



Insights: Alert

Kilpatrick Federal Update – Federal Funding Terminations, Tariffs, and Tax Credits: Key Considerations and What You Can Do

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It has been just over a month since President Trump assumed office, and while the Administration's policy landscape remains dynamic, three critical areas have emerged with significant implications for businesses and non-profits as well as state, local, and tribal governments: federal funding (grant, contract, and loan) freezes and terminations, tariffs, and taxes. Each of these topics warrants close attention and proactive response. [Link to an accompanying video.](#)

I. Federal Grants, Contracts, and Loans: Freezes and Potential Termination

Since entering office, President Trump has actively targeted federal spending by freezing and, in some instances, terminating federal grants, contracts, and loans. Initially, these actions targeted specific programs within agencies such as the United States Agency for International Development ("USAID") as well as an [Executive Order](#) calling for a "pause"—and possible cancellation—of funds appropriated by significant legislative measures like the Inflation Reduction Act ("IRA") and the Infrastructure Investment and Jobs Act ("IIJA" or "BIL").

Significantly expanding these measures, President Trump issued an [Executive Order](#) on February 26, 2025, titled – *Implementing The President's "Department of Government Efficiency" Cost Efficiency Initiative*. As detailed in our recent [alert](#), this Executive Order directs each federal agency to take various significant actions, including conducting comprehensive reviews of all current contracts, grants, and loans within 30 days. Agencies have authority under this order to terminate, amend, or renegotiate these financial instruments, aiming to cut federal expenses and increase administrative efficiency in alignment with the Administration's policy goals.

What You Can Do – The broad scope of the recent Executive Order underscores the importance of proactive engagement. Entities impacted, or likely to be impacted, by federal grant, contract, and loan changes across the government should consider immediate lobbying and advocacy efforts to demonstrate alignment with key Administration priorities, including economic development, job creation, domestic manufacturing, and enhancing global competitiveness. The Trump Administration has shown an openness to such engagement, and has already unfrozen our reinstated specific federal loans, grants, and contracts. Entities must also ensure that the financial funding they depend on remains unaffected under the pending reconciliation bill, as outlined in greater detail below.

II. Tariffs: Navigating Uncertainty and Extraordinary Impacts

The Administration's stance on tariffs continues to evolve, posing both risks and opportunities across industries. Impacted entities should categorize tariffs into three principal groups:

- **Country-Specific Tariffs:** Currently the most volatile, these include recently implemented (then promptly revised) tariffs of 25% on goods from [Canada and Mexico](#), and a now 20% tariff on all [Chinese imports](#).
- **Product-Specific Tariffs:** These tariffs have seen significant developments, notably heightened aluminum tariff rates, removal of virtually all exemptions for steel and aluminum tariffs, and proposed tariffs on [copper](#) and [lumber, timber, and their derivative products](#) as well as potential tariffs on semiconductors and agricultural products.
- **Reciprocal Tariffs:** Introduced by President Trump through his [memorandum](#) outlining the country's "Fair and Reciprocal Plan" on February 13, 2025, these tariffs aim to balance perceived inequities in international trade. Implementation is anticipated beginning April 2025 and tariff rates will take into account various factors including foreign tariff rates, subsidies, and discriminatory trade practices. More information on reciprocal tariffs can be found in our previous [alert](#).

What You Can Do – Businesses should tailor their approach according to the tariff type. Product-specific tariffs have historically shown to be the most likely to be implemented for the long-term and tend to be more predictable and responsive to targeted lobbying, exemption requests, and public commentary. Entities affected by reciprocal tariffs should actively monitor developments and consider engaging with policymakers, particularly as the March 11 [comment](#) deadline approaches. Country-specific tariffs are a moving target, and it remains to be seen whether they have lasting staying power or are more a tool for negotiation and requiring countries to take specific actions.

III. Tax Cuts and Spending Reductions: Congressional Reconciliation in Focus

Congress is currently considering budget reconciliation legislation—a critical legislative process permitting federal government budget-related adjustments through a simple majority vote in the House and Senate. While its impacts are vast, reconciliation has significant limitations, including the Byrd Rule, which restricts reconciliation bills to budget-related provisions. On February 25, 2025, the House passed a substantial [Congressional budget resolution](#) calling for \$4.5 trillion in tax cuts paired with \$2 trillion in spending reductions. This budget, if passed through the budget reconciliation process, could drastically extend existing tax cuts enacted under President Trump's 2017 Tax Cuts and Jobs Act ("TCJA") and possibly reduce taxes on tips, overtime pay, and other compensation. Areas at high risk for spending cuts include IRA and BIL grants, IRA energy-related tax credits, broader federal funding programs, and potentially Medicaid.

What You Can Do – Reconciliation is an effective legislative tool, previously employed to advance significant laws such as President Biden's IRA and American Rescue Plan Act, as well as President Trump's TCJA. While its impact can be far-reaching, reconciliation is a commonly used mechanism when the President's party holds control of both the House and Senate. Given the scope and potential consequences of the current reconciliation effort, businesses, non-profits, and state, local, or tribal governments should proactively engage with legislators and advocate effectively. This approach is essential to mitigate adverse effects, safeguard critical funding sources, and take full advantage of potential tax benefits.

IV. Going Forward

All entities that work with or receive funding from the federal government face a rapidly evolving policy landscape characterized by significant changes in federal funding, tariff strategies, and tax policies. Proactive monitoring, strategic advocacy, and timely engagement with policymakers are essential for navigating these developments effectively. Kilpatrick remains committed to offering continuous guidance, actionable insights, and strategic support to help clients navigate evolving federal challenges and position themselves for long-term success.

About Us

Kilpatrick's Federal Government Relations & Regulatory Practice

Our team of seasoned federally registered lobbyists and attorneys, strategically located just steps from Capitol Hill, provides comprehensive lobbying services and legal guidance on policy, legislative, agency, compliance, and rulemaking matters. It addresses broad governmental and industry-specific issues, including federal funding (grants, contracts, loans, and appropriations), omnibus and targeted legislation, taxes, the reconciliation process, the Congressional Review Act, the Bipartisan Infrastructure Law, and the Inflation Reduction Act, as well as artificial intelligence, energy, Tribal, manufacturing, trade, finance, distributed ledger technology, and digital assets.

For more information on these and other critical matters—or to discuss strategies for navigating and influencing federal government actions impacting your business—please reach out to John Loving at jloving@ktslaw.com and Stephen Anstey at sanstey@ktslaw.com or visit us at: Kilpatrick – [Government & Regulatory](#), Kilpatrick – [Government Relations](#).

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