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Policies in Focus: Opportunities and Challenges Expected for M&A and VC in 2025

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The only constant in Washington, D.C., is that power will periodically shift from one party to another, and back again. As a new administration and Congress begin to chart a course on a wide range of policies, it is important to understand how these changes will affect businesses and industries. In collaboration with our colleagues at Troutman Strategies, the government relations arm of Troutman Pepper Locke, the authors have put together this alert regarding potential policy changes and how they may impact M&A and venture capital (VC) transactions.

The policy goals expressed by the incoming administration — including lower corporate taxes, less government regulation, and greater government efficiency — could become tailwinds encouraging more VC investment and M&A deal flow in certain industries. Additionally, the new administration has stated that they aim to reverse some existing policies they believe to be overly burdensome to business. A unified Republican Congress may also utilize a legislative tool, the Congressional Review Act (CRA), to reverse certain regulations that fall within a procedurally specified window. Here's what these authors expect in the VC and M&A markets during this new administration:

M&A Market Trends

Reduced Regulatory Compliance Costs

The new administration has characterized the current domestic regulatory scheme as one that limits innovation and economic growth. Their campaign promise to remove 10 regulations for every one new regulation created — a promise more ambitious than President Trump's two-to-one goal during his first term — could translate to significant savings for companies. With reduced regulatory compliance costs, companies will have more resources to devote to acquiring assets. Specifically, any changes to the antitrust regulatory landscape could greatly improve the rate at which M&A deals close when compared to the rigorous merger review process initiated under the Biden-Harris administration. It is likely that the 2023 Merger Guidelines may be overhauled or simplified. Moreover, private equity-backed deals may face less scrutiny, potentially allowing these transactions to close more quickly and at a lower cost.

In this environment, the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC) may be more flexible in negotiating structural remedies, like divestitures, which would allow mergers to close on the condition that certain modifications are made. We expect that with new guidance the FTC will focus on consumer welfare policies rather than using an antitrust framework when reviewing how a transaction will affect the market. The Trump-Vance administration just appointed FTC commissioner Andrew Ferguson as the new chair, replacing outgoing Chair Lina Khan. Ferguson, whose commissioner seat was initially approved by Congress in early 2024, has been vocal about reconfiguring the agency's focus toward Big Tech and artificial intelligence (AI).

We may also see a growing dichotomy within the GOP between the more traditional, pro-business Republicans, and the increasingly populist view of suspicion toward Big Tech and anticompetitive practices. Vice President JD Vance, for example, fits well within this new GOP populist narrative. Despite being a former tech investor and venture capitalist, Vance has criticized Big Tech, supported some of the Biden administration's related policies, and has praised the previous FTC Chair. For the FTC, Trump has nominated Gail Slater as assistant attorney general for antitrust, Ferguson as chair, and Mark Meador as a commissioner. These selections reinforce the view that the new administration may be likely to take a more aggressive approach than traditional Republican presidents, but their primary focus will likely be on big tech. Other shifts in attitude in the consideration of M&A may include a greater valuation of behavioral remedies and the effects a merger may have on consumer welfare. We expect a forthcoming willingness to work with companies involved in M&A rather than protracted legal battles.

Growth Opportunities Funded by Tax Savings

The Trump-Vance administration's promises of a reduced corporate tax rate will assumingly increase corporate profits and provide more capital to finance acquisitions and other growth opportunities. M&A activity increased shortly after Trump's 2017 Tax Cuts and Jobs Act (TCJA) reduced the corporate tax rate from 35% to 21%. In addition to decreasing the corporate tax rate, the first Trump administration sought to repatriate overseas capital by providing a lower tax rate on profits held abroad if the profits are brought back to the U.S. It is likely that the Trump-Vance administration will initiate similar policies so that potential tax savings can be reinvested by companies to pursue growth initiatives. Regardless of the new administration's stance on taxes, it will be up to Congress to extend the tax rate cuts under the TCJA or to alter them further. Congressional leaders plan to use a process known as budget reconciliation, which allows the Senate to circumvent the filibuster, to accomplish this goal. The GOP will potentially take two passes at the budget reconciliation process; the first to enact policies focusing on border, defense, and energy, and the second to pass tax policy and other priorities.

