

Evaluating Trump's Tariffs by Tax Policy Criteria

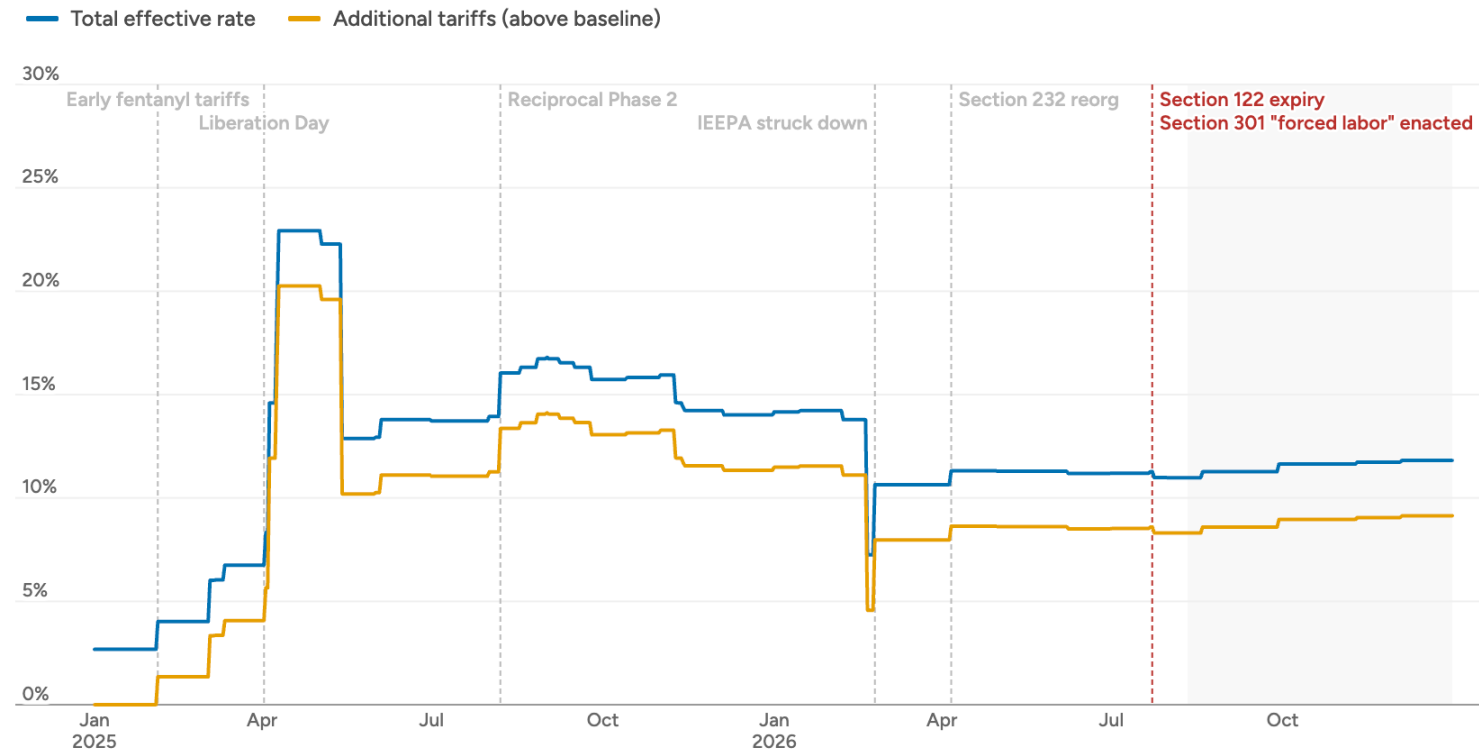
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International Institute of Public Finance Annual Congress
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Daily Statutory Tariff Rate — Current law

Import-weighted average statutory tariff rate. Percent.



Source: The Budget Lab analysis.

↓ Data

↓ Image

The overall statutory tariff rate over time, for the selected scenario. Dashed vertical lines mark major tariff policy changes. The grey band marks the projected period.

Source: Budget Lab; <https://budgetlab.yale.edu/research/state-us-tariffs>

Tax Policy Criteria

- Revenue
- Efficiency
- Distribution
- Tax administration
- Tax certainty
- Populist impulses
- Global spillover effects

