CLIENT ALERTS & INSIGHTS

Automobile and Auto Parts Tariffs - White House Section 232 Announcement, Impact, and Timeline

MARCH 28, 2025

Authors: Jonathan R. Todd

The White House announced new tariffs on imports of automobiles and auto parts under Section 232. The new Presidential Proclamation and Fact Sheet issued on March 26, 2025, establishes a structure for rolling out this action based on USTR investigations conducted under the Trump ’45 Administration. The compliance date will range between April 3rd and May 3rd although many details are forthcoming.

What is Changing for the Auto Industry and Suppliers - The Presidential Proclamation will impose a 25% ad valorem tariff on imports of automobiles and certain automobile parts. The automobiles targeted by this action are passenger vehicles (sedans, sport utility vehicles, crossovers, minivans, and cargo vans) and light trucks. The precise list of impacted auto parts is not known at this time although it is expected to include engines, transmissions, powertrain parts, and certain electrical components. The list will publish in the Federal Register as an Annex I to the announcement. These duties will be cumulative in addition to all other duties that may apply. No drawback will be available. The effective date for automobiles will be April 3, 2025. The effective date for auto parts will be no later than May 3, 2025. A public comment period will open within 90 days for possible addition of items within scope for further protection of domestic industry.

What is Changing for USMCA Compliance - Automobiles and parts otherwise qualifying for duty free treatment under the United States-Canada-Mexico Agreement ("USMCA") will remain duty free only for the value of U.S. content. The full impact of this change will not be immediate. The White House has directed the Commerce Department (as well as U.S. Customs) to develop systems appropriate for allocating duty based upon non-U.S. value in USMCA traffic. This functionality is expected by no later than June 24, 2025.

What is Changing for CBP Enforcement - The enforcement posture of U.S. Customs and Border Protection (“CBP”) continues to escalate consistent with other recent tariff actions. If CBP finds inaccuracies, overstatements, or falsehoods in U.S. content representations by importers or USMCA producers then it will impose the full 25% duty burden on the full value of all vehicles of that model imported between the effective date and the date upon which the error is corrected. CBP reserves the right to pursue all available civil penalties or liquidated damages in addition to this retroactive collection of lost revenue and any applicable interest. In other tariff announcements the White House directed CBP to use maximum enforcement of customs violations including by disregarding any mitigating factors the importer may present.

Why is the Trump Administration Imposing These Duties? - The United States Trade Representative conducted a Section 232 investigation of automobile imports in 2019. The

investigation found national security risk due to the levels of foreign production in the automotive supply chain. According to the White House, between 1985 and 2024 the percentage of domestic production in U.S. auto sales decreased from 97% down to 25%. Today the U.S. trading relationships for automotive parts has a $93.5 Billion trade deficit. The Trump '45 Administration subsequently issued a Presidential Proclamation in 2019 instructing the USTR to continue monitoring while working to address the issue by negotiating trading relationships with key partners including Canada and Korea. Those efforts yielded no new approaches to the identified national security threat. These latest actions continue to build upon those efforts by the prior Trump Administration.

How Automotive Supply Chains Can Prepare - We are counseling clients on managing relationships, contractual terms, and contingencies across their supply chains to best balance the risk of higher landed costs and volatility. USMCA compliance and recordkeeping will be critical here as with other supply chains reliant on trade with Canada and Mexico. It is time to review USMCA compliance including confirmation of: regional value content required for tariff shift, appropriate tariff codes, truthful and compliant certificates of origin, and documentation supporting the source of inputs and raw materials as well as the value added in the USMCA territories. These fundamentals will be essential to ensuring that only appropriate duties are paid and to defending against CBP investigations, audits, or other enforcement.

You may sign up for our bulletins and client alerts on supply chain, international trade, and global transportation & logistics matters here. Other relevant publications from our team on supply chain impacts from tariff actions are available here:

UPDATE: Trump Tariffs - 2025 Expectations, Facts, and Options

UPDATE: Trump Tariffs on Mexico, Canada, China - Supply Chain Impact and Strategies

Jonathan R. Todd is Vice Chair of the Transportation & Logistics Practice Group at Benesch Law. He may be reached at 216.363.4658 or jtodd@beneschlaw.com.

Vanessa Gomez is an Associate in the Transportation & Logistics Practice Group at Benesch Law. She can be reached at 216.363.4482 or vgomez@beneschlaw.com.