



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Tackling Tariff Exposure

Connecticut Society of CPAs

Town Hall April 16, 2025

Welcome



Jennifer Clement
Strategic Pursuits Leader
CLA



Kyle Dawley
Principal, Global Tax Service
CLA





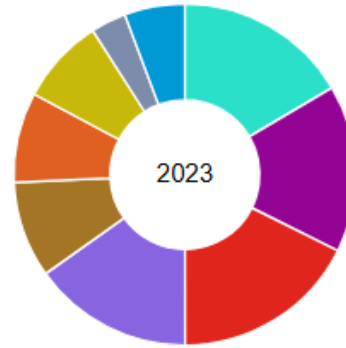
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Manufacturing Output

- In 2024, Manufacturing contributed \$2.4 trillion to U.S. GDP
- ~ 10% of total U.S. GDP
- ~ Half of what we make we export

Exports



Sector	Value	Share
Energy-related products	334	16.5%
Chemicals	320	15.8%
Transportation equipment	356	17.6%
Electronic products	306	15.2%
Agriculture products	184	9.1%
Minerals and metals	172	8.5%
Machinery	165	8.2%
Special provisions	67	3.3%
All other sectors	115	5.7%

Sources

[U.S. Manufacturing Economy](#) | NIST, Bureau of Economic Analysis, Census Bureau.

US International Trade Commission: <https://app.rfpio.com/v2/my-work?companyId=5fce5dd4c457897ba12c1d65>



Goal: Reducing Exposure, Preserving Margins

1. **What** tariffs apply?
2. **How** to mitigate the impact?

20+ ways

1

IMMEDIATE

Tariff accounting "hygiene"
(regardless of % tariff)

2

NEXT 12 MONTHS

Current footprint

3

12-24+ MONTHS

Evolving footprint



Tariff Summary April 14, 2025

Region	Rates	Action	Effective
All	10% Reciprocal Tariffs except Canada & Mexico 10% Reciprocal Tariffs + more on selected countries (90 day pause)	IEEPA	4/5 All countries 4/9 Country specific rates Exclusions: >20% US content, tariff on non-US content
All	25% on cars, light trucks, some auto parts Pause on certain automotive parts?	232	3/4 for cars & trucks, 5/3 for parts
Canada	25%, except 0% for USMCA Qualified 10% on energy products & potash (except 0% USMCA Qualified)	IEEPA	3/4
Mexico	25%, except 0% USMCA Qualified, 10% on potash	IEEPA	3/4
China	145% Exemptions on certain duties for some electronics	IEEPA	4/9 4/11 Some electronics exemptions
All	25%, countries buying Venezuelan oil	IEEPA	TBA
All	25% on steel, aluminum products, some derivatives	232	3/12
All	Timber, copper, lumber, semiconductors, pharma products	232	TBA
China	7.5%, 25%, 50%, 100%	301	2018 - Present



Goals

Short term: keep dollars whole
Long term: keep margins whole

Vendor

Temporary discount

Volume pricing

Terms changes

Split invoice

Retool product

New source

Same product (fast)

New product (slow)

Customer

Price change

New volume

Terms changes

Domestic assembly

Product change

New product

Profit by customer analysis

Product costing and profitability review

Cash flow forecasting

Financial reporting

Leading practices and process improvements

Make vs. buy analysis and OH absorption



Non-Dutiable Costs


- Potential examples
 1. Exclusive distribution fees
 2. Buying agent fees
 3. Freight and insurance
 4. Supply chain origin fees
 5. Storage/warehousing
 6. Inspection/testing
 7. Certain types of packaging
 8. Certain taxes
 9. Post implementation adjustments
 10. Exchange rate premiums
- Legal advice recommended



Customs Payments

Not paying by ACH?

- You may be paying fees you can avoid by switching to direct debit.
- A "duty disbursement fee" is either a fixed fee or a % of total duty & taxes paid by a freight forwarded on your behalf.
- To set up ACH payments with CBP, complete [CBP Form 400](#).
- Customs brokers can assist with setup.