Tariffs as Fiscal Policy: Revenue

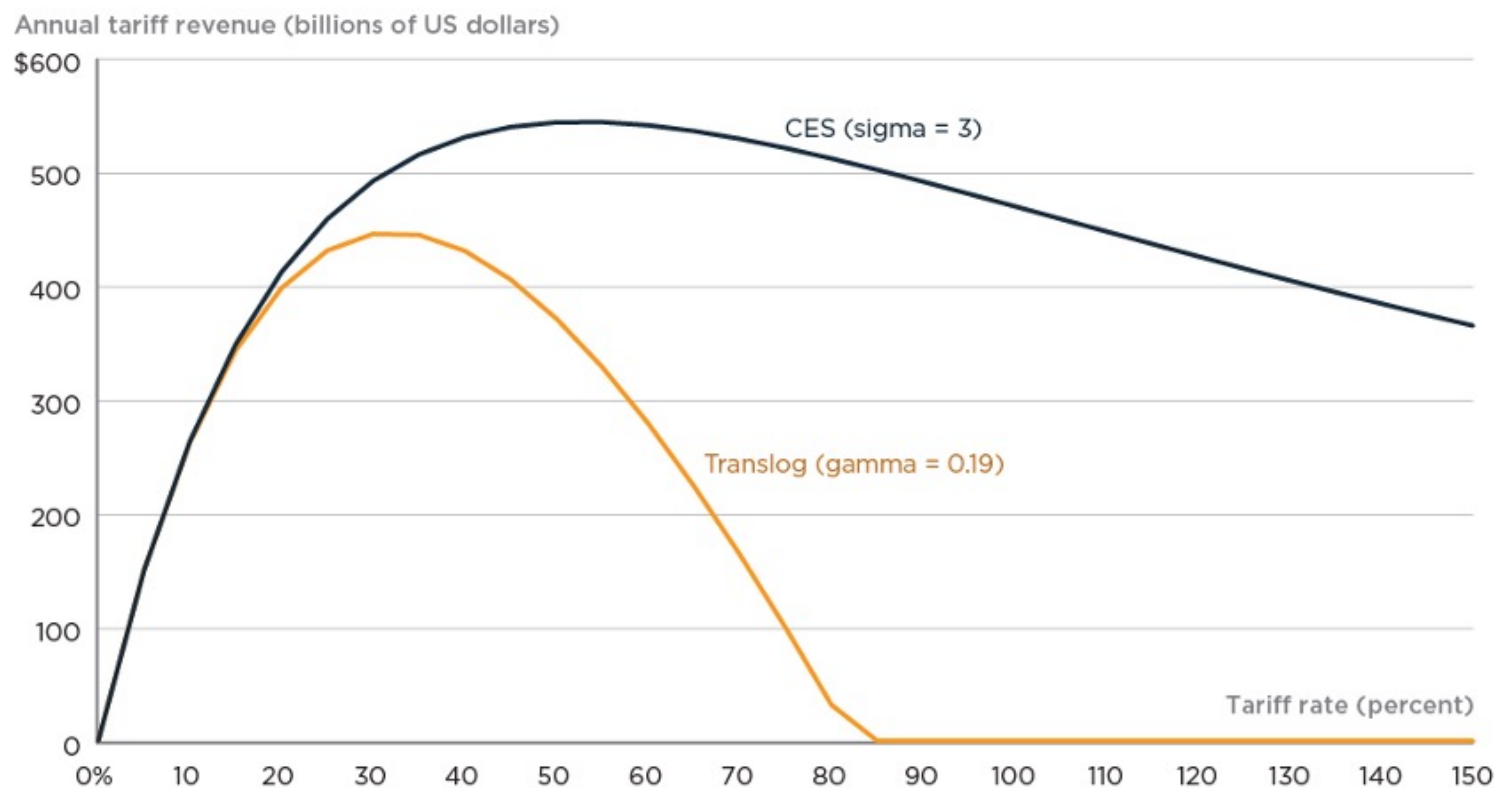
Can tariffs displace the income tax?

Can tariffs fund income tax cuts for many?

Questions & Issues:

- How much do buyers respond to higher prices?
- What about the tariff offset?
- What about noncompliance?
- Exemptions
- What are the dynamic effects?
- Legal realities

Tariff revenue Laffer curves for the CES and translog import demand models



CES = constant elasticity of substitution

Source: Authors' calculations.

Source: Clausing and Obstfeld, *National Tax Journal*, (2026)

Tariffs as Fiscal Policy: Revenue

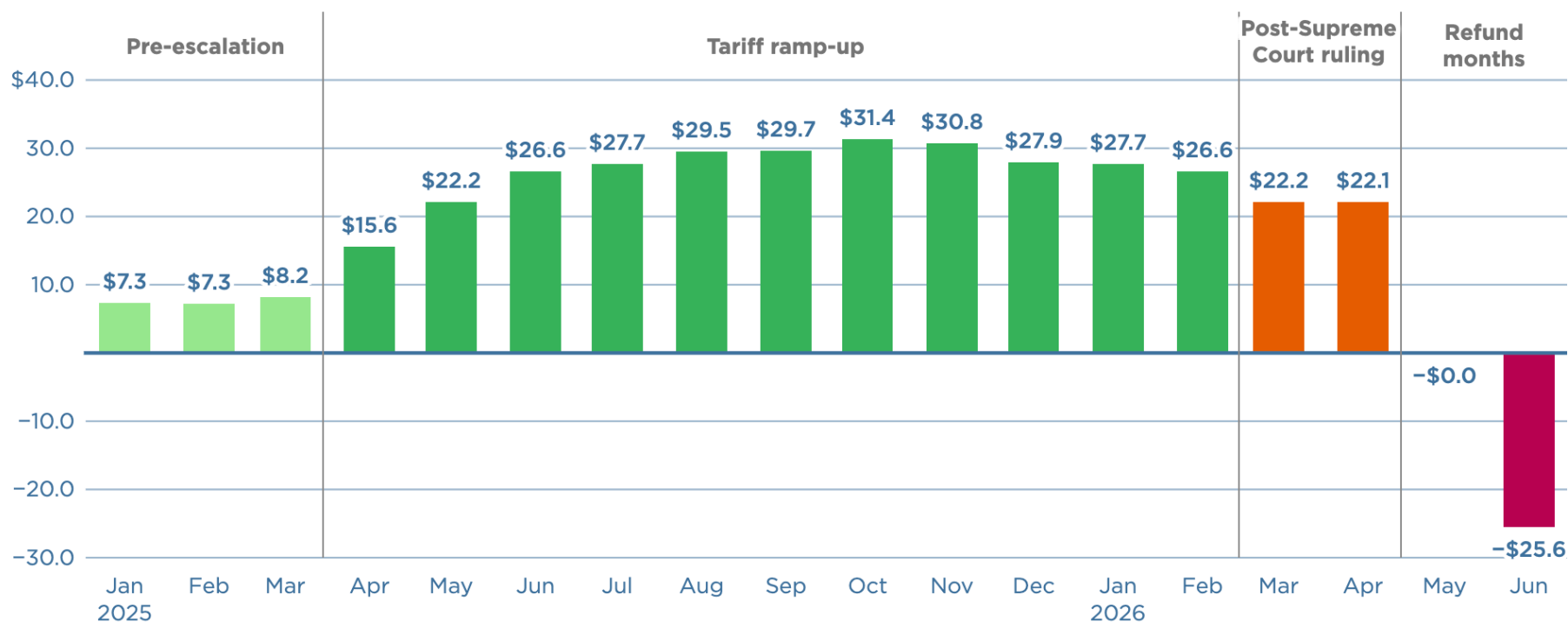
Table 1
Recent Estimates of Tariff Revenues

