

Federal Policy and the Economy



Charles Aull, PhD
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About the Kentucky Chamber

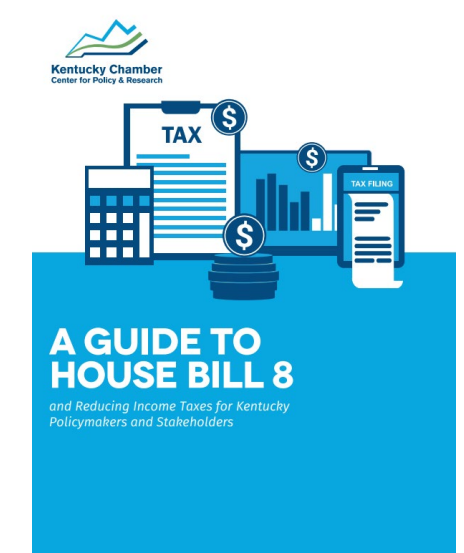
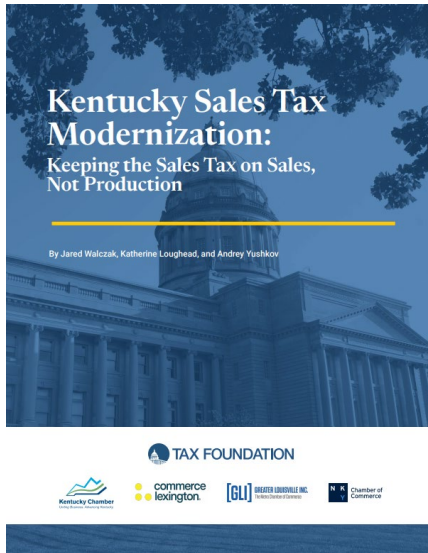
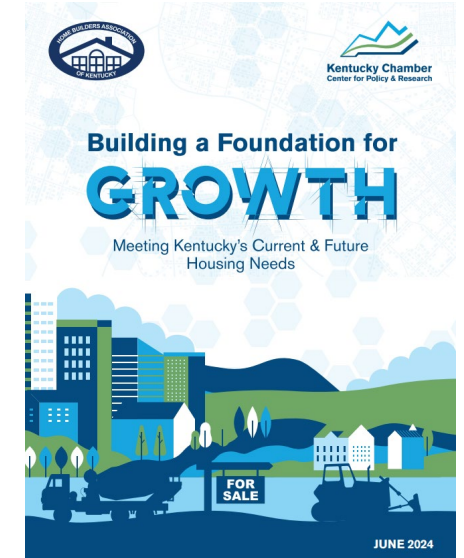
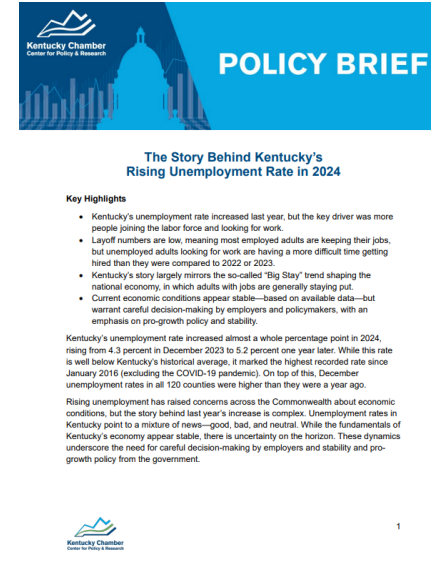
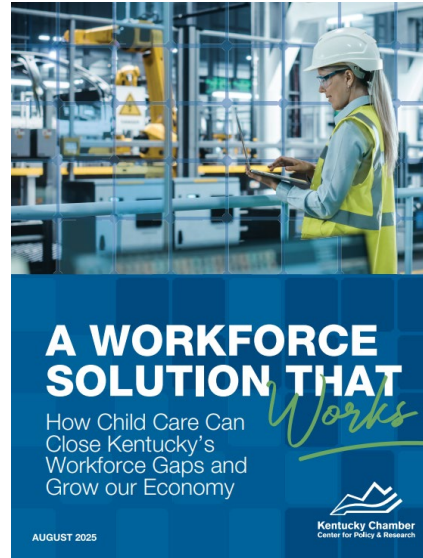
- State's largest business association 501(c)(6)
 - State and federal advocacy
 - Business services
 - Kentucky Chamber Foundation 501(c)(3)



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The Kentucky Chamber Center for Policy and Research



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Current State of Economic and Federal Policy

- Economic **headwinds** and **tailwinds**, and **a mixture of signals** in the economic data
- Key federal policies
- Key economic data and trends

