Plymouth Institute for Free Enterprise

Reduce Tariffs on Business Inputs

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TOPLINE: Tariffs and other trade barriers on business inputs imported from friendly nations should be removed, including those imposed on steel, aluminum, copper, lumber, machine tools, auto parts, semiconductors, energy, fertilizer, and chemicals.

BACKGROUND: About 52% of tariffs fall on business inputs. Such tariffs are especially counterproductive, because they harm U.S. businesses and lead to double taxation. Consider North American car manufacturers, for example, who tend to have highly integrated manufacturing and assembly processes across the U.S., Canada, and Mexico. Canadian metal may be shipped to the U.S. to make a simple vehicle component. That simple component may then be returned to Canada to be built into a more complex part that is then sent back to the U.S. for assembly into the vehicle transmission. Then, the completed transmission may go back to Canada for vehicle assembly, before delivery to a U.S. dealership. Throughout the process, parts may be subject to tariffs each time they cross into the United States. These layers of taxes can encourage companies to cut U.S. firms out of manufacturing and assembly processes.

The administration has used section 232 of the Trade Expansion Act to impose tariffs on many business inputs, including vehicle components, lumber, semiconductors, pharmaceutical ingredients, steel, aluminum, copper, and more. It has used section 301 of the Trade Act to impose tariffs on goods from dozens of countries. Most recently, the administration used section 338 of the Tariff Act to impose 50% tariffs on certain imports from Canada. The legality of many of these tariffs is being challenged in court.

Action Items (Congress or the Administration):

- Congress (or the administration) should **eliminate most tariffs on business inputs from countries that are not geopolitically hostile**, including on products used in agricultural production, manufacturing and other industrial production.
- Tariffs on critical supply chain materials imported from geopolitically hostile countries (China, Russia, Belarus, Iran, North Korea, Cuba and Venezuela) should be maintained.

How It Would Make Life More Affordable:

- Reducing production costs in the U.S. by lowering tariffs on business inputs would reduce the price of U.S.-produced goods.
    - This would reduce the cost of living, increase the competitiveness of U.S. firms, and increase employment and wages.

Related Legislation: Lowering Input Costs for American Farmers Act (S. 4418, H.R. 8583); Trusted Importer and Competitive Manufacturing Act of 2025 (H.R. 6914).

BOTTOMLINE: The administration should be making it less expensive to produce goods in the United States. Instead, its tariff policy is substantially raising U.S. production and construction costs and the cost of living.