
ISSUE BRIEF

National Taxpayers Union Foundation

Trump Trade Taxes Will Exceed Obamacare Taxes Next Year

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President Trump recently announced plans to impose a [10 percent tax](#) on \$200 billion of imports from China effective September 24, escalating to 25 percent effective January 1, 2019. When added to tariffs that have already been implemented, total trade taxes imposed on American consumers and businesses via unilateral executive action exceed all the taxes included in President Obama's Affordable Care Act (ACA).

If an additional [25 percent tax on imported cars and parts](#) is implemented, Trump tariffs would offset nearly half of the tax cuts Americans are supposed to [receive](#) next year thanks to the 2017 Tax Cuts and Jobs Act (TCJA). Threatened taxes on [another](#) \$267 billion in imports from China, if imposed, would add even more to the escalating cost of the Trump administration's trade policy.

The Large and Growing Burden of Import Taxes

Referring to Obamacare, President Trump [said](#): "It's destroying our country. It's destroying our businesses. You take a look at the kind of numbers that that will cost us in the year '17, it is a disaster." However, NTUF calculations show that total trade taxes imposed by President Trump will exceed Affordable Care Act (ACA) taxes imposed under President Obama's signature health care law.

During the effort to repeal and replace the ACA, the Congressional Budget Office estimated that Obamacare taxes, excluding the individual and employer mandate penalties, were slated to [cost](#) taxpayers \$67.2 billion in 2019 and \$609 billion over ten years. After accounting for [changes](#) enacted this year, remaining Obamacare taxes will cost \$34.6 billion next year and \$531 billion through 2026.

In comparison, the President has already imposed \$9.15 billion per year in new tariffs on washing machines, solar goods, steel and aluminum, [plus](#) \$12.5 billion per year in additional taxes on imports from China. The newest round of Trump tariffs - 25 percent taxes on \$200 billion in imports from China starting January 1 - will cost another \$50 billion. The combined total easily surpasses the annual burden imposed by Obamacare's taxes.

In addition, if proposed automobile tariffs currently on the table are implemented, the resulting \$132.55 billion in total new trade taxes would offset nearly half (47 percent) of \$280 billion in TCJA [tax cuts](#) for 2019.¹

¹ In 2017, the federal government [collected](#) \$3.1 billion in duties from \$273.8 billion in imports of motor vehicles and parts, based on Harmonized Tariff Schedule of the United States classifications 8702 to 8708. The Peterson Institute for International Economics calculates that a 25 percent tariff would reduce imports by 6.7 percent. After accounting for that drop in imports, a 25 percent tariff would [increase](#) the cost of annual federal duties by \$60.9 billion a year.



Annual Cost of Unilateral Trump Trade Taxes

Tax	Statutory Justification	Rate	Estimated Annual Cost (Billions)
Washing Machines	Section 201	Varies	\$0.15
Solar Goods	Section 201	Varies	n/a
Steel	Section 232	25%	\$7.3
Aluminum	Section 232	10%	\$1.7
China Imports	Section 301	25% on \$34 billion	\$8.5
China Imports	Section 301	25% on \$16 billion	\$4
China Imports	Section 301	10% on \$200 billion (Effective September 24, 2018)	\$20
<i>Subtotal of Enacted Trump Trade Taxes</i>			<i>\$41.65</i>
China Imports	Section 301	Initial 10% rate increases by 15% (Effective January 1, 2019)	\$30
Automobiles	Section 232	25% (Proposed)	\$60.9
China Imports	Section 301	Additional tariffs on \$267 billion (Proposed)	*
<i>Subtotal of Pending and Proposed Trump Trade Taxes</i>			<i>\$90.9</i>
Net Total of Trump Enacted & Proposed Trade Taxes			\$132.55
Sources: Erica York and Kyle Pomerleau, "Tracking The Economic Impact of U.S. Tariffs and Retaliatory Actions," The Tax Foundation, Updated 8/16/2018, https://taxfoundation.org/tracker-economic-impact-tariffs/#_ftnref4 , Chad P. Bown and Melissa Kolb, "Trump's Trade War Timeline: An Up-to-Date Guide," Peterson Institute for International Economics, August 21, 2018, https://piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide , and NTU Foundation estimates.			
Note: Table updated September 24, 2018 to reflect imposition of 10 percent tariff under Section 301.			
* President Trump has threatened to impose unspecified tariffs on an additional \$267 billion in imports from China.			

Every new trade tax has been imposed without congressional approval. Over the years, Congress has given the President exceptionally broad latitude to impose tariffs for a variety of reasons. The unprecedented use of this discretionary authority by the Trump Administration has led to the introduction of several bills that would wrest those powers back. These would be a welcome addition to U.S. trade law.

Other countries have responded by imposing billions of dollars in retaliatory taxes on U.S. exports, even though White House trade advisor Peter Navarro's [infamously stated](#) "I don't believe any country will retaliate." The actual impact of current trade policy on Americans is greater than the billions of dollars in U.S. tariff costs. Canada, China, Mexico, the European Union, Turkey, and India have [imposed](#) retaliatory tariffs targeting billions of dollars in U.S. exports. Under President Trump, for the first time since the days of Franklin Roosevelt's administration, foreign barriers to U.S. exports are increasing instead of decreasing.

More than anything, tariffs represent a hidden tax on consumers and a drag on GDP. This hurts the people the President is trying to lift. Tariffs tend to be regressive because lower-income households spend a greater percentage of their earnings on consumer goods. Americans will benefit if President Trump removes these destructive trade taxes and focuses on negotiating mutually beneficial trade deals that reflect his stated [goal](#) of zero tariffs, zero non-tariff barriers, and zero subsidies.

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