



Insight

Tariff Refunds: Will Consumers Benefit?

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Executive Summary

- On April 20, Customs and Border Protection (CBP) launched the Consolidated Administration and Processing of Entries (CAPE) portal to automate the process of refunding U.S. importers for International Emergency Economic Powers Act (IEEPA) tariffs.
- As U.S. importers - primarily consisting of businesses - begin to receive refunds, many taxpayers and lawmakers are expressing concerns that big businesses will be “bailed out” while U.S. consumers are left footing the tariff bill.
- This insight sheds light on why importers are receiving refunds directly, why consumers will be reimbursed indirectly through “secondary refunds,” and why the current process is simply the inverse of how tariffs were paid in the first place.

Introduction

On April 20, Customs and Border Protection (CBP) launched the Consolidated Administration and Processing of Entries (CAPE) portal to automate the process of refunding U.S. importers for International Emergency Economic Powers Act (IEEPA) tariffs. As U.S. importers - primarily consisting of businesses - begin to receive refunds, many taxpayers and lawmakers are expressing concerns that big businesses will be “bailed out” while U.S. consumers are left footing the tariff bill.

This view, however, neglects complexities in the refund process and nuances with how tariffs were passed along the supply chain. This insight sheds light on why importers are receiving refunds directly, why consumers will be reimbursed indirectly through “secondary refunds,” and why the current process is simply the inverse of how tariffs were paid in the

first place.

Why Importers Get Refunds

The reason many businesses are receiving refunds is almost entirely a legal matter. Simply put, importers are the entities that directly paid the tariff costs to CBP and are therefore the ones entitled to receive the refunds of the illegally collected government tariffs. Let's consider an example using an individual tax return. If an individual were to overpay his taxes in a given year by \$100, it goes without saying that he is entitled to a \$100 tax refund when tax season rolls around. In the meantime, however, this taxpayer is short \$100 that he may have used for extra purchases, indirectly impacting the bottom line of one or more business owners. In this scenario, the "cost" of the overpaid taxes is partially passed along to the business owners. This does not entitle the business owner to receive compensation from the government, however. It is up to the taxpayer to eventually make the purchase once the government sends the tax refund, thereby correcting the mistake for the legally impacted party.

"Secondary Refunds" for Consumers Are Coming

Some companies have already begun to [receive](#) refunds as of May 6, with the flow of refunds expected to steadily continue over the coming weeks. As the government continues to pay back U.S. companies, consumers should eventually begin to feel relief as businesses [gradually](#) pass along cost savings. Just as tariff costs were passed along gradually from importers and businesses to U.S. consumers, tariff savings will take time to work their way through the economy. The difficulty will be in pinpointing the specific effects these "secondary refunds" have on consumer prices which, it should be noted, are driven by myriad factors that may counteract the potency of tariff savings.

It is also important to consider the market dynamics at play that initially worked against consumers, but which are beginning to work for them. In a competitive market, businesses had to respond to tariffs at one point or another, otherwise they would become uncompetitive over the long term compared to rival companies. A business that "eats" the entirety of a tariff for too long erodes its margins compared to other companies that slowly shift the burden to consumers. Lower margins result in less appeal in equity markets and less ability to reinvest in the business. That weaker margin may necessitate cost cutting in other areas, such as the labor pool or research and development, which may hurt the organization down the line. Similar market pressures will work in reverse. With the dissolution of IEEPA tariff costs, businesses that lower prices or refuse to raise them will be more competitive than companies that maintain higher prices. Some companies could try to maintain higher margins. They will lose market share over the long term, however, to

companies that gradually pass along tariff savings to consumers.

“Secondary refunds” to downstream consumers and businesses are not just an abstract economic theory but are becoming a tangible reality. Major shipping companies such as [UPS](#) and [FedEx](#) have already declared they will pay their customers - which includes U.S. consumers - by setting up their own systems for processing and distributing “secondary refunds.”

Why Refunding Importers Is Practical

Issuing refunds to importers of record is also a practical matter. There are records that prove the amount importers paid for specific products as well as CBP systems in place for the distribution of payments. CAPE is not a perfect system as there will be errors made, difficulties in having small businesses enlisted in the process, and delays along the way. Nevertheless, it is immensely cleaner than the alternative.

It would be a logistical nightmare for the federal government to attempt to compensate U.S. consumers for IEEPA tariffs they may have paid. The government would have to decipher how much extra someone paid for an iced latte, a pair of shoes, or a new home as a result of tariff policy. This would require CBP or some other entity to track down hundreds of millions of receipts, from tens of millions of Americans, dating back to March 2025. After this monumental task was complete, CBP would either have to ask businesses how much of the tariff burden they shifted to the price of certain products, or it would have to (imprecisely) calculate the consumer tariff burden on its own. This would be an enormously complex undertaking, as tariff costs may have been passed down a supply chain that includes multiple businesses before reaching a retail store. It is also possible that businesses dealt with added costs in different ways, for instance by cutting labor costs or by raising the price of some products while maintaining the price of others based on the elasticity of demand. The administrative nightmare, imprecision, and economic distortions that stem from a direct-to-consumer refund system are heavily mitigated by allowing CBP to repay importers that can then issue “secondary refunds” to businesses and consumers.

Alternatively, the government could simply ignore all this precision and administrative effort by sending every American the same exact “rebate.” In fact, one bill in the House of Representatives [titled](#) the “American Consumer Tariff Rebate Act of 2026” proposes sending more than \$230 billion to taxpayers, ostensibly to pay back tariff-impacted consumers. Similarly, a bill [titled](#) the “Tariff Refunds for Working Families Act” would pay \$600 to certain individuals. The issue with these bills is that they operate more like an economic stimulus package than an attempt at a targeted tariff refund. Rebates are limited based on income, there is extra cash set aside for those with children, and there are various other

qualifications in place that neglect to consider that all U.S. consumers were impacted by tariff policy. These caveats shift the purpose of the legislation from consumer rebates to politically popular welfare checks in the lead-up to the 2026 midterm elections.

An Imperfect but Understandable Process

The uncertainty fomented in 2025 due to constantly shifting tariff policy was just as challenging for businesses as it was for consumers and analysts attempting to predict what future prices might look like. Importers, businesses, and individuals responded to a government-imposed tax hike. These tariffs changed cost structures for many companies to the point they had to raise prices, reduce costs elsewhere, or face the inability to stay afloat. Many big businesses did, in fact, absorb tariff costs and eased into price hikes over time because they had the ability to adapt or temporarily “eat” the tariffs. Smaller businesses, with lower margins, did not have the same luxury; they have less capacity to shift suppliers and limited cash reserves to rely upon. Recall that there are nearly 35 million small businesses in the United States making up close to half of all U.S. employment. Many of the importers that should be receiving refunds include these small businesses that represent a vast number of Americans.

Going forward, the IEEPA tariff refund process will be a difficult public relations challenge for companies to navigate. Consumers may question whether they are receiving their rightfully owed share of refunds, so companies would be wise to show greater transparency to garner trust. Meanwhile, some politicians have already attempted to capitalize on the uncertainty that stems from the refund process - both to push for their own favored legislation and to pass the blame from government missteps to private companies.