Estimate Source	Time Period	Tariff Assumptions	Aggregate Revenue (\$Billions, Rounded)
Budget Lab (2025a)	2026–2035	Dynamic score, tariffs as of September 4, 2025; 17.4% effective tariff rate	2,000
Penn Wharton Budget Model (2025)	2025–2034	Dynamic score, tariffs as of April 8, 2025; 22.5% ^a effective tariff rate	4,500
Tax Policy Center (2025)	2025–2035	Dynamic score, tariffs as of April 2, 2025, 22.5% ^a effective tariff rate	3,500
Congressional Budget Office (2025a)	2025–2035	Static score, tariffs as of August 19, 2025, about 20.5% effective tariff rate ¹	3,300
Clausing and Lovely (2024)	2026–2035	Static score, 10% incremental universal tariff and 50% incremental tariff on China	2,800
York and Durante (2025)	2025–2034	Dynamic score, 20% incremental universal tariff	2,600
McKibbin and Shuetrim (2025)	2025–2034	Dynamic score, 20% incremental universal tariff with retaliation	800

Source: Clausing and Obstfeld, *National Tax Journal*, (2026)

US tariff revenue has fallen from its peak

Monthly US tariff revenue (customs duties, net), billions of dollars, 2025–June 2026



Source: US Treasury, Monthly Treasury Statements

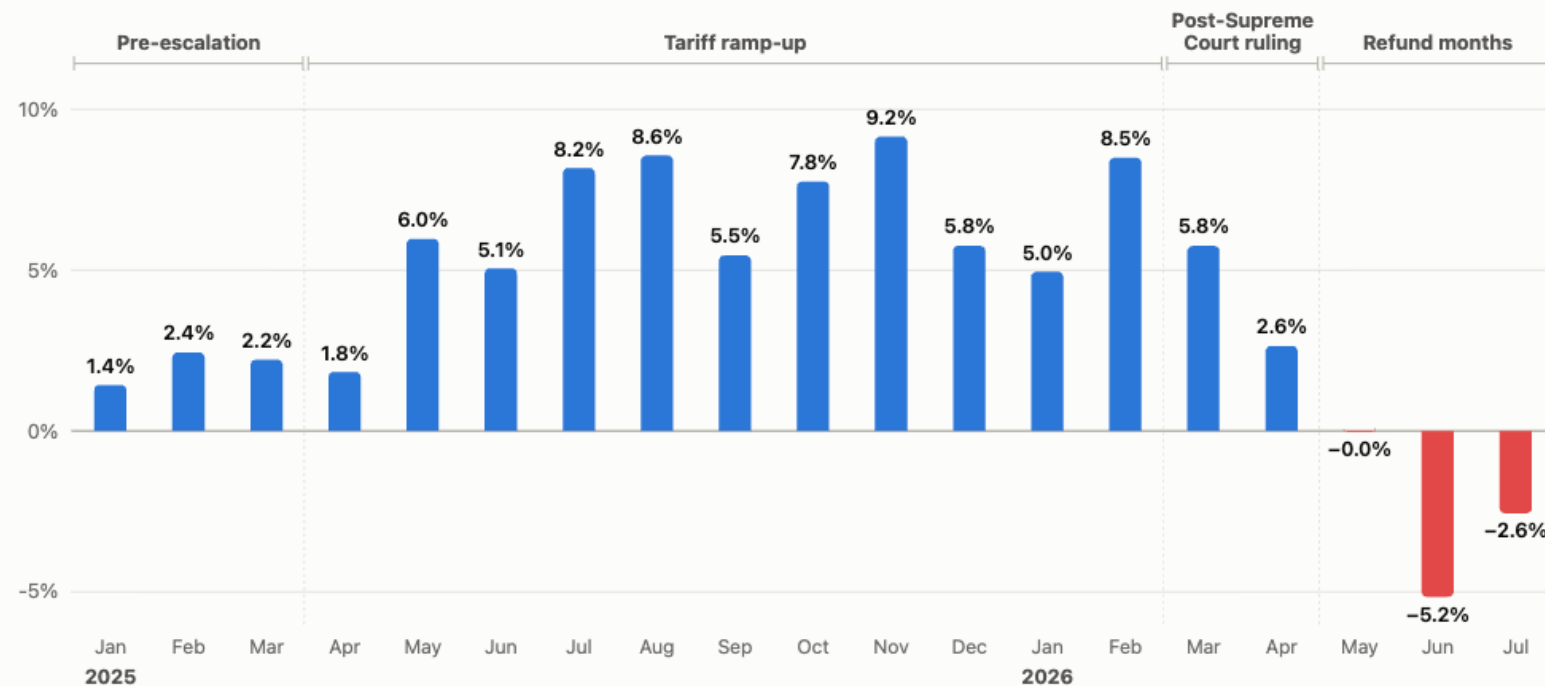
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Source: Clausing and Obstfeld 2026 : <https://www.piie.com/blogs/realtime-economics/2026/optimal-tariffs-are-far-optimal-part-1>

Tariff revenue as a share of total federal revenue

Customs duties (net) as a percent of total US Treasury receipts (net), monthly, Jan 2025–Jul 2026

■ Tariffs added to revenue ■ Net refunds reduced revenue



Source: US Treasury, Monthly Treasury Statement, Table 4 (Receipts of the U.S. Government), via the Fiscal Data API. Share = net customs duties ÷ total net receipts.