 **DEPARTMENT OF HOMELAND SECURITY**
U.S. Customs and Border Protection

OMB APPROVAL NO. 1551-0078
EXPIRATION DATE 01/31/2021
ESTIMATED BURDEN 5 MIN

ACH DEBIT APPLICATION

U.S. Customs and Border Protection Automated Clearinghouse Daily Statement Payment Program
(This application will be used to communicate account information to Federal Reserve Bank of Cleveland)

☐ Add
Action to be Taken: ☐ Change Effective Date: _____ Current Payer Unit Number: _____
(Effective date should be at least 3 business days in the future)

☐ Delete Effective Date: _____ Current Payer Unit Number: _____

Payer Information

Payer Importer Number **OR** 3 digit filer code: _____
(Include Suffix)

Payer Company Name: _____

Payer Company Address: _____

Payer City, State Zip: _____

Payer Contact Name: _____

Payer Email Address: _____

Payer Telephone: _____ FAX: _____
(Enter country code if applicable) (Enter country code if applicable)

Name of Authorizing Company Official (Please type or print) _____ Signature of Authorizing Company Official _____

Banking Information

Bank must be a National Automated Clearinghouse Association (NACHA) participant.

Bank Name: _____ Address: _____

ACH Bank Transit Routing Number: _____ ACH Bank Account Number: _____

To ensure the accuracy of the account information, it is requested that written verification (obtained from your bank) be completed and accompany this application. The ACH payer will be responsible for defaults, which result from incomplete or erroneous account information when written verification is not submitted and certified by bank personnel. Please ensure that the bank transit routing and account numbers on the ACH application have been verified by your bank before sending to the Revenue Division.

Broker/Filer Information

Name of CBP Broker/Filer: _____ 3 digit filer code: _____

Contact Name: _____ Telephone: _____ Fax: _____

ABI Representative of Customs Broker/Filer: _____

[CBP Form 400](#)



Duty Drawback

- Around since 1789.
- Allows 99% of certain duties, taxes, and fees to be claimed.
- Applies to goods that will.
 - Be re-exported
 - Destroyed
- Refundable duties may apply to tariffs on finished goods, components, or raw materials that are imported into the U.S. and later exported.
- **Can your ERP handle it?**
- Some export destinations are excluded.
- Comprehensive documentation required.
- Legal advice recommended.



Articles subject to reciprocal tariffs may be eligible for duty drawback.



Articles subject to Section 232 tariffs (e.g., steel/aluminum or automotive) are not eligible for duty drawback.

[Drawback | U.S. Customs and Border Protection](#)

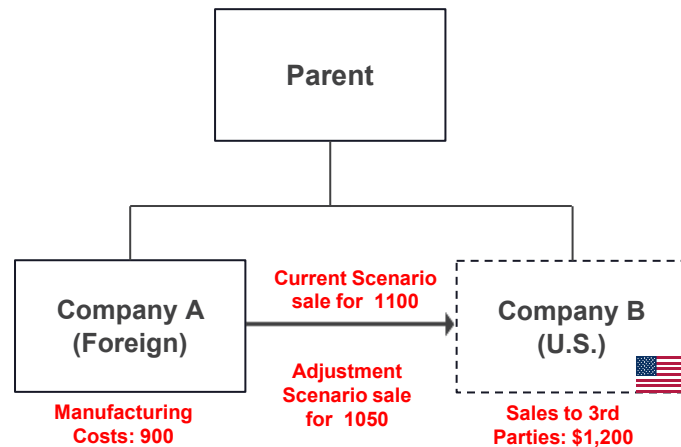
Transfer Pricing ("TP")

- The pricing between related parties
- Must be priced "Arm's Length" (as if unrelated)
- Limited ability to modify transfer pricing on amended returns
- Critical for managing cash flow/tax and operational efficiencies
- Documentation required for financial and tax authority audits



