

Publications

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New U.S. Import Tariffs on Certain Automobiles and Parts

On March 26, 2025, President Trump signed an executive order directing new 25% tariffs on certain automobiles and automobile parts imported into the U.S. from all countries on or after April 3, 2025. This executive order comes as businesses await the outcome of the broader reciprocal trade plan also expected to be released on April 2.

The executive order builds on an investigation undertaken during President Trump's first term focused on U.S. imports of passenger vehicles (sedans, sport utility vehicles, crossover utility vehicles, minivans and cargo vans), light trucks (collectively, automobiles) and certain automobile parts (engines and engine parts, transmissions and powertrain parts and electrical components — collectively, automobile parts) and their effect on the national security of the U.S. under Section 232 of the Trade Expansion Act of 1962, as amended (19 U.S.C. 1862) (Section 232). When the U.S. Department of Commerce (DOC) issued findings and recommendations to the President in February 2019, the President did not take any tariff action in response to the DOC's determination that those imports threatened to impair the national security of the United States. Now, however, President Trump has determined that changes in import trends since the initial investigation and 2019 report have exacerbated risks to U.S. manufacturing, noting that "[t]oday, only about half of the vehicles sold in the United States are manufactured domestically[.]"

These new 25% tariffs, building on the prior investigation, will largely be effective for certain automobiles (to be identified in a subsequent notice in the *Federal Register*) on or after 12:01 a.m. Eastern Daylight Time on April 3, 2025. The effective date for parts could be deferred; the executive order specifies an effective date to be published in the *Federal Register* "but no later than May 3, 2025.

Automobiles and parts eligible for the U.S.-Mexico-Canada free trade agreement (USMCA) preferential treatment will be treated differently than all other imports. Where automobiles qualify for preferential tariff treatment under USMCA, importers of those automobiles may be permitted to submit documentation identifying or substantiating the amount of U.S. content in each model imported into the United States and pay duties only on the remainder. Where automobile parts qualify for preferential treatment under USMCA, those parts will be exempted from duties until such time that the DOC, in consultation with Customs, establishes a process to apply the tariff exclusively to the

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value of the non-U.S. content of such automobile parts and publishes notice in the *Federal Register*. “U.S. content” refers to the value of the automobile attributable to parts wholly obtained, produced entirely or substantially transformed in the United States.

The duties imposed by this order will be supplemental to duties on imports already imposed pursuant to other legal tools, including IEEPA (e.g. Canada, China and Mexico), Section 232 of the Trade Expansion of 1962 (e.g. steel and aluminum), Section 301 of the Trade Act of 1974 (e.g. China) and any other authority.

These duties will be imposed concurrent with other action taken under the President’s Reciprocal Trade Plan, which is expected to announce new tariffs on April 2, 2025, and with any new tariffs imposed under the President’s March 25, 2025 executive order granting the State Department discretion to impose 25% import duties on U.S. imports from countries that themselves import Venezuelan oil on or after April 2, 2025.

If your business needs strategic guidance or anticipates potential impacts resulting from the new announcement, contact Deanna Okun, Lydia Pardini, Polsinelli’s Executive Action Working Group or your Polsinelli contact.