

Manufacturing Insights

U.S. Tariffs on Chinese Imports



What's the Status of U.S. Tariffs on Chinese Imports?

TRADE TENSIONS between the United States and China have led to a series of tariff increases and tariff threats by both countries since July 2018. The United States implemented its latest round of tariff increases on Chinese products on September 1, 2019, when additional tariffs of 15% on approximately \$125 billion of Chinese imports took effect. Further U.S. tariff increases are planned for October and December 2019 amid ongoing trade negotiations. If the scheduled increases take effect, tariffs will cover virtually all of the approximately \$550 billion in annual imports from China, leading to increased costs for U.S. companies and consumers.

With the ongoing changes in U.S. tariffs and trade policy, firms should consider how these actions could impact their supply chains and input costs. To do so, they must first understand the current tariffs on Chinese imports and stay informed of changes in tariffs and trade policy.

Background

- **IN AUGUST 2017**, the Trump administration began an investigation into China's acts, policies, and practices related to technology transfer, intellectual property, and innovation. The [investigation was authorized](#) under Section 301 of the Trade Act of 1974, which provides the United States Trade Representative (USTR) with the authority to enforce U.S. trade agreements and address trade disputes and "unfair" foreign trade barriers. In April 2018, the [USTR reported](#) that China's trade practices in these areas were "unreasonable or discriminatory and burden or restrict U.S. commerce." Under [direction from President Trump](#), the USTR began implementing tariffs on Chinese imports in July 2018.

Current Tariffs

IN IMPLEMENTING THE TARIFFS, the USTR has issued four lists of products defined by the categories in the Harmonized Tariff Schedule of the United States (HTSUS). The tariffs on the products on these lists are in addition to any existing tariffs and are ad valorem, meaning they are assessed as a percentage of the value of the imports.

Overall, additional tariffs of 25% and 15% now cover more than \$350 billion in Chinese imports, with even more goods scheduled for tariff increases. These increases come in addition to existing product-specific tariffs on imports of solar panels, washing machines, and steel and aluminum.

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Lists 1-3: Additional 25% tariffs on approximately \$250 billion in Chinese imports.

THE UNITED STATES currently imposes additional tariffs of 25% on goods that total approximately \$250 billion in annual imports from China. The initial tariffs were imposed in a [two-stage plan](#), with List 1 in July 2018 and List 2 in September 2018. List 1 and List 2 products are those [identified as benefiting](#) from Chinese industrial policies, including Made in China 2025, and range from industrial goods to electronic components.

Subsequently, the United States imposed [additional 10% tariffs](#) on List 3 items in September 2018. List 3 covers \$200 billion in goods, including chemicals, building materials, furniture and consumer electronics. The tariffs were originally scheduled to increase to 25% on January 1, 2019, but President Trump suspended the planned increase after [trade relations with China improved](#). Trump reversed course in May 2019, stating that negotiations were going “too slowly,” and ordered an [increase in List 3 tariffs](#), which were raised from 10% to 25% on June 15, 2019.

List 4: Additional 15% tariffs on approximately \$125 billion in Chinese imports.

THE UNITED STATES also [imposes additional tariffs](#) of 15% on goods that total approximately \$125 billion in annual imports from China. List 4A includes products in which China’s share of U.S. imports is less than 75% for each item and excludes certain products based on health, safety, national security and other factors.

Items on this list were originally part of the [USTR’s proposed List 4 tariffs](#) covering “essentially all” of the remaining \$300 billion in imports from China. [In response to public comments](#) on the adverse effects of the tariffs, the USTR announced in August 2019 that the additional 10% tariffs would be imposed in two stages: (1) List 4A goods would be subject to additional tariffs on September 1, 2019, and (2) List 4B goods would be subject to additional tariffs on December 15, 2019. List 4B tariffs were postponed in order to mitigate the impact of the tariffs on the 2019 U.S. holiday shopping season.

The status of this round of tariffs was dependent on U.S.-China trade negotiations and a series of retaliatory actions. The List 4 tariffs were originally scheduled for implementation in July 2019 but were postponed in June 2019 during negotiations with China. However, on August 1, 2019, citing setbacks in trade negotiations, [Trump announced](#) that the United States would move ahead with the 10% tariffs on List 4A and List 4B.

Scheduled Tariff Tax Increases

IN RESPONSE TO THE U.S. DECISION to implement the List 4A and List 4B tariffs, China announced on August 23, 2019 that it would implement tariffs of 5% to 10% on \$75 billion of U.S. goods in two stages, on September 1, 2019, and December 15, 2019. The [United States responded](#) with a 5% increase in tariffs on all of the approximately \$550 billion worth of Chinese imports, resulting in 30% tariffs on Lists 1-3 and 15% tariffs on Lists 4A and 4B.

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- **December 15, 2019, Tariff Increase to 15% for List 4B Items:** [List 4B](#) includes products in which China's share of U.S. imports from the world is 75% or more for each item. This covers [almost all remaining Chinese imports](#), including cell phones, laptops, toys and certain clothing items.

- **October 15, 2019, Tariff Increase to 30% for Lists 1-3:** The Trump administration's decision to increase tariffs by another 5% would bring tariffs on the approximately \$250 billion worth of Chinese imports in Lists 1-3 from 25% to 30% on October 15, 2019. President Trump originally set the tariff date for October 1 but [extended it to October 15](#) as part of a "good will" gesture.

"Firms can request to have a product excluded from the tariff list."

