



The Daily Dish

Tariff Refunds

DOUGLAS HOLTZ-EAKIN | MARCH 2, 2026

The Supreme Court's 6-3 decision to invalidate the double-digit tariffs President Trump imposed by invoking the 1977 International Emergency Economic Powers Act (IEEPA) has raised the issue of refunding those tariff payments. There is no automatic process for such refunds, but in the world occupied by Eakinomics the return of the tariffs can and should be a straightforward process.

First, the money should be returned. The tariffs were imposed illegally and should not have been collected in the first place. If this were a tax issue and the Tax Court ruled against the Internal Revenue Service, the taxes in question would be refunded. Tariffs are a tax and the same rules should apply. It is true that the legal and administrative settings are different but the government has an obligation to manage past those facts and get the money back as quickly as possible and at the least cost to the original payor.

Second, it is correct to send exactly the same amount back to the original payor. There is a line of reasoning floating about that argues that some of the tariff money ought to be paid, for example, to the customers of a firm that was subject to IEEPA tariffs. This is well-intentioned, but gets the economics wrong. It is true that a firm might remit the tariff and then raise its prices enough to recoup those dollars. That does not mean, however, that the government should pay the customers.

Why? The refund is the moral equivalent of a negative tariff. The same economic dynamics that transmit a positive tariff to higher prices will work in reverse: The negative tariff (refunds) will translate into lower prices. The government's job is to manage the cash flows to and from the customs office; the market will take care of the remainder.

Common sense dictates that nobody should have to sue their government to get it to return an unconstitutional money grab. It should just happen, and happen as quickly as possible.