

US Assembly Offset for Section 232 Auto Tariffs and Tariff Stacking Guidance Introduced

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On April 29, President Trump issued a new [proclamation](#), “Amendments to Adjusting Imports of Automobiles and Automobile Parts into the United States,” modifying [Proclamation 10908](#) “Adjusting Imports of Automobiles and Automobile Parts Into the United States,” which imposed a 25% tariff on imports of passenger vehicles (sedans, sport utility vehicles, crossover utility vehicles, minivans, and cargo vans) and light trucks (collectively, automobiles) and certain automobile parts under Section 232 of the Trade Expansion Act of 1962, as amended (the 25% Automobile/Part Tariff). The new action maintains the 25% Automobile/Part Tariff, but introduces a limited rebate mechanism for imported parts — an “offset” — based on final vehicle assembly in the U.S. On the same day, an accompanying [Executive Order](#), “Addressing Certain Tariffs on Imported Articles,” (the Order) was issued to provide guidance that “tariff stacking” would not be implemented for imported products that could be subject to multiple tariff regimes listed under Section 2 of the Order. These recent actions suggest that the Trump administration is responsive to certain types of industry pressure and may continue to roll out case-by-case exceptions or clarifications over time.

Summary of Proclamation

- **Tariff Levels Unchanged:** Imported automobiles (effective April 3, 2025) and certain auto parts identified in Proclamation 10908 (starting May 3, 2025) remain subject to the 25% Automobile/Part Tariff.
- **New Offset for U.S. Assembly:** For automobiles assembled in the U.S., manufacturers can claim a partial rebate on the 25% Automobile/Part Tariff paid on imported automobile parts, calculated based on the aggregate value of their U.S.-assembled vehicles. Specifically, eligible manufacturers can offset 3.75% of the aggregate Manufacturer’s Suggested Retail Price (MSRP) of all automobiles assembled in the U.S. between April 3, 2025, and April 30, 2026, and 2.50% of aggregate MSRP of all automobiles assembled in the U.S. between May 1, 2026, to April 30, 2027. These MSRP-based offset rates in effect allow manufacturers to obtain rebates based on the application of the 25% Automobile/Part Tariff on automobile parts to 15% of a vehicle’s value (in the first year) and 10% of a vehicle’s value (in the second year). In other words, imports of automobile parts constituting above 15% (or 10%) of a vehicle’s value will not be able to benefit from this offset, providing a continued incentive for domestic sourcing (which increases with time). All other imports remain subject to the full 25% Automobile/Part Tariff, including assembled vehicles.
- **Eligibility Requirements:**
 - Only automobiles that undergo final assembly in the U.S. are eligible to generate an offset.
 - This offset is granted to manufacturers and must be allocated to importers of record (e.g., parts suppliers) authorized by that manufacturer.
 - The offset cannot exceed the total tariff liability for the manufacturer’s automobile parts under Proclamation 10908 (25% Automobile/Part Tariff). If the offset amount is greater than the tariff liability, the excess cannot be used to offset other tariffs. The relief is strictly limited to the automobile parts tariff liability under the 25% Automobile/Part Tariff. Importers who submit false claims or claim more offset value than authorized will face stiff penalties.

- **Administration:** By May 29, the U.S. Department of Commerce (Commerce) will establish a process for manufacturers to apply for an import adjustment offset amount. Manufacturers will be required to submit (1) details on the number of U.S.-assembled automobiles and their production locations; (2) projected tariff costs for imported automobile parts under Proclamation 10908, split by direct and supplier costs; (3) the requested offset amount; (4) a list of eligible importers of record and their allotted offset amounts; and (5) a signed certification verifying the accuracy of the submitted information. After verifying the submission, Commerce will approve or deny the application and will notify U.S. Customs and Border Protection (CBP) of approved applications. CBP will subsequently apply the offset to the importers' tariff obligations, which will apply retroactively to relevant import entries.

