

Auto Dealer Regulatory Update

May 2025

Divided government over the last few years has limited action in Washington, but Republican control of Congress and Trump's return to the White House have set off a dramatically changed pace of policymaking. Zurich's Government and Regulatory Relations team is actively monitoring a whole host of issues and advocating for our company and our dealer customers. Among the policy priorities are vehicle mandates, tariffs, tax policy, and legal system reform.

Legislation introduced to overturn EPA decision on ZEV mandate

In December, under the Biden administration, the EPA granted a waiver for California's Advanced Clean Cars II (ACC II) program, which requires new vehicles sold to be 35% Zero Emissions Vehicles (ZEVs) for model year 2026, and that increases to 100% for model year 2035. The waiver allowed California to enforce tighter restrictions on emissions than the federal Clean Air Act requires. In early April, House and Senate companion legislation was introduced to use the Congressional Review Act (CRA) to overturn the EPA determination. The CRA is a process under which Congress can, within a limited timeframe, disapprove and overturn rulemakings of federal agencies and departments. If successful, the resolutions will revoke the EPA's earlier waiver and preclude the EPA from taking substantially similar action in the future. Parliamentary questions remain about potential consideration, but the Trump administration may move to rescind the waiver either way.

Tariffs meeting auto market complexity

It's obvious that uncertainty reigns around U.S. tariff policy. It is helpful to consider some categories to understand potential implications of the tariffs. Generally, the administration has deployed tariffs either punitively, transactionally, or structurally, or some combination of all three. Tariffs were a punitive measure when threatened on Colombia during the brief standoff over Colombia's initial refusal to accept flights of deported migrants. The announced reciprocal tariffs and the 90-day pause opened a period of transactional negotiations until at least July. The steel and aluminum tariffs and the auto and auto parts tariffs are aimed at more structural changes. Given the complexity of supply chains, it remains uncertain how the administration is going to allow for computation of the U.S. value of parts. The Trump administration did provide an exception for semiconductors under the reciprocal tariffs, but the administration has made clear its desired policy to try to drive more domestic auto manufacturing. Trump has hinted there could be some relief for automakers that "need a little bit of time" to overhaul their

production. However, the presence of UAW workers at the White House for the "Liberation Day" announcements suggests a more strident posture on tariffs related to autos and auto parts.

Congress moving closer to tax changes

A tax hike looming at the end of 2025 is driving a debate for the central component of the Republican legislative agenda. The 2017 Tax Cuts and Jobs Act made a series of permanent changes to corporate taxation, while at the same time sunseting provisions for individual tax relief for budgetary process reasons at the end of 2025. Over the summer, Republicans are aiming to enact a package to extend trillions of dollars' worth of tax cuts, expand some business-related provisions, and deliver on at least some of President Trump's campaign tax proposals. Republicans cleared a key procedural hurdle in April, passing a budget resolution that sets up a process for them to consider legislation. While details have not been released, it is expected, among other provisions, that Republicans will try to extend the individual tax rate reductions, maintain the Sec. 199A deduction for pass-through entities, restore bonus depreciation, and address interest deductibility limits. The tax legislation will be paired with some amount of significant spending cuts and an undetermined amount of revenue-raisers intended to pay for the tax cuts. Among those revenue-raisers under consideration are repeal or limitation of electric vehicle tax credits and other items enacted in the Inflation Reduction Act under the Biden administration. It is expected Republicans are trying to wrap up this legislative package before the end of July. While the process has advanced through some key procedural votes this year, historically thin margins complicate the effort.

Zurich continues advocacy related to lawsuit abuse

In our continuing campaign against abuses of the legal system driving increasing costs for employers, Zurich has helped lead coalition efforts to advance reforms. Georgia recently enacted a comprehensive tort reform package. This landmark legislation is a huge victory for champions of legal reform and will hopefully knock the state off the American Tort Reform Foundation's [Judicial Hellholes](#) list. The package included restrictions on third-party litigation funding as well as registration requirements, prohibitions on funders engaging with foreign adversaries, restrictions on funder's influence over litigation, and limitations on funder's recovery. At the federal level, Zurich is leading advocacy for disclosure of third-party litigation funding.

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