Exclusion Requests

FIRMS CAN [request to have a product excluded](#) from the tariff list. While the deadlines for submitting exclusion requests for items from Lists 1, 2 and 3 have passed, the exclusion request process for List 4 items has not yet been announced. For Lists 1-3, the USTR continues to review submitted exclusion requests and periodically announces its decisions through Federal Register notices. Firms can request a refund on tariffs paid on products subsequently excluded from the tariff list. ([See Weaver's article on tariff exclusions for more details.](#))

Other Tariffs

IN ADDITION to the tariffs targeted at products imported from China, there are other product-specific tariffs that could impact imports from China.

Temporary Tariffs on Solar Panels and Washing Machines

IN JANUARY 2018, the United States implemented [temporary "safeguard" tariffs](#) on solar panels and large residential washing machines. The tariffs are effective on imports above a quota. The additional tariffs on washing machines were imposed for three years and range from 20% to 50% during the first year, 18% to 45% during the second year, and 16% to 40% during the third year.

Tariffs on [solar cells and modules](#) were imposed for four years with a tariff of 30% during the first year, 25% during the second year, 20% during the third year, and 15% during the fourth year. Notably, the first 2.5 gigawatts of imported solar cells in each of the four years are exempt from the tariff.

[Canada is excluded](#) from the additional tariffs on washing machines, and certain developing countries are excluded if their exports to the U.S. are less than 3% individually or 9% collectively of U.S. imports of solar cells or large residential washers. The USTR [granted some exclusions](#) for particular solar products from the safeguard tariffs.

The tariffs on solar panels and washing machines were implemented under Section 201 of the Trade Act of 1974, which authorizes the President to impose temporary tariffs on a product following an industry petition and a U.S. International Trade Commission (USITC) finding that increased imports is a ["substantial cause or threat of serious injury"](#) to a U.S. industry.

Tariffs on Steel and Aluminum

IN MARCH 2018, the United States implemented 10% tariffs on aluminum imports and 25% tariffs on steel imports. For aluminum, Australia, Argentina, Canada and Mexico were exempted. For steel, Australia, Argentina, Brazil, Canada, Mexico and South Korea were exempted. The tariffs were authorized under Section 232 of the Trade Expansion Act of 1962, which authorizes the President to impose tariffs to adjust imports if the Department of Commerce determines that imports of certain products threaten U.S. national security.

What Actions Should U.S. Companies Take?

FUTURE CHANGES in the level or duration of Section 301 tariffs will largely depend on U.S.-China negotiations, which are [scheduled to resume](#) in October. China has also responded with retaliatory tariffs on U.S. exports to China, further complicating the issue for many U.S. firms. In this environment, firms must consider the impacts of the current and proposed tariffs and take steps to mitigate their risks. As part of this process, firms should:

- **Monitor trade politics:** Monitor trade negotiations and political developments to stay aware of changes in tariffs or trade policy that could impact their supply chains.
- **Evaluate current tariff lists:** Evaluate the lists to identify products covered by tariffs or scheduled for increases.
- **Assess supply chain:** Assess your supply chain or manufacturing inputs to understand the impact of current and scheduled tariff increases. Develop supply chain or input strategies to mitigate increased costs.
- **Monitor the exclusion process:** Monitor the exclusion process to determine what goods are excluded from the tariff increase. Apply for refunds for tariffs paid on goods excluded after the tariff date. Participate in any exclusion process the USTR implements for List 4A and List 4B.
- **Reduce tariff costs:** Determine ways to defer, eliminate, or recover tariffs. Examine available trade agreements, programs, or strategies for tariff-free imports.

Five Steps to Staying on Top of Tariffs

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TABLE: Section 301 U.S. Tariffs on Chinese Imports

U.S. Tariffs	Ad Valorem Rates	Product Lines	Approximate Annual Import Value	Actions and Dates
List 1	25%	818 product lines	\$34 billion ¹	Implemented July 6, 2018, at 25% Scheduled to increase to 30% on Oct. 15, 2019
List 2	25%	279 product lines	\$16 billion ²	Implemented Aug. 23, 2018, at 25% Scheduled to increase to 30% on Oct. 15, 2019
List 3	25%	5,733 product lines	\$200 billion ³	Implemented Sep. 24, 2018, at 10% Increased to 25% on June 15, 2019 Scheduled to increase to 30% on Oct. 15, 2019
List 4A	15%	Products in which China's share of U.S. imports is less than 75% ⁴	\$125 billion	Implemented Sep. 1, 2019, at 15%
List 4B	Scheduled for Dec. 15	Products in which China's share of U.S. imports is greater than 75% ⁵	\$175 billion	Scheduled to be implemented on Dec. 15, 2019, at 15%

¹ USTR Issues Tariffs on Chinese Products in Response to Unfair Trade Practices, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/june/ustr-issues-tariffs-chinese-products>.

² USTR Finalizes Second Tranche of Tariffs on Chinese Products in Response to China's Unfair Trade Practices, August 7, 2018, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/august/ustr-finalizes-second-tranche>.

³ Tariff List, <https://ustr.gov/sites/default/files/enforcement/301Investigations/Tariff%20List%20%2883%20FR%2047974%2C%20as%20amended%20and%20modified%20by%2083%20FR%2049153%29.pdf>.

⁴ Annex A has subheads: <https://www.federalregister.gov/documents/2019/08/20/2019-17865/notice-of-modification-of-section-301-action-chinas-acts-policies-and-practices-related-to>; USTR Announces Next Steps on Proposed 10 Percent Tariff on Imports from China, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/ustr-announces-next-steps-proposed#>.

⁵ Annex C has subheads: <https://www.federalregister.gov/documents/2019/08/20/2019-17865/notice-of-modification-of-section-301-action-chinas-acts-policies-and-practices-related-to>.