

**BLOG** Published May 12, 2025 • 3 minute read

# Doing the Math on Trump's Auto Tariffs



*Ellen Hughes-Cromwick, Senior Visiting Fellow for Climate and Energy Program, Ryan Fitzpatrick, Senior Director of Domestic Policy, Climate and Energy Program*

On April 2, 2025, the administration announced a 25% tariff on imported car parts to be implemented on May 3, 2025. It would appear the White House failed to initially grasp just how burdensome that tax would be on American automakers, consumers, and businesses who need vehicles and suppliers. Trump has recently promised to ease some of the burden, perhaps seeing the severity of the situation. Unfortunately, this correction also misses the mark and will still leave American companies and car buyers hurting.

Let's look at the impact of the tariffs coming into effect. For a US-made vehicle with a sticker price (MSRP) of \$50,000 that has 40% imported parts, the tariffs announced in April would add \$5,000 in cost ( $\$50,000 \times 0.40 \times 0.25$ ). Adding a \$5,000 import tariff on car parts will put auto companies in a bind, but it will hurt consumers the most since companies are likely to pass along this higher cost to the consumer.

As this math sunk in, on April 29th, the Administration issued a new proclamation calling to reimburse the automakers for a portion of the Administration's new parts tariff. The order states that the government will reimburse the companies by an amount equal to 3.75% of the MSRP on a US-made vehicle for one year. This reimbursement would drop to 2.5% of the MSRP in year two, and then it would phase out to 0% thereafter. For the example above of the \$50,000 car and 40% imported parts, this reimbursement would total \$1,850 for the first year, leaving a tariff impact of \$3,150. With a reduced reimbursement in year 2, the cost of the tariff in this scenario would jump to \$3,750. While it's better than \$5,000, adding \$3,750 to the price of a vehicle is still a lot to ask American consumers to absorb.

And this isn't just something that would affect people purchasing imported luxury vehicles and sports cars. Many popular vehicles made in America by American companies will see a price surge. The Made in America Auto Index for 2024 indicates that 72% of vehicle models sold in the US have more than 50% content imported from outside the US and Canada. This would include popular cars like the Chevy Blazer and Equinox, many Ford Explorers, the Toyota Tacoma, and dozens of others. While this count does not measure the actual volume of vehicles sold, but the content for the models on offer, it illustrates how important global sourcing is for companies – and for consumers! And we're already seeing the fallout. Ford announced this week it will be raising prices on three of its models built in Mexico, citing Trump's tariffs as the reason.

Unfortunately, the sudden imposition of auto parts tariffs, followed by even more sudden promises of refunds, are just two more examples of the Trump Administration making hasty and poorly-designed trade policy. Companies need notice to plan adjustments to their supply chains, and they need steady and consistent policy in order to commit resources efficiently. The actions being taken by the Trump Administration on auto parts provide neither of those things, and in the end, Americans will pay the price the next time they go to the dealership.