



The Daily Dish

Who Benefits From Tariff Refunds?

DOUGLAS HOLTZ-EAKIN | APRIL 21, 2026

The process of refunding the tariffs levied under the supposed auspices of the International Economic Emergency Powers Act (IEEPA), but struck down by the Supreme Court, has begun. [The New York Times](#) puts the total at \$166 billion (plus interest). Firms have to request a refund and there is a lot of uncertainty about how timely the process will be.

There is also some question about who should get the tariff refunds. The *Times* writes:

[O]nly the entities that officially paid the tariffs are eligible to recover that money. That means that the fuller universe of people affected by Mr. Trump's policies — including millions of Americans who paid higher prices for the products they bought — are not able to apply for direct relief.

The extent to which consumers realize any gain hinges on whether businesses share the proceeds, something that few have publicly committed to do. Some have started to band together in class-action lawsuits in the hopes of receiving a payout.

That's terrible economics and almost certainly wrong. Here is why.

A key question has been the degree to which tariffs are passed along to buyers in the form of higher prices. The answer, in principle, can range from zero – the foreign producer “eats” the tariff in the form of a lower price received – to 100 percent – the buyer pays the entire tariff in the form of a higher purchase price. The actual outcome depends on the characteristics of demand (e.g., is there a substitute for the product?) and supply (e.g., how much do costs vary with the pace of production?).

The answer to who paid the tariffs, as anyone who follows Scott Lincicome on [X](#) knows, is essentially 100 percent. But what works for taxes – which is all tariffs really are – works for negative taxes (aka, government subsidies). If buyers pay 100 percent of tax, they would

reap 100 percent of the benefits of a subsidy. And the refund is simply the government giving the firm money, i.e., subsidies. Customers will benefit even though the refund is to the firm.

There is one caveat: The tariffs were pro-rated and incurred with the purchase, while the refund is one lump sum. They are not exactly mirror images of one another. Nevertheless, markets should press firms to pass along the subsidies just as they passed along the tariffs. There is no need for the Trump Administration or the courts to get involved.