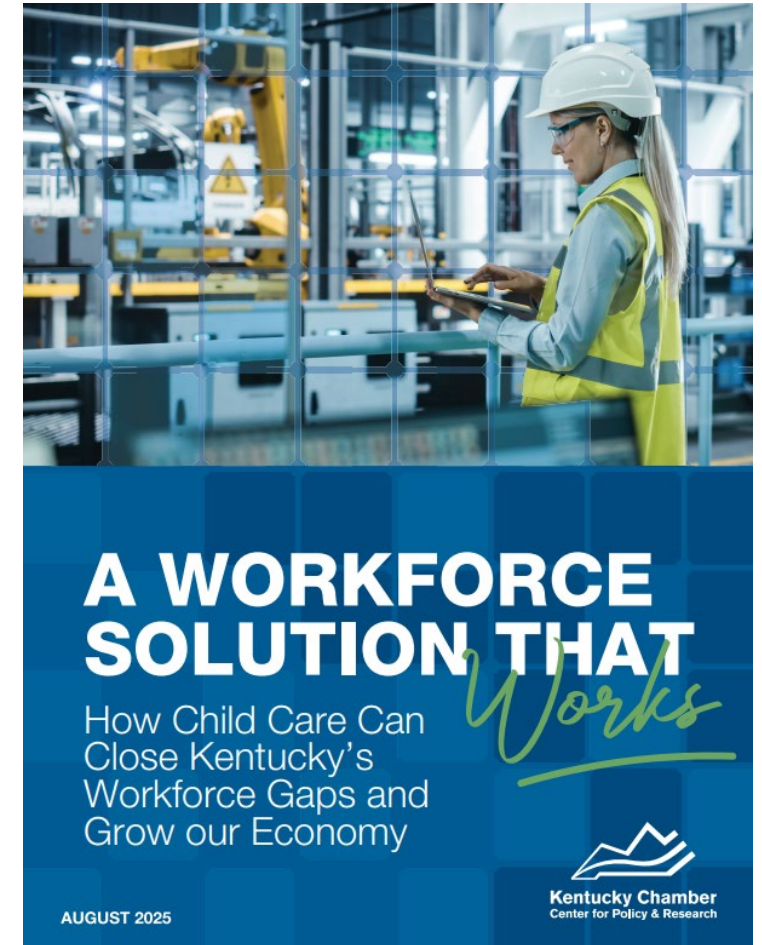


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Taxes: One Big Beautiful Bill Act

- TCJA IIT Rate Structure
- Restoration/Expansion of Business Expensing Provisions
- Restoration of Full Expensing of Domestic Research & Experimental Expenditures
- Permanence of 20% QBI Deduction for Small Businesses
- Expansion of the Employer-Provided Child Care Tax Credit



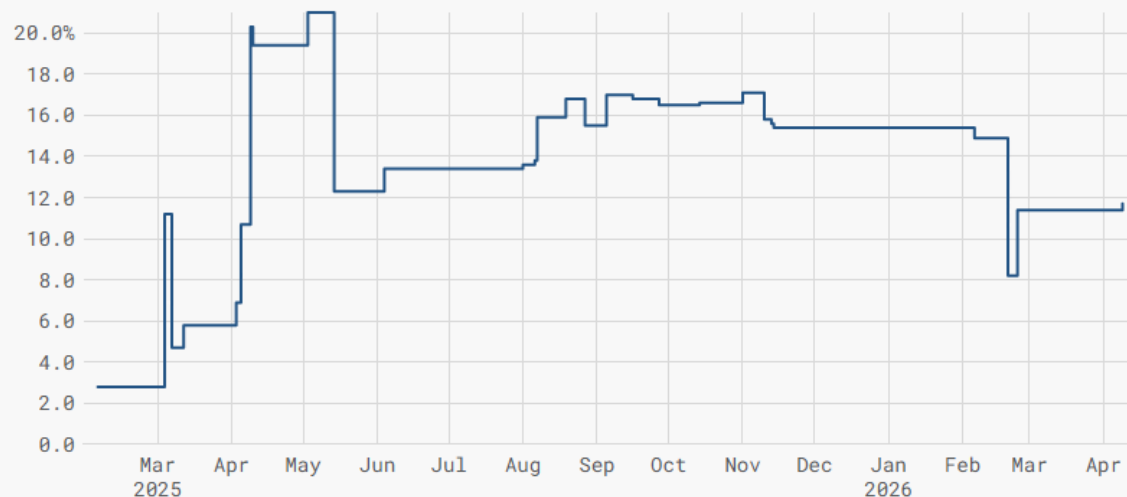
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Tariffs