Compare a Possible Corporate Reform

Revenue from the proposal, 2030–39

Provision	10-year revenue score (2030–39)
Corporate rate (21/27/27+surtax)	\$2.2 trillion
Corporate tax base changes	\$200 billion
Stronger per-country minimum tax	\$860 billion
UTPR adoption	Not estimated, positive
FDDEI repeal	\$710 billion
BEAT changes	Not estimated, small negative
CAMT changes	Not estimated, small negative
Total	\$4.0 trillion

Source: Penn Wharton Budget Model 2026.

Note: The stacking of the estimates does not follow the table 3 order. The stack order begins with the corporate rate changes, then FDDEI repeal, then minimum tax changes, then the corporate tax base changes.



BROOKINGS

Source: Clausing 2026, <https://www.hamiltonproject.org/publication/policy-proposal/the-future-of-us-international-corporate-tax-reform/>

Tariffs as Fiscal Policy: Efficiency

Tariffs are not the same as a generic consumption tax; resources are misallocated and gains from trade are destroyed.

Supply chain disruption also makes for adverse competitiveness effects.

At current tariff rates, efficiency loss is ~30 percent of revenue.

At revenue-max tariff rates, efficiency loss ~90 percent of revenue.

VATs are far more efficient, as are most taxes.

(There is a reason for economists' consensus.)

Figure 3 Net welfare cost of raising US tariffs from 2024 levels



Source: Authors' calculations.

Source: Clausing and Obstfeld, *National Tax Journal*, (2026)

Is there evidence for an “optimal tariff”?

Very little. Most studies show full pass-through to US buyers.

Two studies show costs to *both* exporters and importers due to the destruction of scale economies. (Ganapati and Hottman 2026; Freund 2026)

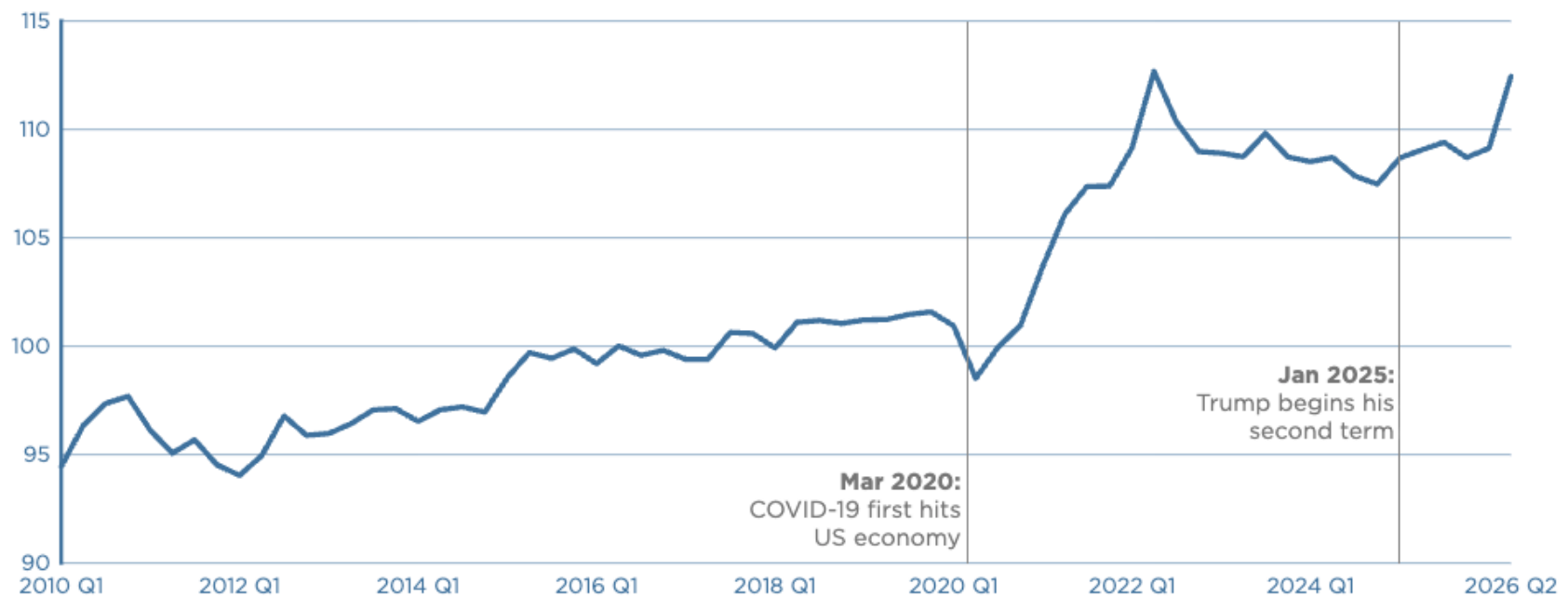
Another looks at product switching and finds quality effects that also imply higher costs than conventional analyses (Ahn, Rotunno and Ruta 2026).

Optimal tariffs are lower for input goods (Caliendo et al. 2023).

Data on terms of trade raises doubts that US has improved its welfare.

Changes in the US terms of trade during Trump's second term are recent and dominated by wartime disruptions

US export prices relative to its import prices for goods, 2010 Q1–2026 Q2 (index, 2017 = 100)



Source: US Bureau of Economic Analysis (BEA) via Federal Reserve Economic Data (FRED), quarterly seasonally adjusted data.

[Download image](#)

Clausing and Obstfeld 2026, <https://www.piie.com/blogs/realtime-economics/2026/optimal-tariffs-are-far-optimal-part-1>

Compare Corporate Tax => Is the corporate tax a tax on profits or investment?

