MILLER & COMPANY P.C.
ATTORNEYS AT LAW

CLIENTS ARE ENCOURAGED TO INITIATE 2025 TARIFF PLANNING TODAY (December 9, 2024)

The general consensus is that the Trump Administration will undoubtedly increase Tariffs in 2025. While many statements have been made, there is no certainty on specifics. Unlike the first Trump Administration, it appears that Tariff increases will impact a wide range of imports to pay for promised tax decreases estimated to be $6.7 trillion over 10 years. A universal Tariff of 20% on all imports from all countries, combined with a 60% Tariff on imports from China, is estimated by Congressional sources to raise about $3.8 trillion. While the amount is far short of promised tax decreases, it would have a substantial impact.

The incoming Trump Administration is already planning the Tariff increases. Congressional committees are at work formulating a Reconciliation package to be introduced in the new Congress, perhaps as soon as January 3.

We suggest the following actions be initiated immediately:

- **POTENTIAL TARIFF EXPOSURE.** Review your 2024 duties and projected 2025 imports Tariff bill. For 2025 total imported value, multiply by 20% for non-China imports and 60% for China imports to determine potential increased Tariff exposure. It is important that senior management be immediately informed of potential additional Tariff exposure for planning and budgeting purposes. One of our clients was startled to learn their potential exposure is $1 billion in 2025. We can assist clients in running ACE Portal reports to project potential Tariff exposure.

  For clients with specific rates of Tariffs (volume, barrels, piece counts, weights, etc.) the Tariff increase, based upon a percentage of value, may be startling.

- **VALIDATE HTSUS CLASSIFICATIONS AND CUSTOMS VALUATIONS.** It is important that you have correct HTSUS classifications as the Tariff increases will be based on the Tariff classification. Import contracts should be reviewed for explicit arrangements, i.e., fixed or variable pricing, *force majeure*, etc. Customs valuation should be reviewed for accuracy. Thought should be given to contacting suppliers to negotiate price reductions to offset the Tariff increases. *Force majeure* contract clauses should be considered.

- **FTZ CLIENTS.** For FTZ clients, duties should be calculated based on average on-hand inventory. Depending on how the Trump Administration handles FTZs, it may be duty-advantageous to file Customs entry on all on-hand inventory before Tariffs are increased to avoid paying the higher Tariffs. One client has calculated Tariffs owed of $8 million on their FTZ on-hand inventory. FTZs will require either a Non-Processing Stipulation or a special CBP approval letter to avoid the 5-day rule. Manufacturers/Producers will require further special authorization from their CBP Ports to utilize Tariff-paid merchandise in their operations. We have prepared documentation on this subject, so it is ready for use if necessary. We are also working on proposing an entirely new FTZ CBP management process to avoid all these issues and structure FTZs as part of the Trump Administration solution to encourage U.S. production with no federal government funding.

- **REVIEW ALL TARIFF MANAGEMENT OPTIONS.** The use of FTZs, bonded warehouses, TIBs, HTSUS 9802 for U.S. fabricated components assembled abroad, and duty drawback should all be considered. Consideration should be given to the impact of USMCA Duty Deferral on shipments to Canada and Mexico of FTZ production. Depending on the structure of the final Tariff increases, there may be reduced or no Tariffs for imports from certain countries. Sourcing options should be considered.

- **CONTACT YOUR GOVERNMENT AFFAIRS OFFICE/DIRECTLY ENGAGE WITH MEMBERS OF CONGRESS ASAP IN DECEMBER.** As noted above, Congressional committees are already working on Reconciliation bills for possible January 3 introduction in Congress. It is critical that your company communicate with your Members of Congress on this subject to try to influence the decision-making to exempt your imports.

We urge all clients to take action today as December is the month when senior management must understand the gravity of the situation and start taking action before the Tariff increases are finalized. We look forward to working with you directly to advance your organization's interests. Contact Marshall Miller, Sean Murray, Brian Murphy, or David Ostheimer.

ABOUT OUR FIRM

Biographies /**Seminars** / **Webinars** / **Document Library**/ **Briefings Monthly Newsletter** / **Contact Us**
IMPORTS EXPORTS FOREIGN-TRADE ZONES

Miller & Company P.C. | 4929 Main Street | Kansas City, MO 64112 US