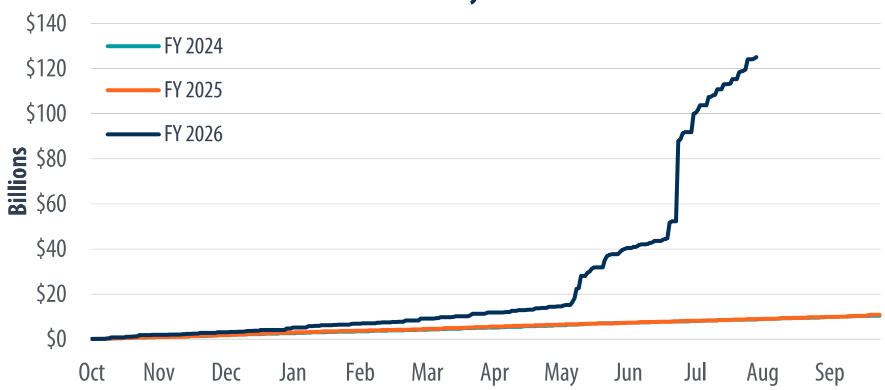
August 6, 2026

The Current State of U.S. Tariffs

In this week's "Three on Thursday," we take a look at the progress of tariff refunds and where tariff rates stand today. In February 2026, the Supreme Court ruled 6–3 that President Trump's tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unlawful. Thousands of businesses then filed lawsuits in the U.S. Court of International Trade seeking repayment of duties already collected. Shortly thereafter a judge ordered U.S. Customs and Border Protection (CBP) to begin issuing refunds "immediately." With no prior systems for distributing mass refunds, CBP created a new online portal known as CAPE (Consolidated Administration and Processing of Entries), which began receiving declarations on April 20th. As of July 31st, CAPE had accepted about $128.68 billion in potential and certified refunds. For more insight into how the refund process is progressing, and how these refunds will impact the overall economy, see the three charts below.

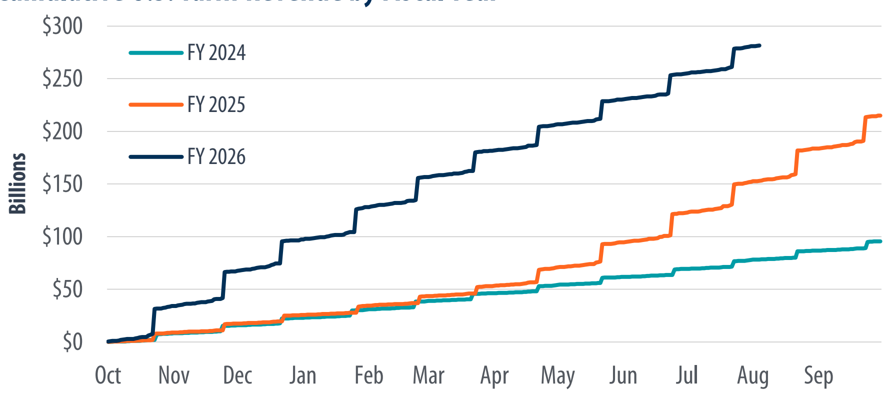
Cumulative Withdrawals from the Treasury: Customs and Border Protection



Source: U.S. Treasury, First Trust Advisors. Daily data 10/2/2023 - 8/4/2026.

Once CBP formally finalizes an entry for repayment, the refund request is transmitted to the Department of the Treasury, which then processes and disburses the funds. As in many other areas of government, the accounting for this is convoluted and complicated. Rather than appearing as a separate spending outlay, refunds are netted against the customs duties revenue line in the Monthly Treasury Statement. As a result, customs duties revenues for June were recorded as -$25.6 billion, with larger negative revenues expected in the months ahead. As of this week, approximately $125 billion has been withdrawn from the Treasury on behalf of the CBP in fiscal year("FY") 2026 (starting October 2025). This includes approximately $74 billion paid out in May and June, which flowed directly to the bottom line of many companies in Q2. We estimate these refunds may have boosted corporate earnings by up to 5% this year.

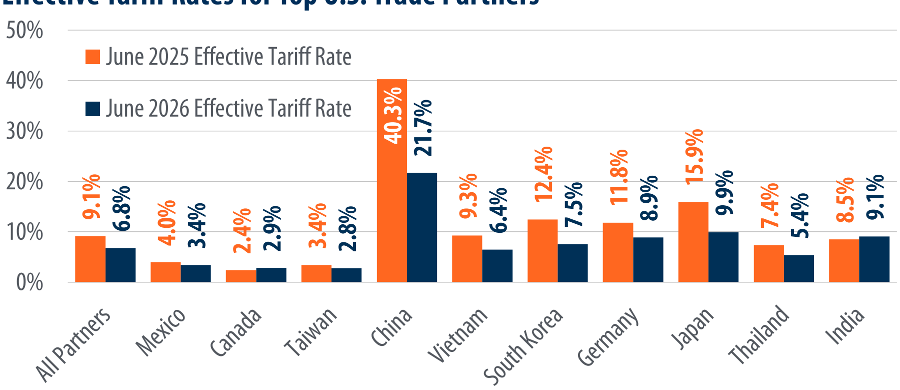
Cumulative U.S. Tariff Revenue by Fiscal Year



Source: U.S. Treasury, First Trust Advisors. Daily data 10/2/2023 - 8/4/2026.

Although Treasury accounting presents refunds as reductions to tariff collections, for GDP accounting purposes they are classified as one-time capital transfer payments to businesses from the federal government, which is a form of government spending. This convoluted government accounting means that tariff revenue is reported without adjusting for refunds. The Trump Administration has also pursued tariffs under different legal authorities since the Supreme Court ruling, helping sustain a steady flow of customs revenue in fiscal year 2026. In fact, total tariff revenues (again, without adjusting for refunds) have continued to climb to record levels. As of this week, approximately $281 billion in tariff revenue has been collected in FY2026, including $26 billion in July alone.

Effective Tariff Rates for Top U.S. Trade Partners



Source: U.S. International Trade Commission, Bloomberg, First Trust Advisors. Effective tariff rates as of 6/30/2026 (most recent data available).

Interestingly, tariff rates on the majority of U.S. trade partners have fallen since last year, which should be expected given the Supreme Court ruling. But customs duties revenues have continued to climb. This is because imports have substantially increased since this time last year, up 14.2% in June 2026 versus June 2025. And while part of that increase may be due to artificially low imports in June 2025 following the Liberation Day tariff front-running in Q1, imports in June are still $23.8 billion higher than the average level over the past year. In other words, tariff rates may not be as high as they once were, but the U.S. is importing far more than it was, allowing the government, for now, to collect even more tariff revenue – almost a perfect example of what we view as a supply-side tax cut.