A Return to Traditional Energy Sources

The new administration has promised to "unleash an oil boom" early in this presidential term, focusing on domestic energy sources like solar, wind, and nuclear, which aligns with the administration's overall desire to create more employment opportunities for American workers and reduce independence on foreign imports. Trump's approach to "unleashing American energy" can best described as an "all of the above approach" — where there will be simultaneous support for oil and natural gas policies as well as other forms of energy like solar, geothermal, and nuclear.

If the Trump-Vance administration seeks to repeal President Biden's Inflation Reduction Act (IRA) — an initiative that provides $390 billion over 10 years in tax breaks, grants, and subsidies for clean energy projects, such as wind and solar power or electric vehicle battery production — we could see a significant source of capital rerouted to more traditional renewable energy sources like oil and gas or nuclear energy. Unsurprisingly, we would expect

M&A activity to follow the capital. As previously mentioned, Congress is expected to use the budget reconciliation process to implement energy policy such as speeding up the process for acquiring permits and environmental reviews and expanding federal land leasing for fossil fuels. However, Congress may also attempt to use budget reconciliation to repeal portions of the IRA, which includes well-established and favored tax credits and benefits.

VC Updates

Increased Emphasis on Domestic Industries

The Trump-Vance administration has emphasized the importance of entrepreneurship as a driving force for economic growth. The first Trump administration sought to reduce many operational burdens startups face by simplifying the regulatory landscape, offering tax cuts, and reducing the overall risk of failure. Increased savings in these areas should allow startups to allocate their resources more efficiently and accelerate innovation efforts by building and scaling their companies. It is likely that the new administration will continue these policies in this second term. Increased efficiency means investors should realize a return on their investments sooner, thus spurring more capital raising and deployment of raised funds.

Consistent with its overall deregulation approach, the Trump-Vance administration plans to repeal the 2023 Biden Executive Order on AI in order to allow AI companies to self-regulate. The new administration has indicated that AI will play a significant role in his focus on U.S.-China competition, especially regarding protectionist measures designed to safeguard U.S. innovations in microchip technology. This administration may also collaborate with domestic AI companies involved in developing defense technologies. The appointment of David Sacks as the “AI and crypto czar” further emphasizes the expected shift the administration will take toward innovation and industry collaboration. Still, there could be increased market uncertainty and legal risk without the same level of government oversight and intervention in the AI space.

Investors have indicated that they foresee a significant boost in technological integration within U.S. transportation and military systems as the new administration rolls back specific regulations intended to serve as human safeguards. This deregulation is expected to pave the way for advancements in flight optimization technology and a substantial increase in drone usage. The anticipated changes are likely to enhance efficiency, improve operational capabilities, and drive innovation in these sectors, which are ripe for VC investment.

There will also be increased emphasis on developing a dynamic commercial space industry. In his first term, Trump revived the National Space Council and created both the Space Force and the Artemis program as part of an initiative to reestablish U.S. dominance in space exploration. Given Elon Musk’s involvement in the incoming administration, these efforts are likely to continue.

Embracing Digital Assets to Foster Innovation

The administration has announced a series of initiatives aimed at making the U.S. the “Crypto Capital of the Planet” by fostering innovation in the cryptocurrency industry. Some key initiatives include potentially creating a national Bitcoin reserve and forming a Crypto Advisory Council led by industry experts like Musk and Sacks. Sacks, in his role as AI and crypto czar, is expected to operate as the go-between for the White House, Securities and Exchange Commission (SEC), and Commodity Futures Trading Commission (CFTC), building a new regulatory and legislative framework for crypto. Sacks previously supported the FIT21 bill the House passed last year, the first major piece of crypto legislation to pass through the House or Senate; the bill is aimed at providing regulatory clarity and protections needed for the crypto ecosystem.

The nomination of Paul Atkins as the new chair of the SEC demonstrates the incoming administration's commitment to embracing cryptocurrencies and other digital assets as part of its strategy to stimulate the U.S. capital markets. Atkins, a former SEC commissioner, is highly regarded among cryptocurrency advocates as someone who will provide more regulatory clarity for cryptocurrencies and other digital assets. Industry figures are hopeful that deregulation efforts will make it easier for cryptocurrency companies to access traditional banking services. Those in the cryptocurrency space can expect a departure from former SEC Chair Gary Gensler's "regulation by enforcement" approach, as Atkins has advocated for updated rules regarding custody of digital assets. Gensler's regulation by enforcement approach has been criticized as creating a mass sense of confusion because many of the cases brought by the SEC tested the scope of the agency's authority over this relatively new asset.

