Crowe

Compare candidate tariff policies for election 2024

Tariffs can be a powerful tool used by the president and Congress to support and shape U.S. international trade policy, foreign policy, and national security interests. Customs duties were the federal government's primary source of revenue until the implementation of income taxes in 1913. Today, tariffs make up only approximately 2% of U.S. revenue, while individual and corporate income taxes make up nearly 60%.

Tariffs, trade, and foreign policy

Both parties have identified tariffs as a tool to address China trade and foreign policy concerns.

Democrats

- The Biden-Harris administration's overall approach to tariffs has been significantly more limited and targeted than the prior administration's approach. Recently, the Biden-Harris administration increased tariffs on Chinese imports, including steel, aluminum, solar panels, and semiconductors.
- The Biden-Harris administration primarily has used incentives to encourage businesses to reduce imports. The domestic content bonus credit enacted by the Inflation Reduction Act of 2022 for U.S.-made components of certain clean energy projects and the grants and tax benefits under the *CHIPS and Science Act of 2022* are examples of this type of incentive.
- Vice President Kamala Harris, the Democratic nominee for president, could continue trade policies adopted by the current administration.

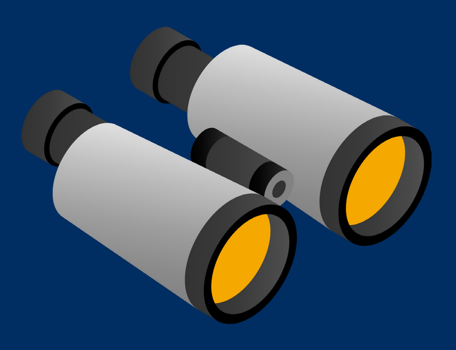
Republicans

- The prior Trump administration significantly increased tariffs and export controls on China. Former President Donald Trump said that in a second term he would continue his aggressive tariff stance toward China by implementing a 60% tariff on Chinese imports, revoking China's most-favored-nation status, and prohibiting the import of certain goods – such as electric automobiles – from China.
- Former President Trump has proposed a universal baseline tariff ranging from 10% to 20% on all imports into the U.S. In addition, he would use free trade agreements to open access to foreign markets for U.S. producers and reward U.S. trade allies with preferential duty treatment.

Tariffs as a revenue raiser

The parties have significantly divergent views regarding tariffs as a source of revenue.

- The Biden-Harris administration has put forth a response to the Trump proposal, stating that tariffs would have to be 70% across the board to offset the reduction in U.S. revenue resulting from lowered income taxes. In addition, the administration states that increased tariffs are regressive, would increase inflation, would harm low- and middle-income taxpayers, and would encourage retaliatory tariffs from trading partners.
- Former President Trump has stated that tariffs could be used to offset some or all of the income tax cuts he plans, including extension of the *Tax Cuts and Jobs Act of 2017* expiring provisions, elimination of income tax on tips, and a reduction of corporate tax rates from 21% to 20% (or lower).



Looking ahead

Tariffs and their impact on the economy are a top issue this election cycle. The parties have very different approaches toward tariffs and how tariffs can support foreign policy and the parties' domestic economic agendas. Depending on which candidate wins the presidential election in November, tariffs and U.S. trade policy could shift sharply.

Action steps on tariffs for businesses

To avoid potential surprises ahead, businesses should undertake the following steps:

- **Consult with external advisers** to analyze how each party's approach to trade policy and tariffs might affect their business, so they are prepared when the next president takes office.
- **Have a multifunctional team** within the organization review the potential outcome of the tariff policies. This team could include representatives from departments such as purchasing, logistics, accounting, finance, and risk management.

Our specialized tariff services

Our team can help you get even further ahead on these issues. We can help you explore projected duty costs based on proposals from each party and anticipate changes in sourcing and vendor management.

We also can provide a trade data analysis to look at duty recovery and savings as well as compliance opportunities.

Get the latest updates on tax-related election developments or contact us to learn more about how we can help.