US Tariffs Have Changed More Than 50 Times Under Trump

Weighted Average Applied Tariff Rate on 2024 US Import Mix



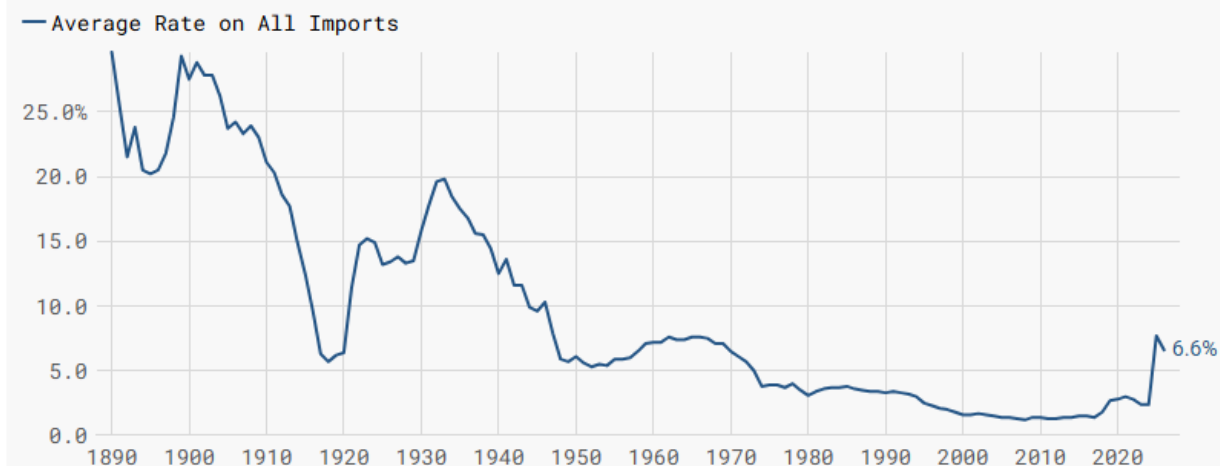
Note: Chart includes major changes in tariff policy between February 2025 and February 2026. Weighted average applied tariff rate is based on 2024 import mix with adjustments for USMCA compliance.
Source: Tax Foundation estimates.

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Trump's 2026 Average Tariff Rate is the Highest Since 1969

Average Effective Tariff Rate on All Goods Imports, Historical Rates from 1890-2025, Estimated Rate for 2026 Under Trump's Imposed Tariffs



Note: 2026 reflects imposed tariffs as of February 24, 2026.
Source: US Census Bureau, US Treasury, Tax Foundation calculations.

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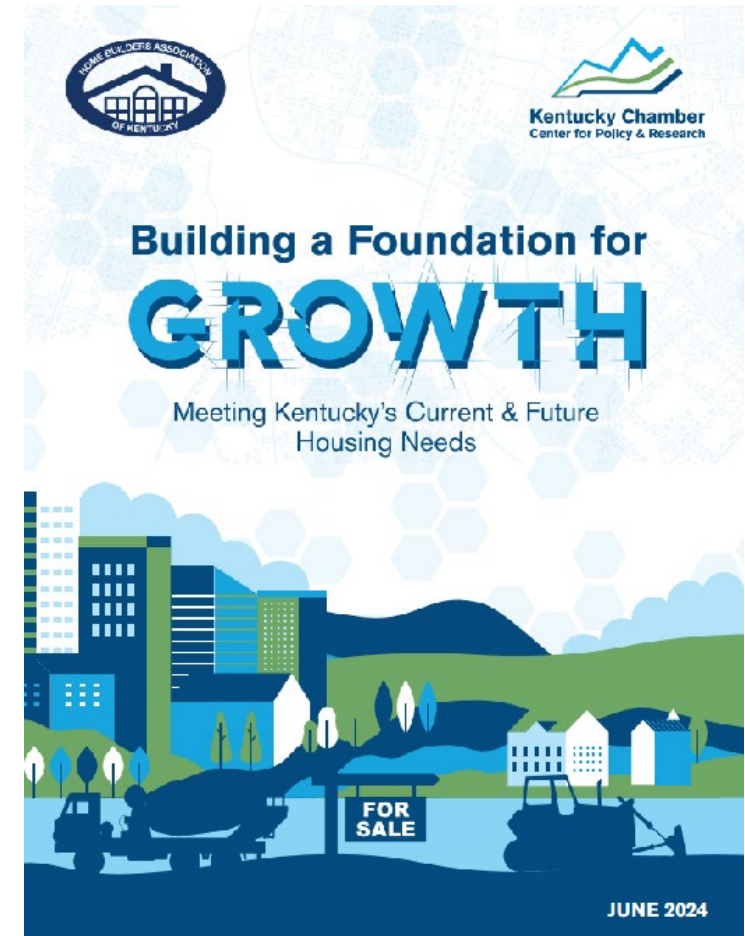


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Housing: 21st Century Road to Housing Act

- 60 pieces of legislation
- Supply-side focused
- Median home-sale prices in Lexington are 3.8 times median household incomes (vs. 2.7 times 30 years ago)
- 1,000 new single-family homes = recurring annual impact of 757 jobs

