STUDY NOTES · BASIC CONCEPT

What happens now after US Supreme Court strikes down US Tariffs policy?

International Relations

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The Supreme Court, in a 6-3 decision on February 20, 2026, struck down a significant portion of President Donald Trump's tariffs, specifically those imposed under the International Emergency Economic Powers Act (IEEPA). The Court ruled that President Trump overstepped his authority by using a law designated for national emergencies to implement sweeping tariffs, emphasizing that IEEPA does not grant the president such broad power and that the authority to impose taxes and tariffs primarily rests with Congress.

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Here's what happens next:

Tariffs Struck Down

The ruling specifically invalidated the "Liberation Day" baseline 10% tariff, which was announced on April 2, 2025, along with higher tariffs on various countries and "national security" tariffs, including those related to fentanyl. All these were implemented under the IEEPA.

Tariffs Remaining in Place

The Supreme Court's decision does not affect all of Trump's tariffs. Tariffs imposed under Section 232 (e.g., steel and aluminum) and Section 301 (related to unfair trade practices, particularly against China) remain in effect, as these are based on different legal authorities.

Trump's Response

President Trump expressed strong disapproval of the ruling but immediately pledged to implement new tariffs using alternative legal frameworks. He announced a new 10% global tariff under Section 122 of the 1974 Trade Act, which permits temporary import surcharges to address balance-of-payments issues. Such tariffs are generally capped at 15% and have a duration limit of 150 days unless extended by Congress. The administration also indicated it would initiate new investigations into unfair trading practices under Section 301, potentially leading to additional tariffs.

Tariff Refunds

The Supreme Court's ruling did not provide explicit instructions on whether or how the federal government should refund the billions of dollars in tariffs already collected under the invalidated IEEPA authority. While some experts anticipate that importers will eventually receive refunds, the process is expected to be complicated and lengthy. Justice Brett Kavanaugh, in his dissenting opinion, highlighted the significant financial implications of potential refunds and the complexity involved.

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Impact on Global Trade

U.S. trade partners are currently evaluating the implications of the ruling on their existing agreements with the United States. While some international leaders welcomed the decision, many are adopting a "wait-and-see" approach given President Trump's stated intention to pursue new tariff measures. It is anticipated that countries with existing trade deals, such as Japan and the European Union, may maintain their agreements, while those still negotiating could gain increased leverage.

Checks and Balances

The decision is seen as a significant reinforcement of Congress's constitutional authority over trade and a check on executive power. However, the President's ability to impose tariffs through other statutory means suggests that the global economy may continue to experience higher tariff levels than before the Trump administration.