

To the Point

Accounting and financial reporting considerations for IEEPA tariffs and potential recoveries

Companies seeking clarity on how to recover tariffs paid should continue to monitor developments related to trade and tariffs.

What you need to know

- ▶ The Supreme Court ruled on 20 February 2026 that the tariffs imposed under the International Emergency Economic Powers Act are unlawful.
- ▶ Customs and Border Protection on 6 March 2026 outlined its plans to establish a system for tariff refunds within 45 days, following the order by the Court of International Trade for the agency to progress with the tariff refund process.
- ▶ Companies need to closely monitor developments related to recoveries of previously paid IEEPA tariffs, newly imposed tariffs and other regulatory and policy changes.
- ▶ Companies should consider any accounting effects of these events in the reporting period when they occur.

Overview

The Supreme Court ruled on 20 February 2026 that the International Emergency Economic Powers Act (IEEPA) does not provide the executive branch of government with the authority to impose tariffs. The ruling invalidated tariffs imposed by President Trump in April 2025 under IEEPA on goods from Canada, Mexico and China, as well as other global and country-specific tariffs. The ruling also invalidated the potential for tariffs in accordance with executive orders related to Venezuela, Russia, Iran, Brazil and Cuba.

The Supreme Court did not decide whether, and to what extent, importers may claim refunds of IEEPA tariffs already paid. Companies seeking clarity on how to recover tariffs paid should continue to monitor developments related to trade and tariffs.

Tariffs imposed by President Trump's administration under Section 232 of the Trade Expansion Act of 1962 or Section 301 of the Trade Act of 1974 remain in place.



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The administration has already invoked other available authorities to impose tariffs and maintain continuity in its tariff policy. The 10% global tariffs imposed by President Trump on most US imports following the ruling fall under Section 122 of the Trade Act of 1974, which allows the President to adjust import duties up to 150 days in response to trade imbalances. In addition to the tariff measures imposed under Sections 122, 232 and 301, other authorities include Section 338 of the Trade Act of 1930, which allows the President to increase tariffs up to 50% or block imports if a trading partner is discriminating against US goods or commerce.

The Court of International Trade (CIT) on 4 March 2026 ordered the Customs and Border Protection (CBP) to progress with the tariff refund process, noting that “all importers of record whose entries were subject to IEEPA duties are entitled to the benefit” of the Supreme Court ruling that tariffs imposed under IEEPA are unlawful. In a sworn declaration filed 6 March 2026, CBP’s Executive Director for Trade Programs detailed, for the CIT’s consideration, why immediate, sweeping liquidation and reliquidation “without regard to IEEPA duties” is operationally infeasible and described a new Automated Commercial Environment (ACE) refund process CBP aims to deploy within 45 days. The recent CIT order and the CBP response are key steps in determining how the IEEPA refund process will operate.

This publication highlights accounting and financial reporting considerations related to the ruling. See our To The Point, ***Companies should consider the effects of the current economic environment and tariffs on their accounting and financial reporting***, for accounting considerations related to President Trump’s initial levy of tariffs under IEEPA.

Key considerations

Subsequent events

We believe the Supreme Court ruling should be viewed as a change in law that a company should account for in the reporting period when the change occurs. Companies need to consider the timing of the ruling (i.e., 20 February 2026) relative to their reporting period end.

If the ruling occurred after a company’s balance sheet date but before the financial statements are issued (or are available to be issued), we believe it should be treated as a nonrecognized subsequent event (Type II) under Accounting Standards Codification (ASC) 855, *Subsequent Events*.

Companies should also consider whether disclosures are required to keep the financial statements from being misleading under ASC 855. If so, companies should disclose both the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

Derecognition of tariff obligations

Companies may have payables to the government recorded for IEEPA tariffs on goods imported before CBP stopped collecting duties imposed under IEEPA. Those payables should be derecognized under ASC 405, *Liabilities*, in the reporting period when a company is released from its obligation to CBP to remit payment.

Refund receivables

Companies that have historically paid tariffs related to the importation of goods generally expect that any discrepancies between amounts paid and those legally owed can be recovered from the relevant government agency through customary refund processes. However, for this circumstance (i.e., a legal invalidation of previously paid tariffs), no recovery mechanism previously existed. Therefore, and as discussed above, at the direction of CIT, CBP provided its plan on 6 March 2026 to have a system for tariff refunds in place and said it would be operational in approximately 45 days.

While the CIT order and CBP’s response provide additional information on eligibility and potential refund processes, uncertainty may continue to exist until CBP’s plan for issuing refunds is finalized or clarity is otherwise provided.

