



First analysis of issues or topics that may affect investor portfolios

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## Tallying tariff refunds

### What matters to markets

- U.S. Customs and Border Protection (CBP) has been issuing billions of dollars in tariff refunds since early May, following the Supreme Court's February 2026 decision to strike down the Trump administration's 2025 reciprocal tariffs implemented under emergency provisions.
- As of mid-May, the federal government had validated over 86,000 applications, and CBP had finalized and processed refunds valued at roughly \$35.5 billion (including interest) for over 8.3 million entries, out of a total of \$166-\$170 billion collected under the emergency tariffs overturned by the Supreme Court.<sup>1</sup>
- Refunds are being issued within 60 to 90 days after an entry is accepted by CBP. Some funds have been delayed in situations where importers lack up-to-date bank information on file with the U.S. Treasury.
- Refunds must be filed online and only importers of record or a licensed customs broker can file.
- The U.S. Court of International Trade in a separate, but related ruling on May 7 halted 10% across-the-board tariffs under Section 122 of the 1974 Trade Act, the Trump administration's temporary tariff patch filling the void left by the loss of the emergency reciprocal tariffs.<sup>2</sup> A federal appeals court subsequently paused that ruling, allowing the CBP to continue collecting the duties during the appeals process, or until the 150-day statutory clock runs out on July 24.<sup>3</sup>

### Our perspective

- The Trump administration intends to use the temporary Section 122 tariffs as a bridge to more permanent tariff increases under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974. Section 232's mainly product-specific levies already account for most of last year's remaining tariff increases, so the administration has been relying on Section 301 tariffs to ramp up country-by-country investigations to replace the temporary Section 122 duties.
- Both laws require lengthy investigations and comment periods for country- and product-specific tariff increases, which should create a more drawn-out and piecemeal approach.

**Investment and Insurance Products: > NOT FDIC Insured > NO Bank Guarantee > MAY Lose Value**

1. "Tariff Refunds of \$35.5 Billion Cleared for Importers So Far," Bloomberg, May 12, 2026.

2. "U.S. Trade Court Rules Trump Tariffs Illegal, But Issues Narrow Block," Reuters, May 7, 2026.

3. "Trump Can Keep Collecting Global 10% Tariffs After Appeals Court Stays Decision," Barrons, May 13, 2026.

- In our view, the tariff refund process will take time and so the benefit to corporate cash flow and profit margins are limited. We view U.S.-based retailers, automakers, manufacturers, and consumer goods and electronics companies as likely to benefit most in the near term.
- Some U.S. businesses likely will maintain price increases to boost profit margins unless successfully challenged by customers seeking refunds in the courts.
- We foresee other uses for the refunds: (i) pass along refunds voluntarily to customers, (ii) boost working capital needed to finance inventory building, or (iii) save the rebates as an offset to the cost of future tariffs. Some may plan to ease financial stress by paying off suppliers or to pay down credit lines.<sup>4</sup>
- We believe the refund claims process disadvantages small businesses, which typically purchase from wholesalers documented as importers of record and eligible for direct rebates. Further, many smaller firms lack the resources to file claims for the refunds.
- Tariff refunds marginally and temporarily increase the federal budget deficit, until new tariffs begin generating revenue.

### Implications for investors

- We view the limited impact on the budget deficit as unlikely to have a material impact on Treasury yields.
- Larger companies likely will benefit most from the tariff refund process, thereby reinforcing our preference for U.S. Large Cap Equities and U.S. Mid Cap Equities over U.S. Small Cap Equities.
- Looking ahead, we believe tariff refunds can boost corporate cash flow and strengthen the rotation toward investment-led economic growth through the remainder of 2026.
- We continue to believe the gradual, piecemeal approach to tariff implementation will mute its impact on core goods inflation, adding to other trends, like productivity growth, restraining underlying inflation and tempering the impact from the energy-driven price spike tied to the Iran war.

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4. "Companies Make Plans for Tariff Refunds," The Wall Street Journal, May 11, 2026.  
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