majority (instead of 60) for passing nominations. Senate Republicans in 2017 extended the majority vote to include Supreme Court justices and in 2019 to shorten debate time allowed. Threats to use this tactic have quieted in recent years in the interest of avoiding further escalation. *Changes to Senate rules will continue to be discussed as nominations continue to be drawn out.*

Government Funding. The Senate this week worked on the first fiscal year 2026 government funding package. Senate Majority Leader John Thune (R-SD) tried to pass a three-bill funding package (Military Construction-Veterans' Affairs, Agriculture and Commerce-Justice-Science) through unanimous consent. However, some Democrats were opposed, in part due to hard feelings over a rescissions package that cut \$9 billion in foreign aid and public broadcasting funding from previously enacted spending bills (and the potential for further rescissions packages). Senate Republicans are still trying to come to a deal with Senate Democrats today to pass a funding package before the Senate break. Negotiations on spending bills will continue this September, but it seems increasingly likely that Congress will fall well short of passing all 12 appropriations bills before the September 30 deadline. Congress will need to pass a continuing resolution (an extension of funding) at that point in order to avoid a government shutdown. *This week's challenges in the Senate are a prelude to further drama on government funding in September.*

Private Funds. There has been a lot of buzz in Washington in recent weeks about the potential release of an executive order by the Trump administration to promote steps to increase retail investors' access to private funds like private equity funds. While discussions are active and ongoing, the details are complicated and subject to ongoing debate within the administration. A key focus of the order will be how to further open up the \$12 trillion defined contribution retirement account marketplace to such investments. With plan sponsors subject to fiduciary obligations, it may be tricky to address potential concerns about heightened legal risk in having more widespread offerings of these investments in retirement plans. *It may take additional time for the administration to fine tune the executive order, but, whenever it comes out, the order will be just the starting point of lengthy regulatory processes at different agencies.*

Home Sales and Cap Gains. There has been noise around eliminating capital gains taxes on home sales. President Trump commented that he is considering such a move, but such a change would require approval from Congress. Most homeowners are not subject to capital gains taxes given that current law excludes gains on primary residences up to \$500,000. However, more homeowners have been impacted by the capital gains tax as the \$500,000 cap is not indexed for inflation. Just this week, the median price for homes hit an all-time high. President Trump's comments may bring renewed interest from lawmakers. *While the idea may gain some momentum, we are skeptical of Congress passing a law to eliminate capital gains on home sales anytime soon.*

Crypto Report. Pursuant to a January executive order, the Trump administration issued a long-awaited report this week to highlight policy proposals to advance digital assets. The report comes on the heels of Congress passing and President Trump signing into law the GENIUS Act, legislation that establishes a new regulatory framework for stablecoins. The House also recently passed a digital asset market structure bill (the CLARITY Act) that sets trading rules for digital assets and delineates regulatory authority between the SEC (for securities) and the CFTC (for commodities). The administration calls for Congress to build upon and pass the CLARITY Act. The report also recommends that the SEC and CFTC use existing authorities to clarify rules around trading of digital assets in the meantime and that bank regulators clarify and expand permissible digital asset activities for banks. It also makes recommendations regarding illicit finance and tax implications of digital asset activities. *Digital assets continue to be a major priority for the administration, as the focus shifts to the Senate's ongoing work to develop market structure legislation.*

Permitting Reform Momentum. There are bipartisan efforts in Congress to address permitting reform for energy and infrastructure projects. House Republican leadership has signaled that passing permitting reform legislation is a priority in the House this fall. There were several permitting-related provisions in the House's reconciliation package, but they were removed by the Senate parliamentarian. A Senate committee is working on bipartisan legislation to expedite permitting. During the Biden administration, Democrats pushed for a permitting package to help with Inflation Reduction Act implementation, but nothing was ever passed. Most lawmakers agree there need to be changes to permitting, especially with the growing need for more energy to house artificial intelligence data centers and rising demands for electricity and broadband in rural communities. However, differences will arise over how to address these issues. *Permitting reform will be a growing topic in Washington this fall.*

The Final Word

Schumer's Tightrope. It seems like a lifetime ago (but only a few months ago) that Senate Minority Leader Schumer (D-NY) was facing relentless blowback from within his own party and activists over his compromise on government funding. Tensions continued to simmer below the surface during the partisan fight over the "One Big Beautiful Bill." Recent polling has Senator Schumer with a -16% approval rating, roughly twice as unpopular as President Trump and a clear indication that he doesn't currently have the support of voters on either side of the aisle. Schumer is aware of his precarious position as he heads home for the August recess. He will be thinking ahead to the coming government funding fight in September, one of the few times this year that Democrats will have actual leverage as the bill requires 60 votes in the Senate. *The next few months will be critical for Schumer's continued tenure at the helm of Senate Democrats, and potentially even for his 2028 primary reelection.*

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