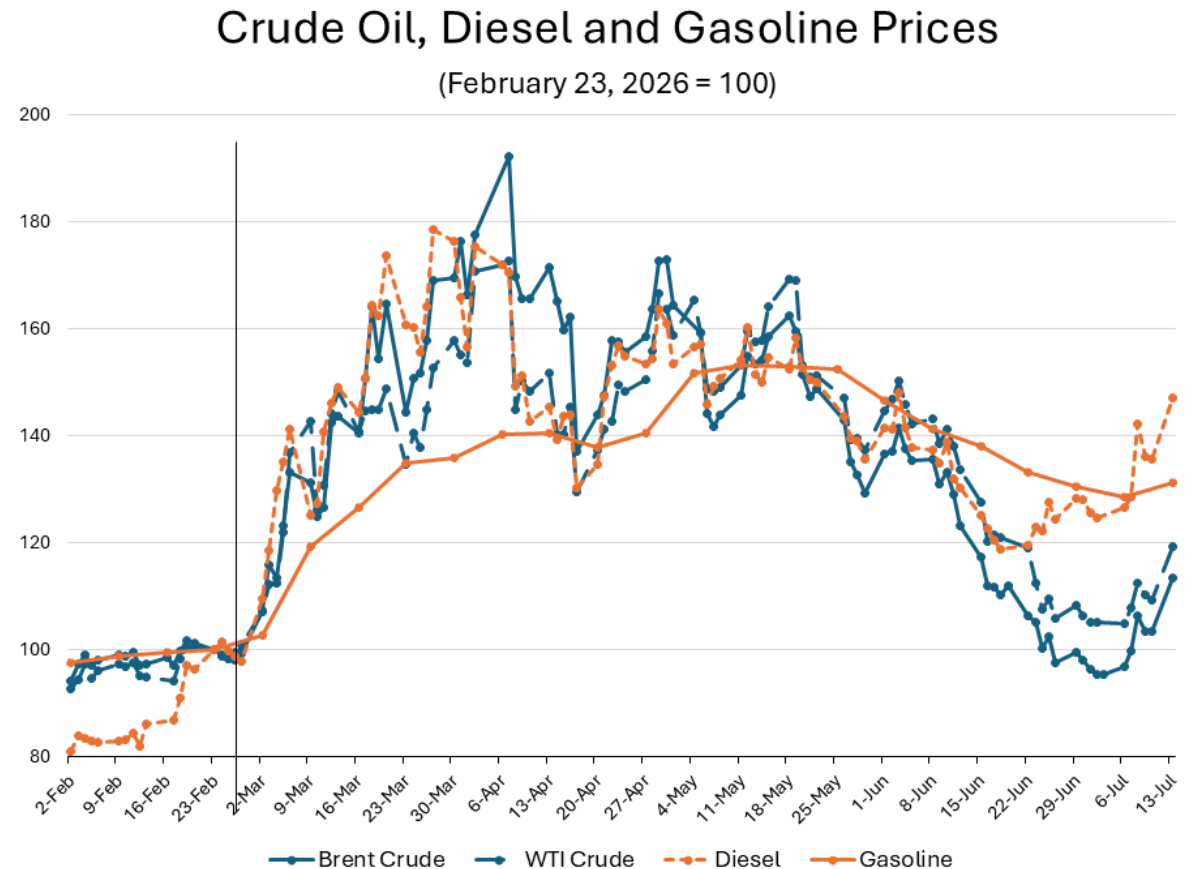


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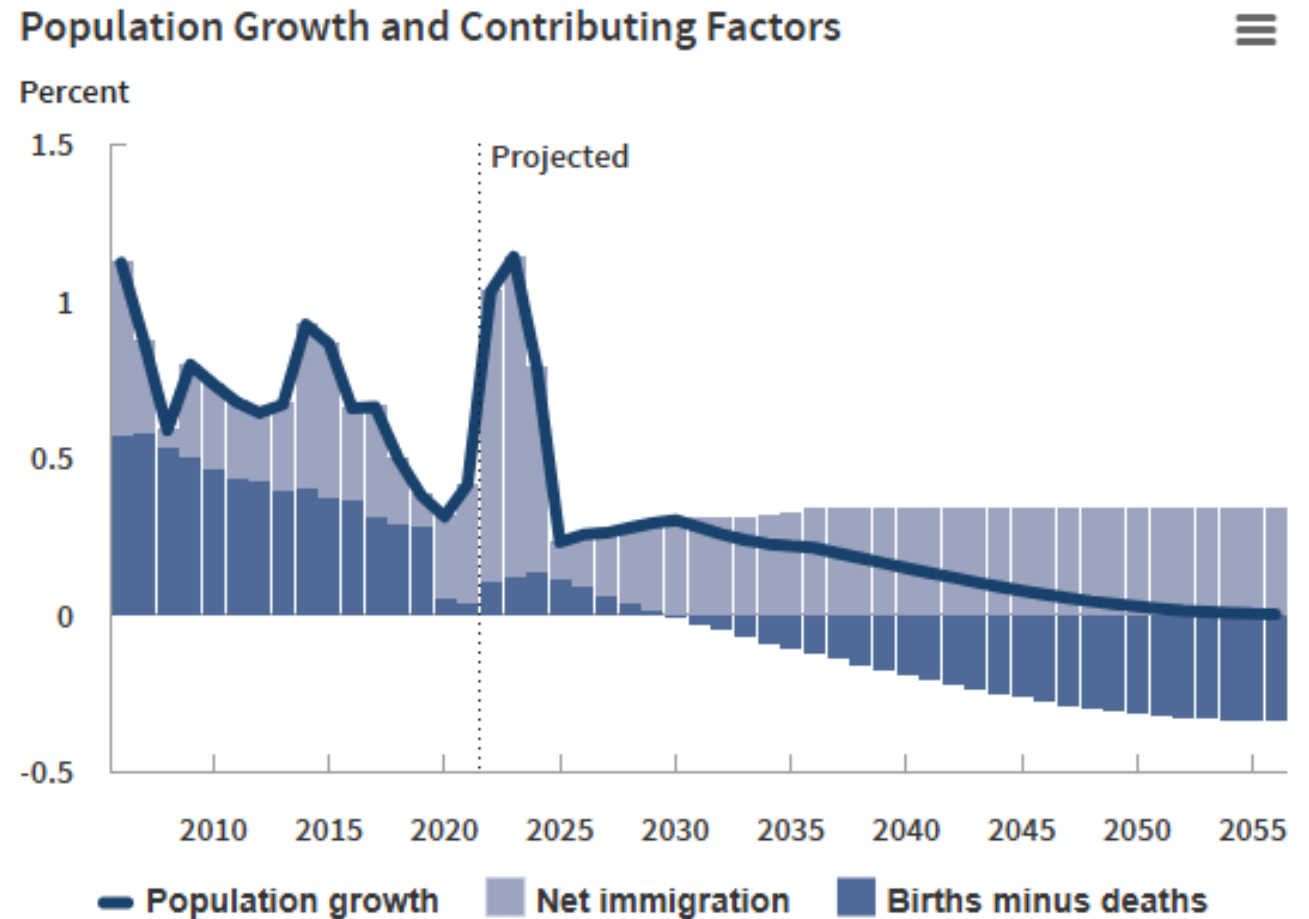
Fuel Prices

- The conflict with Iran has caused diesel and gasoline prices to surge
- Diesel is affecting employers the most, while consumers will feel impacts of diesel and gasoline



