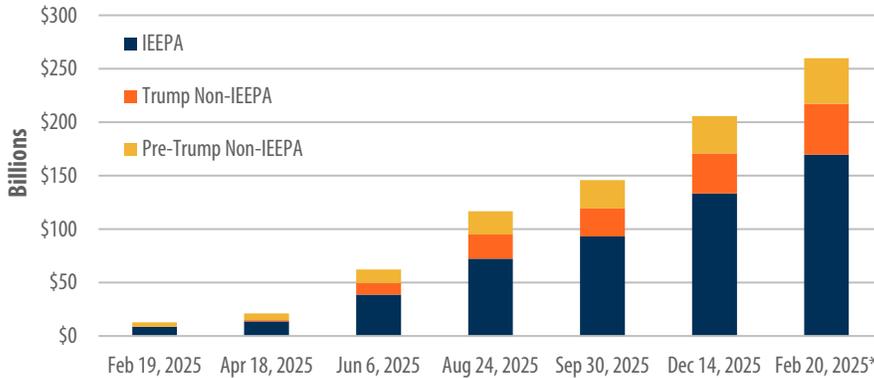


Tariffs: Some Relief, But Here to Stay

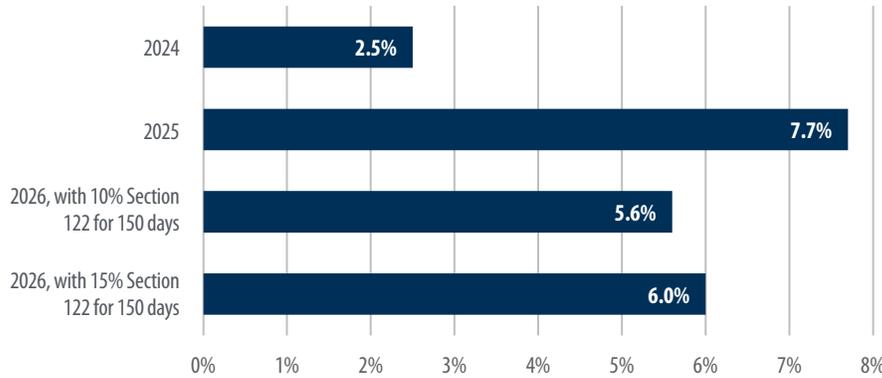
On February 20, 2026, the Supreme Court ruled 6–3 that President Trump’s tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unlawful. Writing for the majority, Chief Justice Roberts made clear that IEEPA does not grant the President authority to levy tariffs. The decision invalidated both the sweeping “reciprocal” tariffs applied to most U.S. trading partners and the country-specific tariffs on China, Canada, and Mexico tied to immigration and illicit opioid concerns. Within hours, the President issued an Executive Order rescinding the IEEPA tariff orders, directed that collections cease as soon as practicable, and threatened a new 15% across-the-board tariff on all countries under Section 122 of the Trade Act of 1974 — a temporary authority that allows tariffs for up to 150 days unless extended by Congress. Both actions took effect Tuesday, but the new Section 122 tariff was implemented at 10% instead of 15%. In this week’s “Three on Thursday,” we examine what this legal shift means for tariffs moving forward as well as possible refunds. For more information view the three charts below.

Cumulative Revenue by Tariff Type



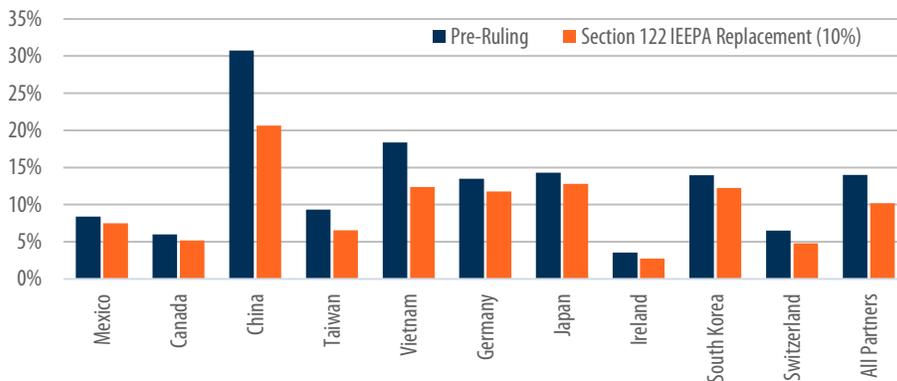
Source: Customs and Border Protection, Bloomberg Economics, First Trust Advisors. *Feb 20, 2025 data are estimates based on duties collected from 9/30/25-12/14/25.

Average Effective Tariff Rates on All Goods Imports



Source: Tax Foundation, First Trust Advisors. Average effective tariff rates for 2026 are estimates for the full year.

SCOTUS Ruling Effect on Estimated Average Tariff Rates by Country



Source: Bloomberg Economics, First Trust Advisors. Pre-ruling effective tariff rates as of 2/7/2026. Section 122 IEEPA Replacement (10%) effective tariff rate as of 2/24/2026.

Looking back over the past year, it’s estimated that tariffs generated roughly \$260 billion in revenue through February 20, 2026, with IEEPA-related tariffs accounting for approximately 65% of that total. That implies roughly \$170 billion in collections now potentially subject to refund, depending on how the litigation unfolds as the case returns to the U.S. Court of International Trade. If refunds are ultimately required, the impact could be meaningful for certain companies. For firms that paid high IEEPA tariffs, repayments would flow directly to the bottom line. And for those that had built these IEEPA tariff costs into forward guidance, the removal of those expenses could provide an unexpected earnings tailwind. The timing, however, remains very uncertain.

So what does this mean for tariffs going forward? The trade landscape has shifted dramatically since 2024, but it’s important not to focus solely on the headline tariff rates that dominate the news. What matters more for businesses and markets is the effective tariff rate, the actual share of import value paid in customs duties. The effective rate is calculated by dividing total customs duties collected by the total value of goods imports. In 2025, the overall effective tariff rate reached 7.7%, the highest since 1947. Even if the new Section 122 tariffs expire after 150 days, the Tax Foundation estimates the average effective tariff rate in 2026 would still be around 5.6%, the highest since 1972. In other words, even with legal setbacks and temporary authorities, the U.S. remains in a structurally higher-tariff environment than at any point in the past half-century. Tariffs aren’t going away.

Although the average effective tariff rate for 2025 was 7.7%, that figure understates how sharply rates climbed as the year progressed, with much heavier burdens in the back half of the year. By February 19—before the Supreme Court ruling—Bloomberg Economics estimated the effective rate had risen to 13.6% for all partners, reflecting the full impact of IEEPA-related measures. After the ruling, IEEPA tariffs were replaced with a uniform 10% (President Trump has suggested raising it to 15%) tariff under Section 122, which will lower effective rates across each of the largest trading partners with the US. The largest relief for major trading partners came in trade with China, where the effective rate fell from roughly 31% to 21%, significantly reducing import costs.

This report was prepared by First Trust Advisors L.P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.