- Common Result: With expensing, corporate tax is a tax on “above normal profits” and does not deter investment.
- US Policy: Some investment is subsidized, some is neutrally affected, and some is taxed (even twice). Too much variation.
- With full expensing and an end to interest deductibility, the corporate tax would be a tax on rents/above-normal profits, and thus relatively efficient.
- I suggest moving that direction, which would *raise* revenue.
- Others note the evidence is mixed or not persuasive, and AI changes things, so maybe ok to tax investment?

Tariffs as Fiscal Policy: Distribution

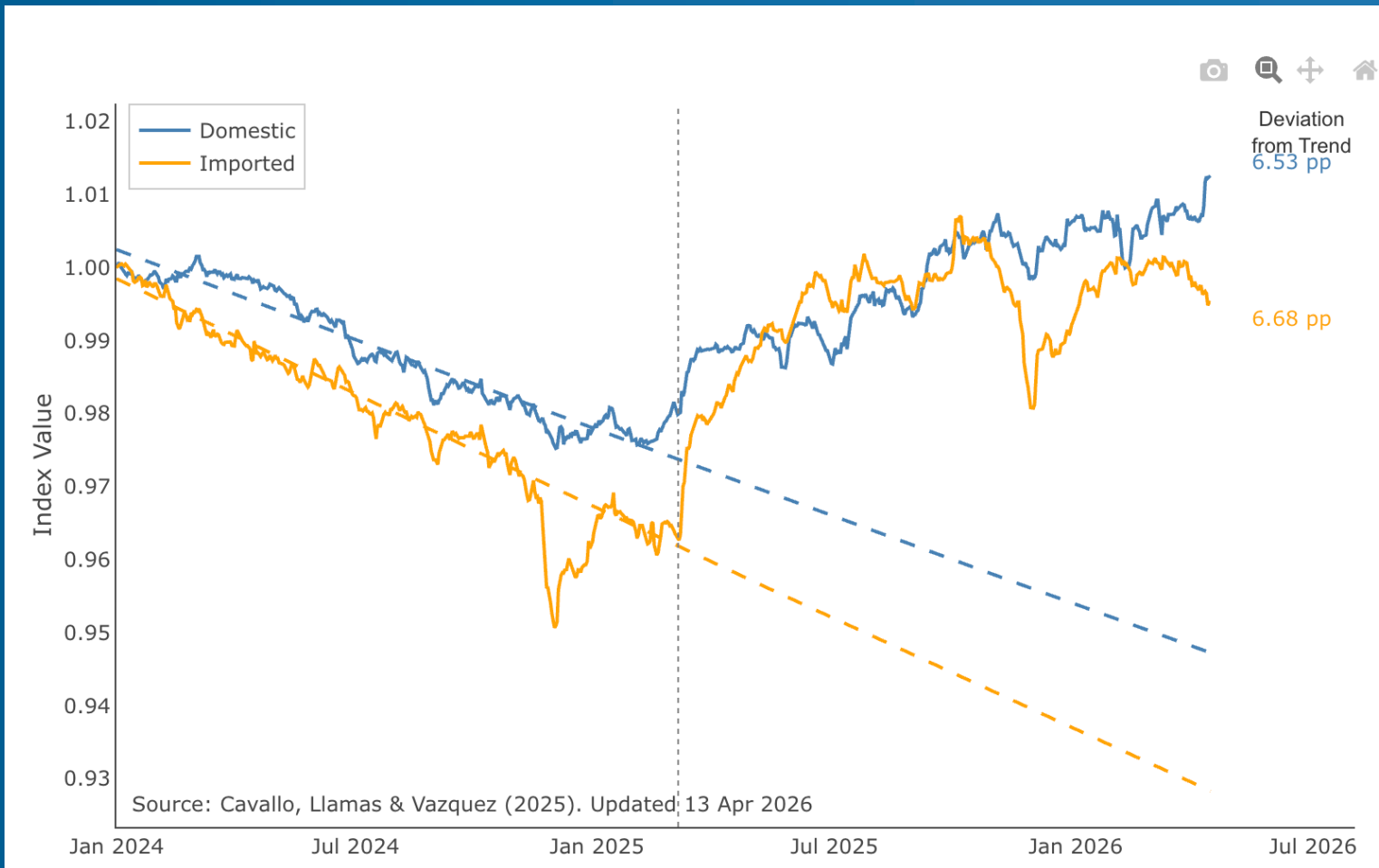
Tariffs are regressive since they are consumption taxes, and the poor save less of their income than the rich. Very clear in the data.

Poorer people may also consume more traded goods or face higher tariff rates. Less clear in the data.

Questions:

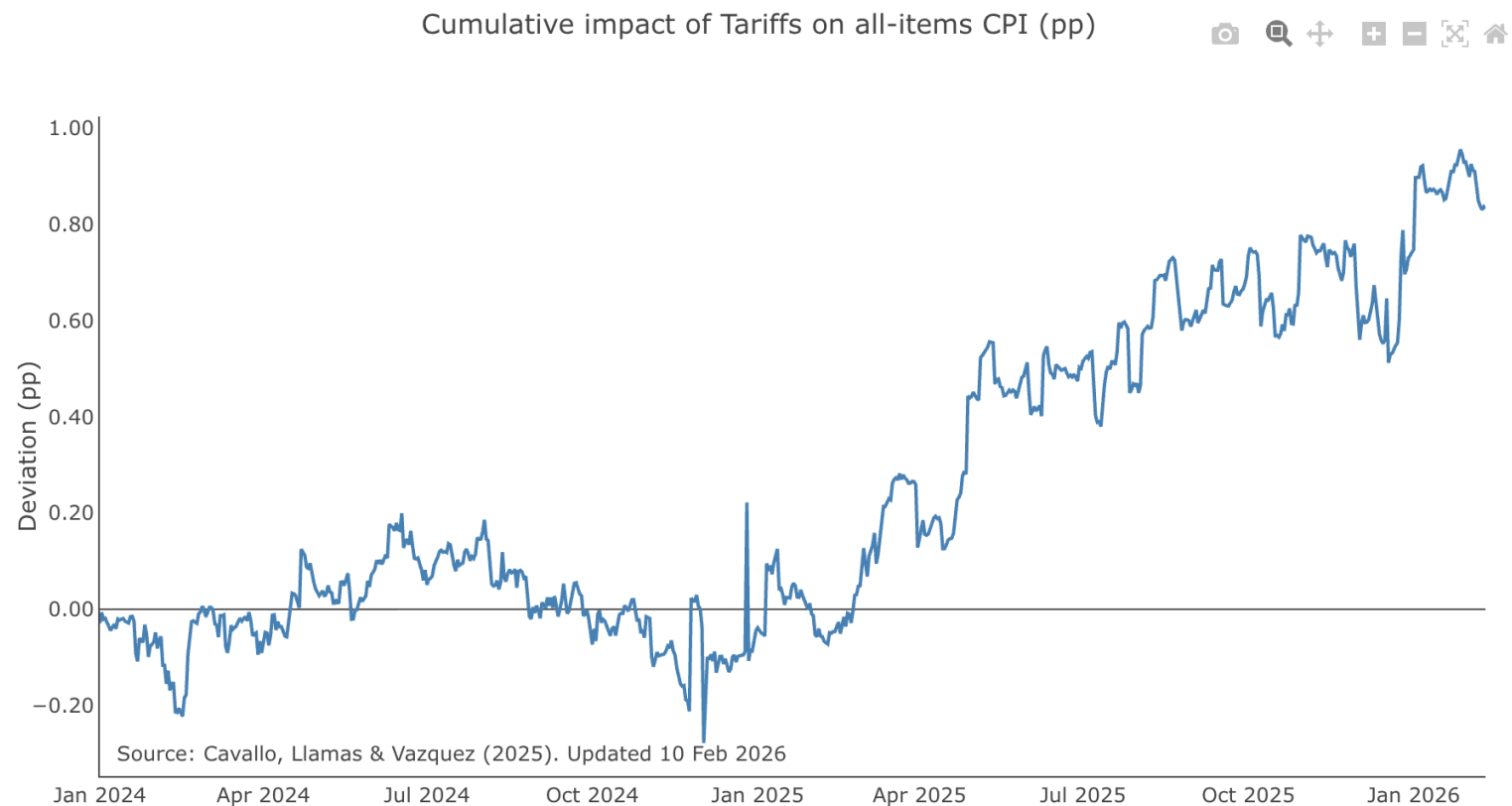
- Will firms absorb tariffs into their profit margins? Why? How much (and how long) can they do this?
- Should we model as a price increase, or a real income decrease? (In some ways it doesn't matter, but the choice affects estimates.)

Tariffs *are* affecting consumer prices...



Source: <https://www.pricinglab.org/tariff-tracker/>

Cumulative Impact on all-items CPI (CPI-U NSA)

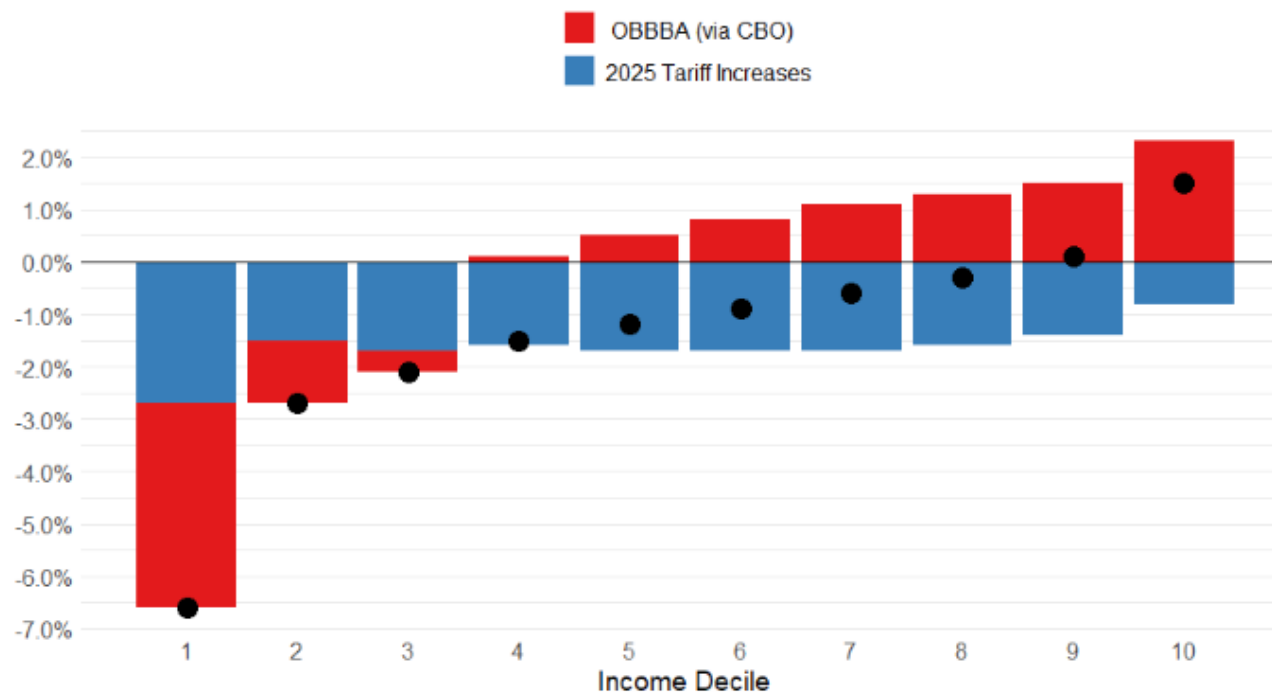


Source: <https://www.pricinglab.org/tariff-tracker/>

Combining Tariffs and the OBBBA (“Beautiful” Bill?)