Reduced Immigration

- Immigrants make up 4.5% of Kentucky's population, but 5.9% of the workforce
- There are 17,100 immigrant entrepreneurs in Kentucky



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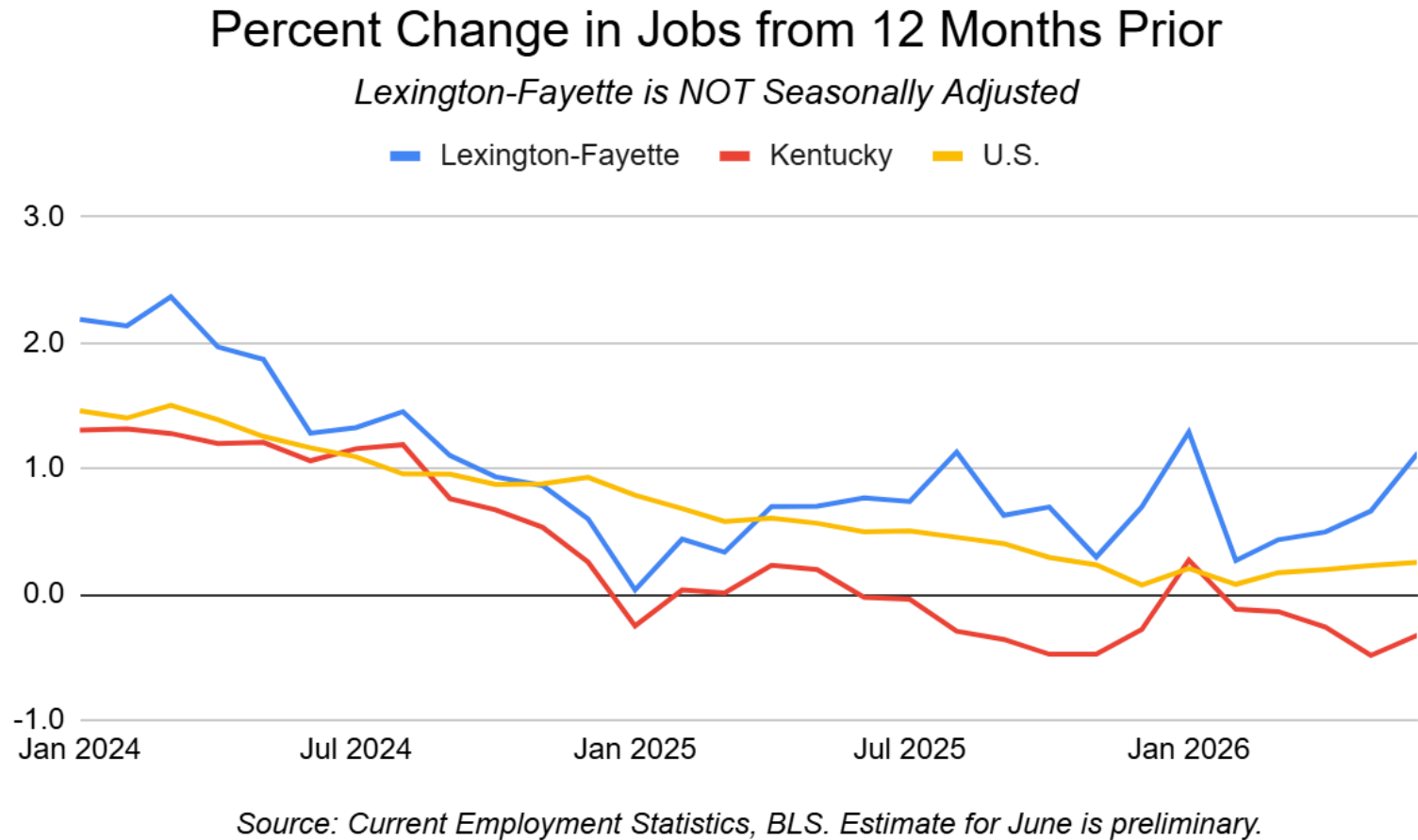


