

Brewing up Savings



Supreme Court Ruling

Supreme Court Ruling on IEEPA Tariffs (February 20, 2025)

- The U.S. Supreme Court ruled that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were illegal.
- As a result, these tariffs must no longer be collected.

Executive Order: "Ending Certain Tariff Actions"

- Implements the end of all IEEPA-based tariffs, including:
 - Reciprocal tariffs
 - Russian oil tariffs
 - Fentanyl-related tariffs
 - Other related measures

Refund-Related Guidance (Current Best Practices)

- Refund procedures for IEEPA tariffs are continuing to evolve.

Recommended actions at this stage:

- File protests for entries nearing 180 days after liquidation.
- File PSCs for any unliquidated entries.

Importers should:

- Maintain an ACE account.
- Know how much IEEPA tariff they have paid.
- Monitor liquidation status to ensure timely action.

IEEPA Refunds – Proposed Process

CBP advised that they need 45 days to update their Automated Commercial Environment (ACE) system before being able to issue refunds. Below is a summary of their proposed plan at the end of the 45-day period:

- The importer files a declaration in ACE listing entries on which IEEPA duties were paid.
- ACE automatically validates each entry and recalculates the duty owed without the IEEPA tariff, including applicable interest.
- CBP reviews and verifies the declaration.
- ACE finalizes liquidation or reliquidation of the entries.
- ACE aggregates the refund amounts by importer and liquidation date.
- CBP certifies the refunds.
- The Department of the Treasury issues IEEPA refunds electronically.

Whether an entry qualifies for refund, and through which process, depends on its liquidation status. Entries that liquidate before the new system is in place, entries already beyond the 90-day reliquidation window, and entries where IEEPA duties were not broken out separately may each require different treatment. Knowing where your entries stand is the essential first step.

What's to Come?

- The immediate enactment of broad-based tariffs under Section 122, effective February 24 - Section 122 allows the president to adjust import duties of up to 15% for up to 150 days in response to trade imbalances
- Initiation of new trade investigations under Section 301. These allow the president to impose tariffs when a trading partner impacts the U.S. commerce negatively (USTR has 12 months to complete an investigation but the process can be expedited if necessary)
- Potential use of Section 232 which allow the president to adjust import duties when certain products threaten to impair US national security (270 days to complete investigation but can expedite if necessary)

Section 122 Tariffs

CBP issued CSMS #67834313 implementing Section 122, outlining a 10% global tariff, with some exceptions listed below:

- Annex II goods
- Naturally unavailable resources
- Donations
- Civil aircraft
- Section 232 stacking rules still apply.
- USMCA exemptions remain in effect.

Higher short-term rates apply to countries that previously negotiated separate deals.

Section 122 is temporary — active for 150 days unless Congress approves an extension.

Frequently Asked Questions

How are FTZ goods treated?

Most goods in Foreign-Trade Zones were required to be placed in Privileged Foreign (PF) status.

Withdrawals should occur without IEEPA duties.

Is duty drawback allowed on Section 122 tariffs?

Yes, drawback is allowed on Section 122 duties.

What happens to existing trade deals?

Trade agreements previously negotiated will likely be replaced as the administration lost a major enforcement tool that is used in the negotiations

Section 232 and 301 Tariffs

Current Section 232 Tariffs

- 50% rate on steel, aluminum, copper, and derivatives
- 25% rate on autos, parts, and heavy trucks
- 10% rate on buses
- 10% rate on softwood timber and lumber
- 25% rate on certain upholstered wood products (increases to 30% in 2027)
- 25% rate on kitchen cabinets and vanities and parts (increases to 50% in 2027)
- 25% rate on specific advanced AI semiconductors

Completed Section 301 Investigations

- China's actions related to semiconductors with a rate increase in 18 months
- China shipbuilding
- Tariffs from President Trump's first term (up to 25%)
- Nicaragua's acts and practices related to labor rights (10% in 2027 and 15% in 2028)

Mechanisms to Amend Entries

10-Day Entry Summary Window

You may revise entry field prior to summary, usually within a 10-day window from the entry date

Protest

If an entry is liquidated and you need a correction, you can file a protest 180 days from liquidation.

Post Summary Correction - (PSC)

Allows amendments to certain fields within approximately 314 days from the entry summary prior to liquidation.