Figure 1. Combined Effects of the House-Passed OBBBA and Tariffs

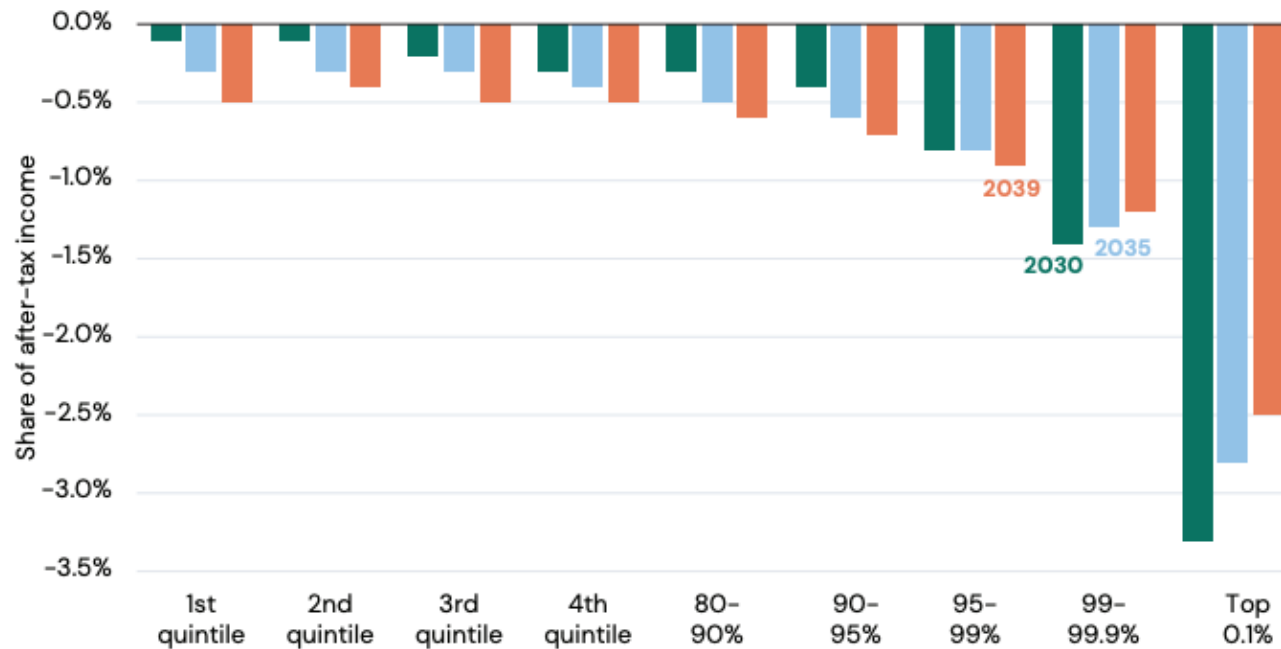
Average annual change in household resources as a percentage of current law income after transfers and taxes (2026–2034)



Source: The Budget Lab calculations

Contrast Corporate Tax Reform

Distributional effects of the proposal



Source: Penn Wharton Budget Model 2026.

THE
HAMILTON
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BROOKINGS

Source: Clausing 2026, <https://www.hamiltonproject.org/publication/policy-proposal/the-future-of-us-international-corporate-tax-reform/>

Tariffs: Tax Administration

- Chaotic, mercurial, shambolic implementation
- High, variable, and uncertain rates
- New implementation challenges
- Strong tax avoidance incentives
- Large new burdens on customs officials
- Ample opportunities for rent seeking in exemptions
- Ample opportunities for corruption

Tariff Uncertainty

REALTIME ECONOMICS

Trump's trade war timeline 2.0: An up-to-date guide

Chad P. Bown (PIIE)

August 13, 2026 3:02 PM

This timeline, originally published February 25, 2025, will be updated to document US trade actions during President Donald Trump's second term in office. For events during his first term, visit [this page](#). Special thanks to Ashley Singh, Christine Wan, and Jing Yan for contributions. Graphic design and production by Sam Elbouez, Melina Kolb, and Alex Martin.

With Soumaya Keynes, Bown is coauthor of the book [How to Win a Trade War](#) released on May 26, 2026.

President Donald Trump has started his second term in office with momentous plans to change US trade policy to achieve various economic and nontrade related aims. Below is a timeline that tracks the development of the most notable trade actions by the United States and other countries with links to the latest available data and PIIE analysis. **Entries will primarily focus on official government announcements and actions.** (For actions during Trump's first term, visit [this page](#).)

Trump's trade war timeline 2.0: An up-to-date guide

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<https://www.piie.com/blogs/realtime-economics/2025/trumps-trade-war-timeline-20-date-guide>

Are these tariffs even constitutional?

Article I, Section 8, Clause 1:

The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States; . . .

IEEPA tariffs => Supreme Court rules **no**

Section 122: Does the United States have a “fundamental payments problem”? => US Court of International Trade says **unlawful**

Is the President’s use of Sections 301 and Sections 232 overreach, given Congress’s Article 1 taxing power?

Corporate Tax: Tax Administration

- MNC taxation => Mind-numbingly complex and not getting simpler
- US MNCs face a regime of three US minimum taxes beyond foreign regimes
- International “pillars” would benefit from simplification
- Domestic corporate tax relatively straightforward
- Tax certainty also an issue here

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Tariffs: A False Populism?