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Kychamber.com/economy

STATE OF THE ECONOMY

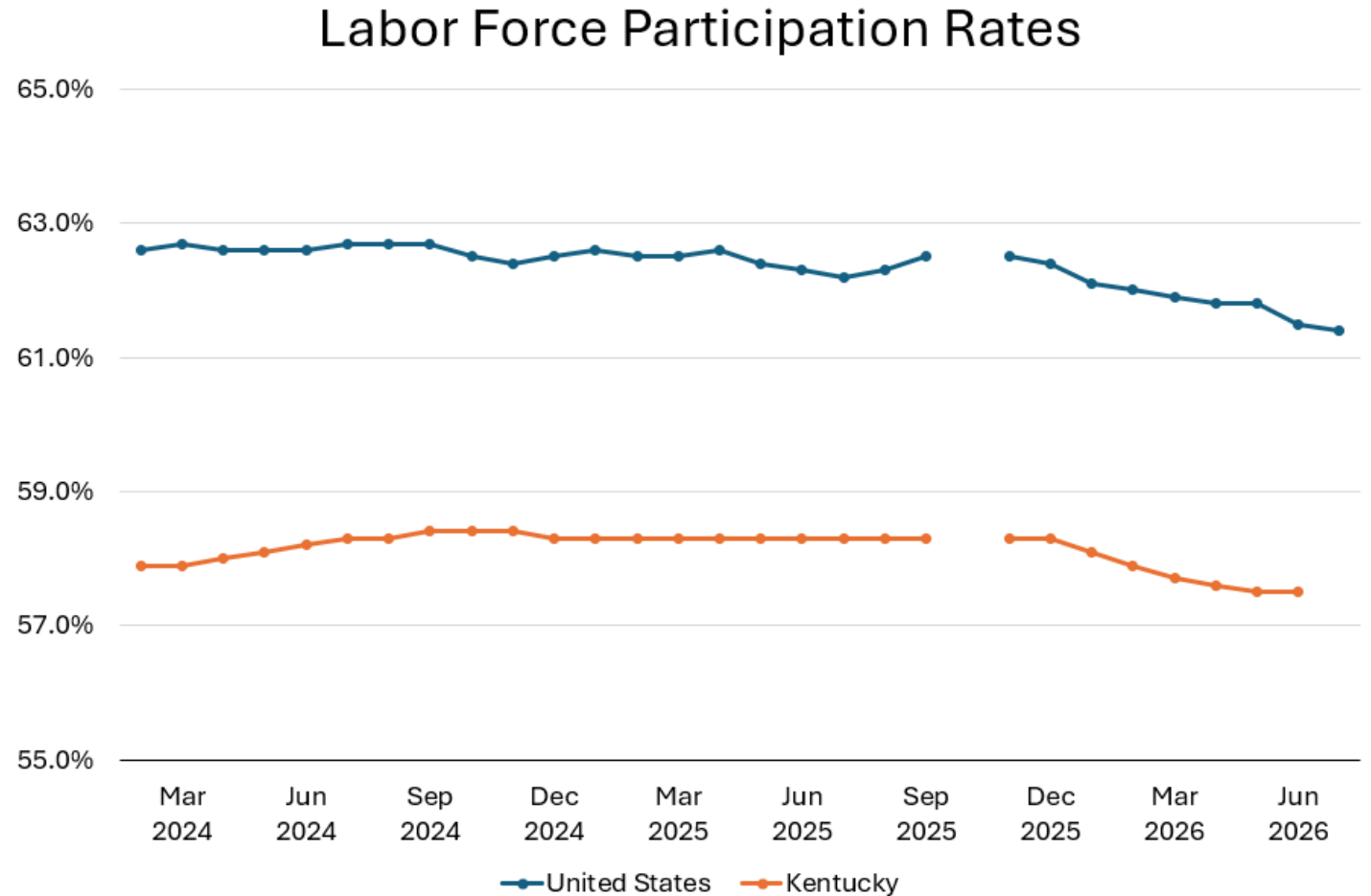
- Lexington data is NOT seasonally adjusted
- All data is subject to revisions
- Job growth in Lexington is following state and national trends