Prior Disclosure

For liquidated entries where systematic errors have been identified, you may file a prior disclosure

Reconciliation

Primarily used for value (24 months) and free trade agreement adjustments (12 months)

Navigating Global Trade

Stay proactive, not reactive

Rapid tariff changes and shifting trade policies disrupt planning, but also open new avenues for margin, flexibility, and resilience.

Leverage relationships

Strengthen cross-functional collaboration across procurement, logistics, tax, legal, and sales. Deepen partnerships with alternative suppliers, pursue joint design, and consider co-manufacturing opportunities.

Revisit previously shelved ideas

New incentives and risk thresholds make reshoring or nearshoring viable. Consolidate value chain steps in trade-favorable locations and model different scenarios to act quickly as conditions shift.

Increase the value of existing work

Use recent supply chain analysis to improve margin, rebalance manufacturing footprints, standardize sub-assemblies for flexibility.

Key Takeaway

Volatility is the new normal. Challenge assumptions to broaden options. Lessons from the past few years turn trade disruption into sustained competitive advantage.

Tariff Mitigation Levers

Tariff Impact Analysis – Planning, forecasting, and scenario modeling for tariff and trade policy changes

Duty Drawback – Maximize duty recovery through compliant drawback programs

Foreign Trade Zones (FTZs) – Evaluate, activate, and optimize FTZ operations for duty/tariff mitigation

First Sale for Export (FSFE) – Implement valuation methodology for multi-tier supply chains

Origin Compliance & Determinations – Provide memos, research, and analysis to support country-of-origin

Supply Chain Restructuring – Align trade strategy with evolving sourcing and manufacturing models

Classification – Accurate HS/HTS classification to minimize risk and optimize duty exposure

Valuation Unbundling Support – Separate dutiable vs. non-dutiable elements to reduce landed costs

Deal Advisory – Support M&A transactions with customs and international trade considerations

Landed Cost Evaluation – Identify opportunities for duty mitigation



Duty Drawback

A U.S. Customs program that allows companies **to recover up to 99% of duties**, taxes, and fees paid on imported goods that are later exported or destroyed.

One of the most effective tools for reducing landed cost and improving margins.

Types of Duty Drawback

Unused Merchandise

Direct Identification: Refund on the exact imported good when exported (through unique identification or CBP approved inventory accounting method).

Substitution: Refund when a similar good (imported or domestic) is exported (matching based on HTS classification).

Manufacturing Drawback

Direct Identification: Imported materials used directly in production and later exported in finished goods.

Substitution: Similar imported and domestic materials substituted in manufacturing for export.

Third-Party Drawback

Allows companies that import goods and then sell them domestically to claim refunds of duties, taxes, and fees paid on those imports when similar, identical, or manufactured goods are later exported by another party.

Companies can recover a portion of their import costs without directly exporting the original product, creating meaningful savings and improved cash flow.

