



Supreme Court Limits Presidential Authority to Impose Tariffs Under IEEPA: Implications for Importers and Supply Chains

On February 20, 2026, the U.S. Supreme Court issued a significant ruling in the consolidated cases of *Learning Resources, Inc. v. Trump and V.O.S. Selections v. United States*, holding that the International Emergency Economic Powers Act (IEEPA) does not authorize the President to impose tariffs on imports during declared national emergencies, invalidating the President's tariffs. In a 6-3 decision, the Court determined that such tariffs exceed the scope of authority delegated by Congress under the 1977 statute, which allows the President to "investigate, block during the pendency of an investigation, regulate, direct and compel, nullify, void, prevent, or prohibit . . . importation or exportation." Here, the Court held that such authority does not extend to imposing duties or taxes. This ruling has immediate and far-reaching implications for companies engaged in international trade, particularly those that have faced increased costs from recent import duties, with some already seeking refunds.

Background on IEEPA and the Challenged Tariffs

IEEPA grants the President broad powers to address "unusual and extraordinary" threats to national security, foreign policy, or the economy originating abroad. Upon declaring a national emergency, the President may regulate various aspects of commerce, including investigations, restrictions on transactions, and controls on imports or exports. However, the statute's language is specific and does not explicitly mention tariffs or duties.

The tariffs at issue were imposed following declarations of national emergencies related to drug trafficking from certain countries (China, Canada, and Mexico) and others with persistent trade deficits affecting U.S. manufacturing and supply chains. These included a 25% tariff on most imports from Canada and Mexico, a 10% tariff on most Chinese imports, and at least a 10% tariff on imports from nearly all trading partners, with adjustments and exemptions over time. Since their implementation, these measures have generated substantial revenue, an estimated \$175 billion. Challengers, including small businesses and states, argued that IEEPA's text does not confer the power to levy tariffs, a function traditionally reserved for Congress under Article I of the Constitution.

The Court's Reasoning and Holding

The majority opinion emphasized a textual analysis of IEEPA, concluding that "regulate . . . importation" means to control or adjust through rules, such as quotas or embargoes, but does not encompass the power to tax via tariffs. The Court noted that tariffs are a form of taxation, distinct from regulation, and that Congress has historically delegated tariff authority in other statutes using explicit terms like "duty" or "surcharge." Absent such clear language in IEEPA, the statute cannot be interpreted to grant this authority.

Applying the major questions doctrine, which the President has previously relied on for deregulation efforts, the Court required explicit congressional authorization for actions with vast economic significance, such as tariffs affecting a significant portion of U.S. imports, which the Court noted “dwarfed those of other major questions.” The justices highlighted IEEPA’s 50-year history without prior tariff impositions under it, underscoring that such an “unheralded” power could not be inferred from broad phrasing. Dissenting justices argued for a broader interpretation, viewing tariffs as a permissible tool within “regulate . . . importation,” reflecting on President Nixon’s 10% tariffs on imports under one of IEEPA’s predecessors, the Trading with the Enemy Act (TWEA).

The decision vacates the tariffs imposed under IEEPA, remanding cases for further proceedings, including potential refunds.

Executive Response and Shift to Section 122 Authority

Following the decision, President Trump signed a proclamation invoking Section 122 of the Trade Act of 1974 (19 U.S.C. § 2132) to impose a temporary import surcharge. This authority permits the President to impose import surcharges of up to 15% ad valorem (or quotas) for up to 150 days, unless further extended by Congress. This authority, which has never been invoked previously, allows for relatively swift action without requiring extensive prior investigations.

The initial proclamation, announced on February 20, 2026 with an effective date of February 24, 2026, imposed a 10% ad valorem surcharge on most imported articles. Less than twenty-four hours later, on February 21, 2026, the President announced an increase of the rate to 15% (the statutory maximum). Exemptions apply to certain critical goods (e.g., aerospace materials, minerals, energy products, certain food items, and pharmaceuticals). This measure is described as a short-term step to maintain trade policy objectives while longer-term options, such as investigations under other statutes (e.g., Section 301 of the Trade Act of 1974), are pursued. Legal challenges to this use or the imposition of repetitive 150-day temporary tariffs under the authority remain possible.

Existing tariffs imposed under other laws (such as Section 232 or Section 301) are unaffected by the ruling and continue in force.

Implications for Affected Companies

For businesses reliant on imports - such as manufacturers, retailers, and distributors - this ruling (absent a workaround) could provide substantial relief from the invalidated IEEPA tariffs, which have added significant costs often absorbed or passed along in supply chains. Companies may now seek refunds for duties paid, potentially recovering substantial amounts with interest, although the process through the U.S. Court of International Trade or Customs and Border Protection has yet to be clarified. A form of credit as opposed to an outright refund has been discussed.

However, the new Section 122 surcharge at 10% (with a threatened raise to 15%), reintroduces similar broad-based duties on most imports as of February 24th, limiting any near-term relief. The 150-day limit introduces planning uncertainty for businesses, as the tariffs may be extended or new authorities may be relied upon near the end 150-day window near with different cost structures. Short-term reimposition of similar duties could also spark foreign retaliation risks and require additional supply chain adjustments.

Recommendations

Companies impacted by tariffs should promptly review their import records and consult counsel to assess eligibility for refunds on IEEPA-paid duties and prepare claims. Companies should also monitor Executive Branch announcements, particularly regarding Section 122 implementation, as well as any related investigations or congressional developments. Diversifying supply chains, evaluating cost structures, and maintaining flexibility in sourcing may also help mitigate risks in this evolving regulatory environment.

Overall, this decision reinforces the boundaries of executive authority in trade matters under IEEPA, while the President's response highlights potential alternative authorities and structures to reimpose these tariffs. Businesses are advised to stay informed through official channels and consult counsel for compliance and strategic planning. For more information or to help your business navigate this regulatory environment, contact Ruskin Moscou Falitshek's Corporate & Securities department below:

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