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- Labor force participation (LFP) = share of adult population working or looking for work
- LFP has declined nationally and statewide in 2026



Source: Local Area Unemployment Statistics and Current Population Survey, Bureau of Labor Statistics (BLS). For both the US and Kentucky, the most recent monthly estimate is preliminary.



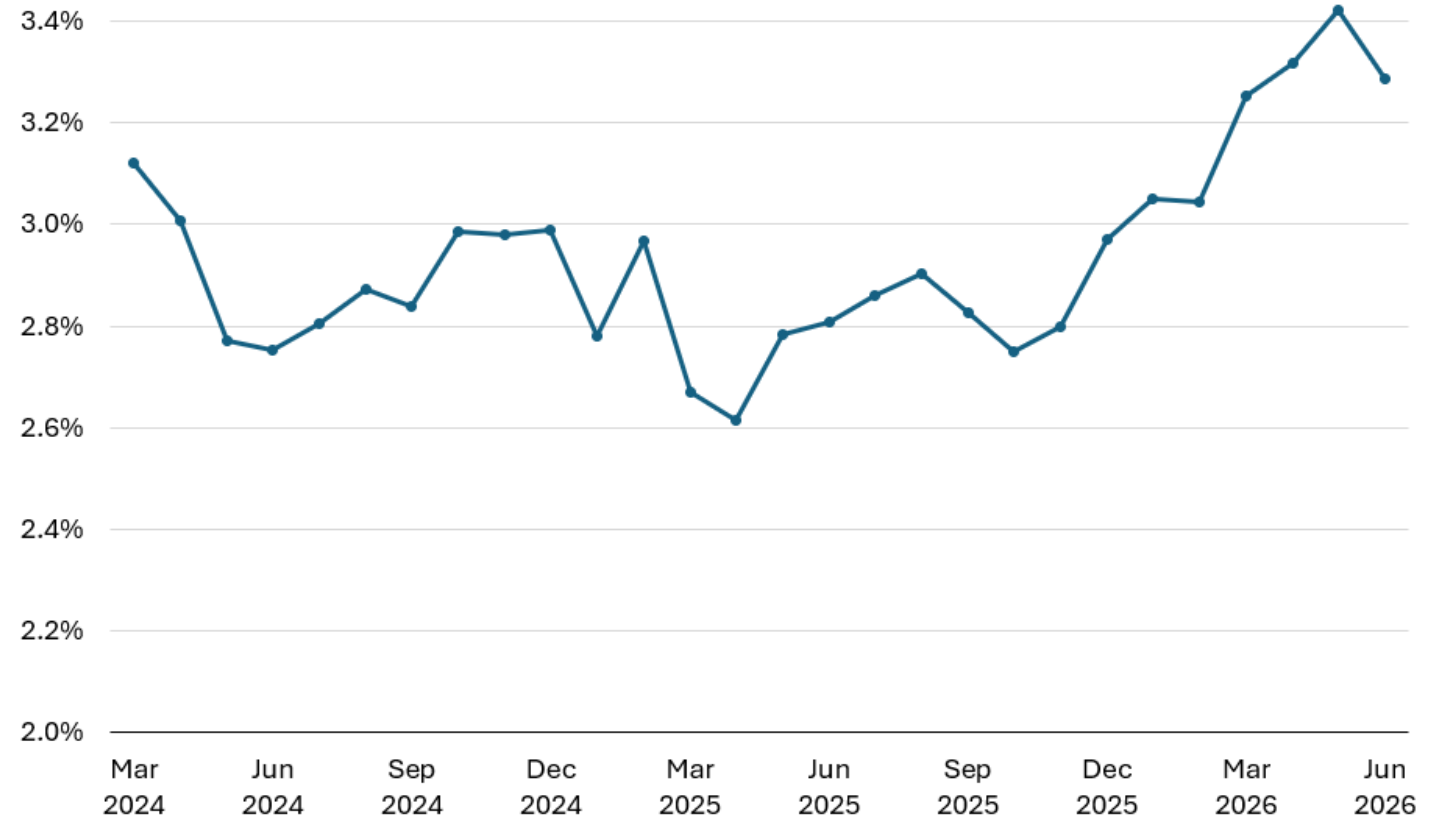
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- The Federal Reserve targets 2% inflation
- It was 3.5% in May but fell to 3.3% in June
- The rise in inflation since April 2025 is consistent with the effects of tariffs
- The impact of fuel prices is likely to still be limited