TP and Tariffs

Particulars	Pre-Transfer Pricing Adjustment	Post-Transfer Pricing Adjustment
Transaction price	\$1,100	\$1,050
Custom duty (10%)	\$110	\$105
Corporate tax in country A (25%)	$\$200 * 25\% = \50	$\$150 * 25\% = \37.5
Corporate tax in country B (15%)	$\$100 * 15\% = \15	$150 * 15\% = \$22.5$
Total tariff savings	$\$110 - \$105 = \$5$	
Total cash tax savings	$(\$50 + \$15) - (\$37.5 + \$22.5) = \$5$	



Tariff Engineering

- Modify Design
 - 2015 - Converse All Star
 - Fuzzy vs. rubber bottom
 - Slipper = 6% Shoe = 20%
- Assemble locally
 - Components may be tariffed less than finished goods
- Legal advice recommended



HTS Codes

- Changes must be carefully managed.
- Incorrect classifications can lead to delays at the border, seizure, fines, or denial of import privileges.
- Check Form 7501 related to every shipment carefully.
- Legal advice recommended.



Bonded Warehouses vs. Free Trade Zones*

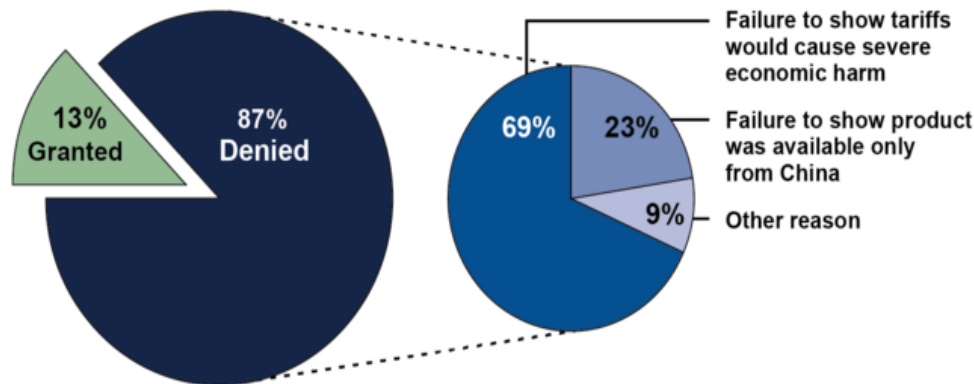
	Bonded Warehouse	Free Trade Zone
Location	Within US customs territory	Outside of US customs territory
Customs Entry	Filed when goods enter a warehouse.	Filed when goods are removed for consumption.
Storage Time	Up to 5 years	Indefinite
Activities	Repackage, label, sort - subject to customs audit / inspection	Store, manipulate, re-export
Manufacturing	Not permitted	Permitted
Duties & Taxes	Paid when withdrawn.	May reduce or eliminate some duties and provide certain tax exemptions. Any duties are paid when withdrawn.

*Legal advice recommended.



Relief Process

- **2018-2020**
 - First round: 25% on China
 - USTR received 53,000 requests
 - 13% granted
- Exclusions won applied to all who import the same product
- Successful categories: "machinery, electrical equipment, mechanical appliances, " (can't find anywhere else)
- Process was slow
- Legal advice recommended



Source: GAO analysis of the Office of the U.S. Trade Representative (USTR) data. | GAO-21-506

Source: US GAO office report, [U.S.-China Trade: USTR Should Fully Document Internal Procedures for Making Tariff Exclusion and Extension Decisions](#) | U.S. GAO



Tariff Mitigation Strategy

Reactive >> Proactive

Step 1



Impact

- Current State
- Supply Side
- Demand Side



Roadmap

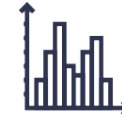
1. **Short term:** margin preservation
2. **Profit improvements:** current footprint
3. **Profit improvements:** reimagined footprint

Step 2



Implement

- People
- Process
- Systems



Measure and Adjust

- KPIs
- Weekly huddle

Dynamic Environment – Agility is Mission Critical



Thank you!

3-Part Webinar Series:
20+ Tariff Reduction Strategies

Jennifer Clement

jennifer.clement@CLAconnect.com

Kyle Dawley

kyle.dawley@CLAconnect.com



CLAconnect.com



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