

CLIENT ALERTS

Latest Executive Orders Provide Some Tariff Relief to Automakers, Auto Parts Importers and Others

Client Alert

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After intense lobbying from the automotive industry, including Original Equipment Manufacturers (OEMs), parts suppliers, dealers and their respective trade associations, President Trump responded on April 29, 2025 with two new Executive Orders aimed at softening the impact of his recent tariffs on them. According to the President, "[i]t's a little bit of help; we just wanted to help [the American automotive industry] enjoy this little transition, short term."

The first Order, "Addressing Certain Tariffs On Imported Articles", deals with "Non-Stacking". It clarifies that the Section 232 Auto/Auto-Parts Tariffs (announced in April 2025), the International Emergency Economic Powers Act (IEEPA) Mexico and Canada Tariffs (announced in February 2025), and the Section 232 Steel and Aluminum (and derivative) Tariffs (modified in February 2025), shall not be "stacked" on top of one another. This is the case, because "the rate of duty resulting from such stacking exceeds what is necessary to achieve the intended policy goals."

The equation for the "non-stacking" is:

- An article subject to Section 232 Auto/Auto-Parts Tariffs shall not be subject to any additional tariffs on that article that would otherwise apply pursuant to: 1) Mexico/Canada IEEPA tariffs, or 2) Section 232 Steel/Aluminum/Derivative tariffs;
- An article subject to Mexico/Canada IEEPA tariffs shall not be subject to additional tariffs on that article that would otherwise apply pursuant to Section 232 Steel/Aluminum/Derivative tariffs;
- An article to Section 232 Aluminum/Derivative tariffs **shall be subject to additional Section 232 Steel/Derivative tariffs** on that article, provided the article otherwise satisfies all conditions necessary for application of those additional

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CLIENT ALERTS

tariffs; likewise, an article subject to Section 232 Steel/Derivative tariffs **shall be subject to additional Section 232 Aluminum/Derivative tariffs** on that article, provided the article otherwise satisfies all conditions necessary for application of those additional tariffs. ***[Emphasis added. While fashioned as a non-stacking order, there is either a set of typos, or there is stacking, in the case of Steel and Aluminum tariffs. We may receive clarity from Customs today, and we will share any updates as they develop.]***

Tariffs not enumerated in this Order (e.g., all China tariffs, yet-to-be-implemented “Reciprocal” tariffs, pre-existing tariffs) will continue to stack. However, the net effect of this Order for automakers (whose imports became subject to the Section 232 auto tariffs on April 5, 2025) and automobile parts importers (whose products become subject to the 232 tariffs on May 3, 2025), is to limit their exposure to 25% in some circumstances.

According to the Order, it shall apply retroactively to “all entries of merchandise subject to the applicable tariffs outlined in Section 232 of this order and made on or after March 4, 2025”. Refunds should be requested through US Customs and Border Protection’s standard procedures.

In the other Executive Order released yesterday, “Amendments To Adjusting Imports Of Automobiles And Automobile Parts Into The United States”, the relief is limited to OEMs that assemble vehicles in the US. Specifically, those OEMs may apply for a 3.75% “import adjustment offset” adjustment based on the aggregate MSRP of all vehicles assembled by that OEM in the US from April 26, 2025, through April 30, 2026. This is intended to cover the 25% duty on automotive parts (as capped by the above order) that are subject to Section 232 Auto tariffs, for such parts that comprise up to 15% of the vehicle’s MSRP.

3.75% is the cap, and thus the maximum “offset” available will be $[3.75\% \times \text{MSRP}]$. However, if the US-assembled vehicle has less than 15% automotive parts subject to Section 232 (e.g. 10%), the “offset” will be that percentage (10%) multiplied by the 25% tariff multiplied by the MSRP (e.g. $2.5\% \times \text{MSRP}$).

For vehicles assembled in the US by an OEM from May 1, 2026, through April 30, 2027, the “import adjustment offset” will be calculated by applying the 25% tariffs to 10% (rather than 15%) of the MSRP of the US-assembled vehicles, resulting in a 2.5% cap.

The Order directs the Secretary of Commerce to establish a process for OEMs to seek the import adjustment offset, which will require extensive documentation and certification on the part of the OEMs to verify US content, etc. The Order does not indicate whether the import adjustment offset might be extended beyond May 1, 2027.

Neither of these Orders affect the tariffs on China (e.g. 301 Tariffs, IEEPA Fentanyl Tariffs, or IEEPA Reciprocal Tariffs), or the general 10% IEEPA Reciprocal Tariffs. As more information becomes available, our Butzel Automotive and Tariffs Groups will provide it.

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CLIENT ALERTS

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