Core Personal Consumption Expenditures

Chain-Type Price Index, % Change from Year Ago



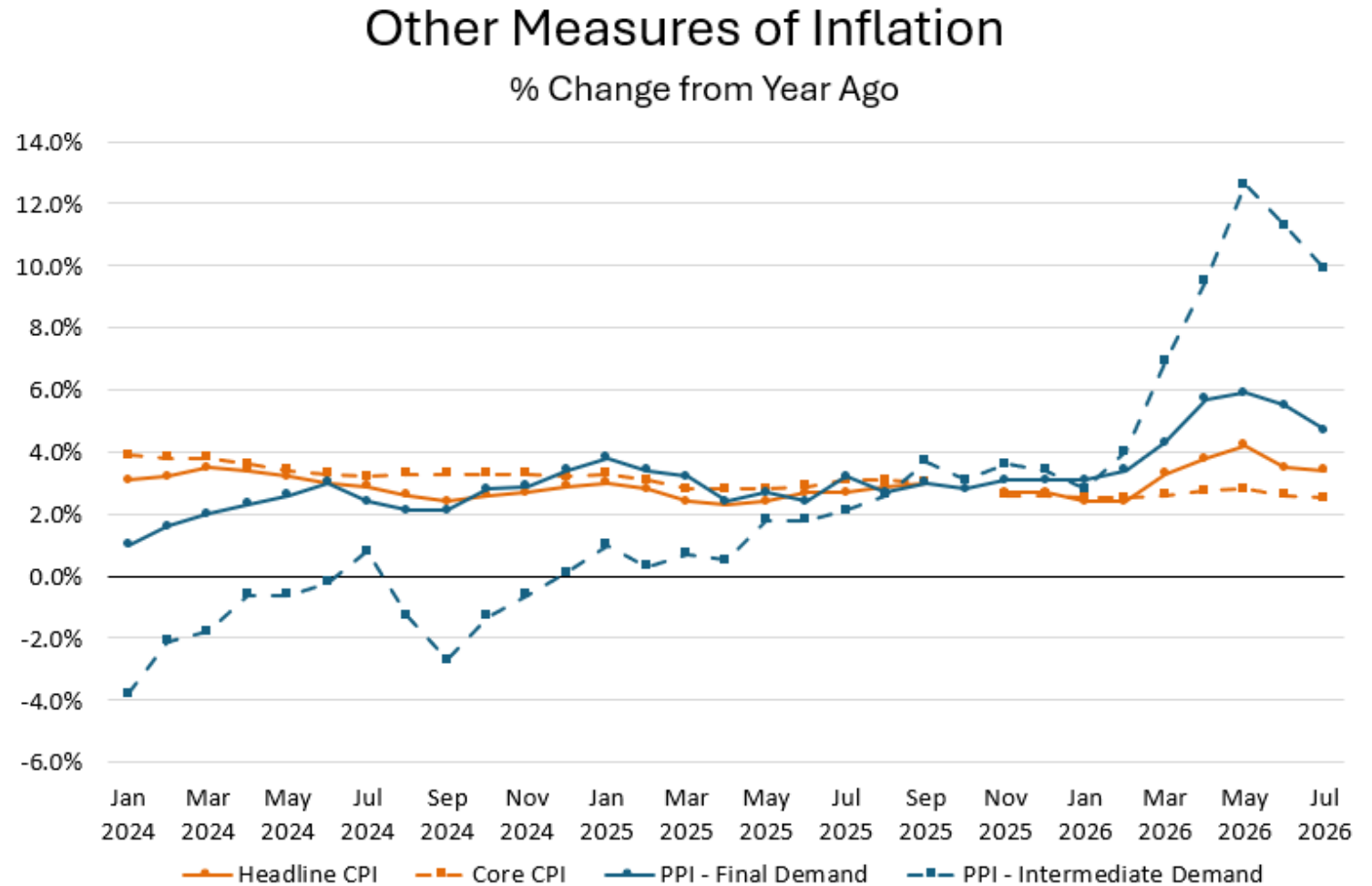
Source: Bureau of Economic Analysis. Last updated 7/30/2026



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- Other measures show the impacts of rising fuel prices
- Prices paid by businesses have surged since the conflict w/ Iran began



Source: Bureau of Labor Statistics.



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How Chambers Are Driving Growth

- Pro-business advocacy at the local, state, and federal levels
- Pro-active, business-led programming to solve community programs
- Community and statewide convenings



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Additional Resources

- [Kychamber.com/research](https://kychamber.com/research)
- [Kychamber.com/economy](https://kychamber.com/economy)
- [Kychamberbottomline.com](https://kychamberbottomline.com)
- Email: caull@kychamber.com



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