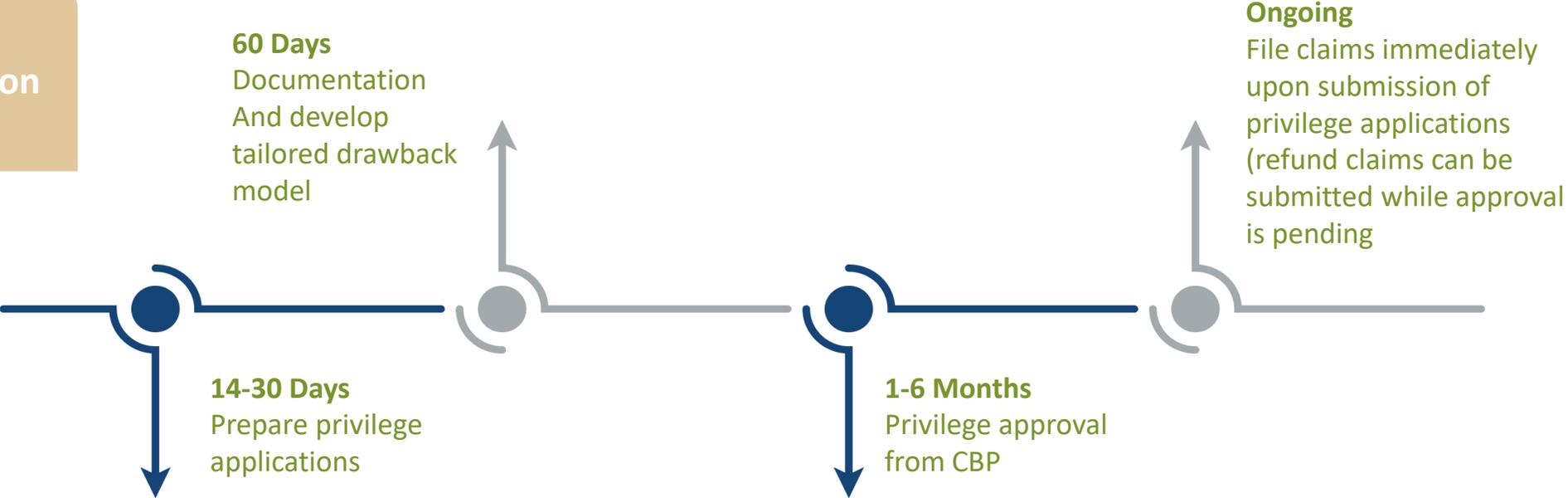
Key Drawback Privileges

Accelerated Payment (AP): Receive drawback refunds on an accelerated basis (30 days from claim acceptance vs liquidation).

Waiver of Prior Notice (WPN): Eliminates requirement to notify CBP each time goods are exported.

One-Time Waiver of Prior Notice: Eliminates requirement to notify CBP for retroactive exports.

Typical Implementation Timeline



Duty Drawback 101

Requisite Data & Documentation

Core Data Sources

ACE Trade Data: Import/export activity direct from CBP

Broker Reports: Entry summary (line-level data) capturing HTS codes, duties paid, etc.

Forwarder Reports: Export activity, shipping details

ERP/Internal Systems: Financial and shipping data capturing detailed information such as part number

Product Dictionaries & Classification Tables: SKU-to-HTS mapping, part number details

Inventory Records: Receipt and withdrawal reports / system screenshots

Required Documentation

Bills of Lading: Evidence of import/export movements (proof of export)

Customs Documents: Entry summary packages, export declarations

Commercial Invoices: Transaction-level detail supporting imports/exports

System Screenshots: ERP or other system extracts to validate items such as proof of payment and inventory movements



Foreign Trade Zones

A secure, designated site in the U.S. **considered outside U.S. Customs territory** for duty purposes. Businesses can bring foreign goods into the FTZ without immediately paying duties or tariffs.

Key Benefits of Foreign Trade Zones

Who Uses FTZs?

Importers, distributors, and manufacturers seeking cost savings, supply chain efficiency, and competitive advantage.

Duty Deferral & Cash Flow Savings: Duties/tariffs paid only when goods enter U.S. commerce.

Reduced Costs: Lower broker filing fees and Merchandise Processing Fee (MPF) savings.

Inverted Tariff Advantage: For manufacturers, pay the lower duty rate on the finished product rather than higher rates on components (not available for goods impacted by tariffs).

Operational Efficiencies: Streamlined Customs processes, zone-to-zone transfers, and delayed duty on production equipment until installed.

Duty/Tariff Avoidance: Finished goods exported in-bond, without having entered the commerce of the U.S., are not subject to Customs duties, taxes, and fees.

GTC Services for Foreign Trade Zones



FTZ Feasibility Studies

Cost-benefit analysis and operational feasibility assessments

Production Notification Applications

(Manufacturing sites only)

Support with preparation, submission and approval process

FTZB Application Support

Preparation and submission of applications
Collaboration with the local FTZ grantee (economic development authority)

ICRS Selection & Implementation

RFP development and vendor selection
Implementation and compliance support for inventory control & recordkeeping systems

CBP Activation Consulting

Operators manual preparation
Activation request letter
Security walkthrough of the facility and coordination of on-site support
Guidance through activation and ongoing compliance

Foreign Trade Zones

Typical Timeline to Full Activation

Application to FTZ Board (~6–8 weeks total)

Drafting Application:
~2 weeks

FTZB Review & Approval:
4–6 weeks

Activation Phase with CBP (~3–5 months)

Inventory Control and Recordkeeping
System (“ICRS”) Implementation: ~3
months to select, configure, and
integrate software

Site Security Compliance: Ensure 24/7
manned gates, cameras, badge access
to FTZ space, 6-foot perimeter
fencing, signage, bonding & insurance

Operator’s Manual: Document key
personnel, operating procedures, and
demonstrate procedures for
maintaining compliance w/ the
regulatory framework

Activation Request Letter: Formal
submission to CBP for site activation

Typical
Duration
6-9
months

from application start
to full activation

Questions