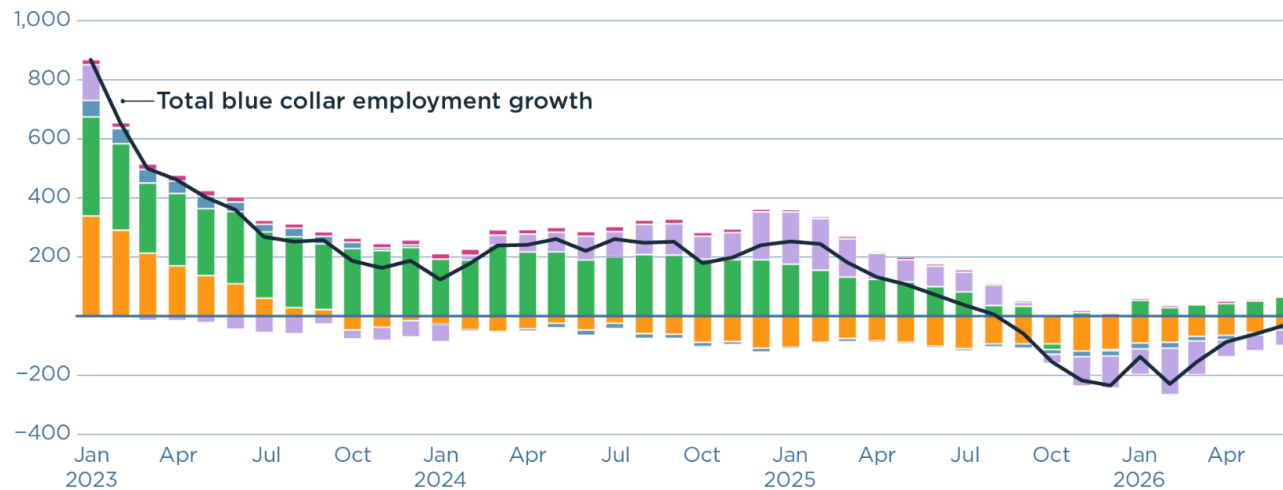
- Do they protect heartland manufacturing jobs and industries?
- Do they encourage more production in America?
- Are they a response to foreign “unfairness”?
- And what about other popular wants?
 - Affordability
 - AI disruption
 - Billionaires?

Manufacturing Jobs?

US blue collar employment, including in manufacturing, declined in 2025 and 2026

Year-on-year change in US blue collar employment, thousands of jobs, 2023–June 2026

Manufacturing Construction Mining, logging, oil, and gas
Transportation and warehousing Utilities



Source: Joseph Politano, using Bureau of Labor Statistics (BLS) data, for January 2023 to September 2025. Updated October 2025 onwards using BLS data.

<https://www.piie.com/blogs/realtime-economics/2026/who-pays-tariffs-insights-recent-research>

Do tariffs help with offshoring? International Imbalances?

- Probably not.
- Lerner symmetry $\Rightarrow$ tax on imports is a tax on exports
- Excess demand for US output $\Rightarrow$ dollar appreciation
- In general equilibrium, you can't have more of *everything* so export sector must shrink (or a recession).

Comparative advantage and gains from trade are real $\Rightarrow$ why distort in this way?

In contrast, US corporate tax code comes with a tax preference for *all* foreign income.

- Low-tax income => taxed at 40 percent discount
- High-tax income => tax credits offset tax due on low-tax income under “globally-averaged” minimum tax
- Minimum tax becomes maximum tax

⇒ For many firms, an “America last” tax system.

Alignment w/ Pillar 2 country-by-country tax would change that, though Pillar 2 could be both strengthened and simplified.

Corporate Tax => Better way to handle AI, Billionaires

- Special AI taxes can discourage innovation and technology
- Outcomes from AI are unknown in terms of labor share, and even corporate profits

⇒ Corporate tax is flexible and can handle various outcomes.

And is a far more satisfying answer to billionaires than untested and legally dubious billionaires' taxes (wealth tax, mark to market, etc.).

Global Spillovers

Throwing over world trading system norms undermines the world trading system, hurts international relations, and creates power asymmetries.

The United States is also playing a spoiler role on other global collective action problems, including international tax and climate change.

Other countries reluctant to push back, but so far protectionism is not spreading. (And the United States is not in equilibrium.)

Why tariffs?

- (a) *Is it bad economics? Bad economists?*
- (b) *Or smoke and mirrors to redistribute tax burdens downwards?*
- (c) *Is it all about power and corruption?*
- (d) *All of above?*

The Real Reason President Trump Pushes Tariffs

Feb. 21, 2025



Illustration by Sam Whitney/The New York Times

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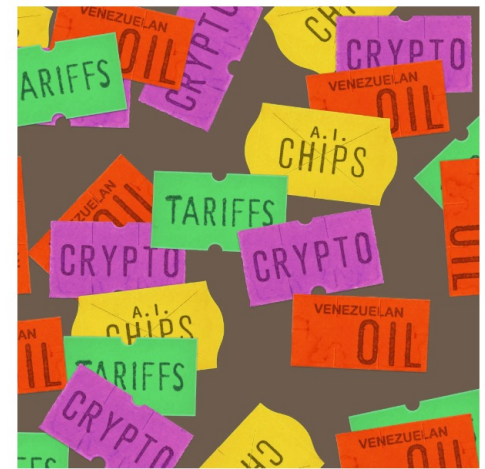
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By Kimberly Clausing

Ms. Clausing is a professor of tax law and policy at the U.C.L.A. School of Law.

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By Shane Ball and Kimberly Clausing

Mr. Ball is a student at U.C.L.A. School of Law. Ms. Clausing is a professor at U.C.L.A. School of Law.