Under new leadership, the SEC and the CFTC will first have to decide whether digital assets are securities or commodities and then create a separate regulatory framework to be implemented. While a crypto-advocate like Atkins may be hesitant to expand the SEC's scope, enforcement actions will continue and likely focus on fraud and clear instances of bad activity — such as touting and failure to register. Ultimately, if the new administration is able to deliver regulatory clarity, then we expect digital assets to attract increased VC attention in 2025.

Reduced Regulatory Oversight Invites Greater VC Funding

VC and private equity firms are optimistic about the return of a favorable environment for investment and consolidation opportunities. The previous Trump administration implemented significant deregulation measures in favor of the VC and private equity sectors. Additionally, that administration emphasized private investment as a driver of economic growth and as such retained the carried interest tax rate which allowed VC and private equity firms to pay a reduced tax rate on qualified earnings. The Trump-Vance administration will likely implement similar policies to incentivize repatriating capital and private investment in domestic businesses.

Caveats – Tech and Health Care Beware

Although M&A activity is expected to increase in certain sectors, the incoming administration's promise to overhaul the current regulatory landscape also creates many uncertainties — specifically for those in the technology and health care industries. Trump's previous administration created the Technology Enforcement Division — a task force focused on reviewing unreported acquisitions by the largest technology companies — and filed complaints against Google and Meta alleging anti-competitive behavior. Additionally, the FTC challenged six health care transactions during that administration, four of which involved providers.

Recent nominations demonstrate the administration's continued commitment to restraining Big Tech and health care. Promoting Ferguson to chair the FTC allows the Trump-Vance administration to nominate Mark Meador to fill the vacant fifth commissioner seat. Meador has previously served as an antitrust enforcer in both the DOJ's antitrust division and at the FTC. More recently, he represented a media company in a case against Google, alleging Google's tactics monopolize vital advertising technology.

Health care policy broadly will see dramatic shifts in both leadership and focus with full Republican control of Congress and the administration. Not only did the committees with central health care jurisdiction get new leadership, but the change in administration also fundamentally alters how health care policy is made and implemented through federal agencies. Senator Bill Cassidy (R-LA) and Congressman Brett Guthrie (R-KY), as new chairman of the Senate Health Education Labor and Pensions and House Energy & Commerce Committees, respectively, are responsible for shaping the health care agenda, and Robert F. Kennedy Jr.'s "Make America Healthy Again" platform. Kennedy's appointment as the secretary of Health and Human Services presents future uncertainty given his views on vaccines, the food and beverage industry, and America's obesity and chronic disease epidemics.

Relatedly, increased concerns over the interplay of technology and national security continue to present obstacles for buyers and sellers alike. This is evidenced by Biden's recent blocking of the $14.9 billion acquisition of U.S. Steel by Japan's Nippon Steel. Trump also promised to block this acquisition, as well as push for the Department of Commerce's interim rules restricting exports of semiconductor manufacturing equipment. In particular, some startups may be negatively impacted by the incoming administration's threat of tariffs and stricter immigration policies as many startups may rely on recruiting global talent and imported raw materials. Moreover, the threat of implementing tariffs could increase inflation and thus negatively impact dealmaking and related financing. Foreign investment in the U.S. may stall if tensions rise, affecting cross-border transactions as well. While the Committee on Foreign Investment in the U.S. (CFIUS) has mechanisms in place to review foreign investments for national security concerns, the antitrust agencies may give greater attention to acquisitions of U.S. businesses by foreign purchasers, ultimately further delaying some transactions.

Conclusion

Overall, the promise of deregulation and lower corporate taxes has great potential to stimulate growth opportunities for businesses involved in M&A and VC transactions. Decreased compliance costs and a simplified regulatory landscape free up capital for businesses to pursue acquisitions in both the domestic and international markets. Coupled with increased domestic investment in innovative sectors such as AI, cryptocurrencies, and technology, the environment likely becomes more favorable for many investors. However, in some ways it is too early to tell how markets will respond to certain programs and policy proposals, for example, the tariffs Trump has promised to impose on many countries. Those in the health care and technology sectors can expect continued scrutiny — at both the federal and state level with state attorneys general stepping in to fill in any perceived gaps created by the Trump-Vance administration's efforts to reorganize the current regulatory landscape.

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