We believe there may be more than one acceptable approach for determining when to recognize and how to measure any IEEPA tariff refund from the government. For example, we believe a company could recognize and measure an IEEPA tariff refund from the US government:

- By analogy to cost recovery concepts in ASC 410-30, *Environmental Obligations*, under which a company would recognize and measure a refund when it can assert its intention to recover amounts previously paid under the IEEPA tariffs and reasonably estimate the probable¹ refund amount it expects to receive. Companies should carefully consider any remaining uncertainty with the IEEPA refund process when initially and subsequently measuring any probable refund.
- When all contingencies have been resolved and the gain is realized or realizable, consistent with ASC 450-30, *Gain Contingencies*. We generally believe this would occur when CBP acknowledges the amount the government will refund the company.

A company that receives a tariff refund from a vendor should account for the payment received under ASC 705-20, *Accounting for Consideration Received from a Vendor*.

Classification and presentation of tariff recoveries

Companies may have capitalized IEEPA tariffs to the cost basis of assets, such as inventory or property, plant and equipment (PP&E). We generally believe it would be most appropriate to record the tariff recovery in the same manner as it was originally recorded. Under this approach, tariff recoveries for tariffs originally recorded to inventory or PP&E would be accounted for as follows:

- Inventory – a reduction (i.e., credit) to the cost of the related inventory if still on-hand, or to cost of goods sold (COGS) if the inventory has been sold to customers. Companies may need to evaluate their inventory turn and costing method to determine the appropriate amount to record in inventory and COGS.
- PP&E – a reduction (i.e., credit) to the cost basis of the PP&E. We believe either of the following approaches are acceptable:
 - Prospectively by recording the full refund as a reduction to the carrying value of the PP&E and adjusting depreciation on a prospective basis.
 - Cumulative catch-up by allocating the refund between the carrying value of the PP&E and the reversal of previously recorded depreciation expense.

While we generally believe it is appropriate to record tariff recoveries in this manner, other approaches may also be acceptable based on facts and circumstances. Companies should also consider providing disclosures describing where the IEEPA tariffs and related tariff recoveries are recorded in the financial statements.

Revenue

Companies will need to apply significant judgment to determine the Supreme Court ruling's impact on revenue, if any. This includes careful consideration of contractual terms and customary business practices to determine whether obligations to refund tariff costs paid by customers exist and, if so, when to recognize such obligations. A company would record a refund liability when it expects to refund some or all of the consideration received from a customer.

Any refund of tariffs to a customer should be evaluated as a potential reduction to revenue. Consideration (such as a tariff refund) paid to a customer that is not in exchange for a distinct good or service is accounted for as a reduction in the transaction price and recognized when the later of the following occurs: (1) the company recognizes revenue for the related goods or services or (2) the company pays or promises to pay the consideration.

While the CIT order and CPB's response provide additional information on eligibility and potential refund processes, uncertainty continues to exist.

Refunds of tariff costs may affect the measure of progress for over-time performance obligations that are partially unsatisfied under which a cost-to-cost input method (i.e., costs incurred relative to total expected costs) is applied to measure a company's progress toward satisfaction of the performance obligation to recognize revenue.

Prospective financial information

When completing prospective financial information (PFI) assessments after the date of the ruling, management should carefully evaluate the implications of the current economic environment, including tariffs, on such projections and other assumptions used in preparing the financial statements. This includes determining how IEEPA tariff refunds or potential future tariffs imposed may affect cash flow projections used in PFI.

Companies also may need to consider how uncertainty caused by tariffs could affect the discount rate. Projections should be consistently applied (e.g., measurement of fair value, long-lived asset impairment tests, goodwill impairment tests, realizability of deferred tax assets tests) and should reflect the effects of the current economic environment, including tariffs, that exist as of the date of such PFI.

Disclosures

The financial statement disclosures for companies affected by IEEPA tariffs and the Supreme Court ruling will vary depending on the magnitude, duration and nature of the effects on their businesses and the availability of information. Companies will need to closely monitor developments and evaluate any impact on their financial statements and related information (e.g., management's discussion and analysis (MD&A), risk factors) and update these disclosures in future reporting periods when information that is known and can be reasonably estimated becomes available that assists users' understanding of the impacts on the company's financial statements.

ASC 275 requires companies to disclose certain risks and uncertainties that in the near term (i.e., within one year from the date of the financial statements) could significantly affect the amounts reported in the financial statements or the functioning of the reporting entity.

Next steps

- ▶ Companies should continue to monitor developments on how the US government may refund previously paid IEEPA tariffs.
- ▶ Companies seeking refunds from the government should start developing a cross-organizational plan (e.g., legal, procurement, finance, IT) to gather evidence of past IEEPA tariff payments that may become necessary to support refund documentation.
- ▶ Companies should carefully consider impacts of the ruling when preparing their financial statements (e.g., determining whether and when to recognize tariff refund obligations to customers).

Endnotes:

- ¹ The term "probable" in this circumstance is intended to be consistent with the term used in the FASB's Master Glossary (i.e., "the future event or events is likely to occur").

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