Tariff Stacking

The Order clarifies that the following tariffs are not intended to have a cumulative or “stacking” effect when they apply to the same imported good: (1) the 25% Automobile/Part Tariff; (2) existing fentanyl and migration International Emergency Economic Powers Act (IEEPA)-related tariffs issued under Executive Orders 14193, 14197, and 14231 with respect to goods from Canada, and Executive Orders 14194, 14198, and 14227, with respect to goods from Mexico (the Fentanyl/Migration IEEPA Tariffs); and (3) steel and aluminum articles subject to duties imposed pursuant to Section 232 of the Trade Expansion Act of 1962, as amended and [Proclamations 9704, 9705, 9980, 10895, and 10896](#) (the 25% Steel/Aluminum Tariffs, and together with the 25% Automobile/Part Tariff and Fentanyl/Migration IEEPA Tariffs, the Section 2 Tariffs).

To address potential overlaps, the Order establishes the following procedure for determining which tariff will apply when a product is subject to more than one of the Section 2 Tariffs:

- Goods subject to the 25% Automobile/Part Tariff will not be subject to the Fentanyl/Migration IEEPA Tariffs or the 25% Steel/Aluminum Tariffs.
- Good subject to the Fentanyl/Migration IEEPA Tariffs will not be subject to the 25% Steel/Aluminum Tariffs.
- Goods subject to the 25% Steel/Aluminum Tariffs may be subject to both aluminum and steel tariffs if all relevant criteria for each are met.

Importantly, goods subject to any of the Section 2 Tariffs may still be subject to additional applicable duties, including:

- General duty rates under the Harmonized Tariff Schedule of the United States (HTSUS);
- Tariffs imposed under Section 301 of the Trade Act of 1974;
- Tariffs placed on all Chinese imports under [Executive Order 14195](#), “Imposing Duties To Address the Synthetic Opioid Supply Chain in the People’s Republic of China,” as amended;
- Antidumping and countervailing duties; and
- Any other applicable fees, taxes, or exactions.

The Order offers significant relief to importers by preventing the stacking of Section 2 Tariffs on the same good — except that steel and aluminum tariffs may still be combined where applicable. Furthermore, these three tariffs are exempt from [reciprocal tariffs](#) imposed pursuant to Executive Order 14266, “Modifying Reciprocal Tariff Rates To Reflect Trading Partner Retaliation and Alignment.”

The provisions of the Order apply retroactively to all entries of covered merchandise made on or after March 4,

2025. Importers may request refunds, which will be processed pursuant to CBP standard procedures. CBP must implement these changes, including updates to the HTSUS, no later than May 16.

Industry Impact

- Original equipment manufacturers (OEMs) stand to benefit if they increase U.S. assembly; they can lower their net tariff burden on imported parts, but only up to the stated maximum amount, providing an incentive for domestic sourcing that increases with time.
- Automakers without U.S. manufacturing plants still face the full 25% Automobile/Part Tariff, risking competitive disadvantage.
- Automobile parts suppliers should coordinate with OEMs to become designated importers and explore localizing production.

Recommendations for Companies

- OEMs should immediately assess U.S. assembly output and apply for offset credits. Companies should act quickly to document their U.S. production and claim the offset, while also preparing for continued tariffs on non-qualifying imports.
- Suppliers/importers should coordinate with OEMs to ensure designation under this program and maintain accurate importer-of-record documentation.
- All parties should monitor Commerce regulations and ensure compliance with offset limits and CBP procedures.
- Companies should review exposure to other tariffs and apply the “no stacking” rule where applicable to minimize duties.

Conclusion

This alert is intended only as a high-level summary of recent developments and is not a substitute for specific legal or tax advice. Things are rapidly changing by the day and hour, and our Tariff Task Force will do its best to provide timely and relevant updates as things progress. Please don't hesitate to reach out to us with questions.

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