Industries gauge impact of 'big beautiful bill'

Private equity and fossil fuel groups will benefit, while Silicon Valley and renewables will be hit in president's legislation

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US President Donald Trump's "big beautiful bill" delivers big wins for private equity and fossil fuels, while hurting the renewables industry and some of the hottest companies in Silicon Valley.

The sweeping tax and spending legislation has been broadly embraced by American business thanks to the corporate tax cuts, enacted during Trump's first term as president, which will be extended. But it also creates winners and losers in critical US industries.

A blizzard of last-minute changes as the bill moved through Congress by razor-thin margins spared some sectors — such as healthcare — from the most severe cuts, and stripped out some of the controversial provisions affecting investors.

One beneficiary is the $13tn private capital industry. Investment firms such as Blackstone and Apollo did very well in the bill as lawmakers left the prized carried interest tax loophole untouched — after Trump said he would close it.

"If you are sitting in a private assets seat, this is a very good bill for you," said Michael Pedroni, a former US Treasury official who now runs the consultancy Highland Global Advisors. "This bill represents a very big win for private assets."

The carried interest provision saves buyout groups billions of dollars a year by enabling dealmakers to pay the longterm capital gains tax rate on the performance profits they earn, instead of far higher income tax rates.

The legislation will also lead to lower tax rates for many private equitybacked companies by enshrining tax deductions for interest on debt and expanding them to include depreciation and amortisation.

The bill also almost halved available funds for the Consumer Financial Protection Bureau, a win for banking executives who have accused the watchdog of overstepping its mandate.

Congress dropped a proposal for the “revenge tax”, or levies on companies and investors from countries seen as having punitive tax codes, which had risked hitting US money managers by taxing many of their investors at higher rates than their foreign competitors.

However, the investors did not win on everything. Despite a lobbying effort, private credit funds were not able to convince the Senate to include provisions that would have provided nearly $11bn of tax credits over the coming decade to some of their funds.

That provision to limit taxes on dividends paid to investors in so-called business development companies — one of the primary investment vehicles used by the private credit industry — was dropped from the final bill.

Among the most controversial measures is lower spending on federal food assistance, intended partially to offset the deficits caused by tax cuts.

The estimated $9bn in reduced payments from the Supplemental Nutrition Assistance Program, or Snap, next year will hit the nation’s grocery spending on food and soda — albeit by less than 1 per cent, according to Morgan Stanley.

Food companies Conagra, Kellogg and Kraft Heinz had the highest shares of spending by Snap users, the bank said, citing data from the market research group Numerator.

Food industry groups said they were happy to have beaten back more severe cuts to Snap envisaged in earlier versions of the bill, but the impact will be felt. “For some grocers serving lowincome areas, these changes in Snap may present steep challenges to overcome . . . stable Snap benefits are what make it possible to keep stores open in underserved communities,” said Stephanie Johnson, group vice-president at the National Grocers Association.

In contrast, restaurants have praised the $25,000 tax deductions for tips paid to wait staff and bartenders.

The bill benefits bricks-andmortar retailers over online competitors by phasing out tariff exemptions for imported shipments from anywhere in the world valued at less than $800. This “de minimis” exemption — which Trump has already ended for Chinese imports — helped online retailers such as Amazon, Temu and Shein to undercut smaller US-based companies by shipping goods directly from abroad.

A similar process played out in the healthcare sector, where the most severe cuts to Medicaid were reversed.

The final legislation left enough of the government health insurance programme for low-income Americans intact that shares of for-profit hospital chains such as Tenet Healthcare and HCA Healthcare have climbed sharply this year, with Tenet hitting its highest level in more than two decades this month. Still, the cuts are sharp, with non-partisan analysis projecting the bill will increase the number of people without health insurance by 11.8mn by 2034. Smaller hospitals in particular could struggle since many rely more on Medicaid.

“Larger hospitals are going to be much better positioned to weather the storm than smaller hospitals,” said Wesly Pate, a senior portfolio manager at Income Research + Management.

A surprise, last-minute winner in the bill was the coal industry, which the Trump administration has deemed vital for meeting booming power demand and reshoring manufacturing. Producers of metallurgical coal — which is used to make steel — will now be able to claim back 2.5 per cent of their costs against their taxes until 2029.

The industry has struggled with low prices, which it says are caused by Chinese market interference. “We couldn’t be more appreciative of what Trump is doing,” said Randall Atkins, chief executive of Ramaco Resources.

Certain zerocarbon energy sources retained lucrative tax credits. “Geothermal, hydropower and nuclear certainly make it out best,” said Isaac Brown, of 38 North Ventures, a clean energy venture capital fund.

But many solar and wind projects will lose access to investment and production tax credits. Tax incentives for electric vehicles — a hallmark of former president Joe Biden’s Inflation Reduction Act clean-energy law — will be scrapped after September.

Credits for homeowners who install solar panels and heat pumps will be wound down after 2025, prompting fears that the bill will trigger a wave of contractor bankruptcies. In 2023, the Treasury reported that it had given out $8.4bn under this tax credit.

Battery manufacturers have access to tax credits until 2033, but will be “hammered” by rules requiring a higher level of US-made content to qualify for tax credits, according to Norton Rose Fulbright deal lawyer Keith Martin.

Changes to renewables policy also badly hit Tesla. Elon Musk’s electric vehicle maker sells batteries, runs supercharger stations and builds solar roof tiles. It benefits from the EV tax incentives and makes billions of dollars selling emission credits that the bill will undermine.

Artificial intelligence companies are another loser. Despite a fierce lobbying effort backed by Amazon, Google, Microsoft and Meta, the Senate voted down a proposed 10-year moratorium on state-led regulation of AI. This means companies — including start-ups OpenAI and Anthropic — can expect a series of new rules across the US.

New York legislators have already passed a bill requiring AI companies to publish their safety reports or face fines, which is pending the governor’s signature. In September, a controversial California bill was vetoed by Governor Gavin Newsom, who cited concerns that it could stifle innovation. Private space companies, such as Musk’s SpaceX and Jeff Bezos’s Blue Origin, will benefit from a provision for spaceports to be financed in the municipal bond market.

America’s defence industry is one of the biggest winners. It will add another $150bn to a Pentagon budget that was already heading towards a record $1tn.

The extra money includes about $23bn to build Trump’s proposed “Golden Dome” missile defence system and $28bn for shipbuilding, with a focus on unmanned vessels, according to the Congressional Budget Office. The extra spend will also help buy more artillery and ammunition.

The Golden Dome project is expected to benefit America’s largest defence contractors, including Lockheed Martin and RTX, that build current-generation missile defence systems, as well as emerging military players such as Anduril and established tech contractors such as Palantir, which also works for the government on immigration.

The shipbuilding funds will benefit companies such as HII, which makes aircraft carriers and submarines. General Dynamics Electric Boat, a subsidiary of General Dynamics Corporation, should also benefit.

A number of the wealthier universities in the US will pay substantially more tax as a result of the legislation.

While less punitive than earlier drafts, the bill imposes a tax on investment earnings at universities of up to 8 per cent, for those with an endowment value per student in excess of $2mn.

Phillip Levine, an economist at Wellesley College, estimated that just 16 universities would pay the tax, with Harvard taking the greatest hit at $267mn a year based on past investment earnings. Levine said another impact would be raising college costs through changes to student loans and wider cuts in federal healthcare and nutrition support, which would squeeze funding to public universities from state governments seeking to compensate.

“In the hierarchy of medical care, hunger and higher education, higher education comes last,” he said.