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High Court Reins In Executive Tariff Power: What the IEEPA Ruling Means for Your Business

Insight — February 20, 2026

In a landmark decision published today, February 20, 2026, the Supreme Court held 6-3 that the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. § 1702, does not authorize the President to impose tariffs. The ruling invalidates the broad tariffs imposed by President Trump beginning in early 2025, including:

- **25% duties** on most Canadian and Mexican imports
- **10-20% duties** on most Chinese imports (later escalated to an effective rate of **145%**)
- **"Reciprocal" tariffs** of at least 10% on imports from all trading partners, with higher rates for many nations

BACKGROUND

Shortly after taking office in January 2025, President Trump declared national emergencies under IEEPA

in response to two foreign threats: (1) the influx of illegal drugs from Canada, Mexico, and China; and (2) "large and persistent" U.S. trade deficits. Invoking IEEPA's grant of authority to "regulate . . . importation," the President imposed sweeping tariffs and subsequently modified them numerous times — including escalating tariffs on Chinese goods, ultimately reaching an effective rate of 145%.

THE COURT'S DECISION

The Court's majority opinion (Chief Justice Roberts, joined by Justices Sotomayor, Kagan, Gorsuch, Barrett, and Jackson) rests on two principal grounds: (1) the taxing power belongs to Congress, and (2) the IEEPA's authorization to "regulate... importation" does not include the power to impose tariffs.

IEEPA includes a lengthy list of authorized actions — "investigate, block, regulate, direct and compel, nullify, void, prevent or prohibit" — and contains no mention of "tariffs" or "duties." When Congress has delegated tariff authority elsewhere, it has done so expressly, using terms like "duty," "surcharge," or "tariff," and subject to strict caps, time limits, and procedural prerequisites. Furthermore, "regulate" does not mean "to tax." The Government could not identify a statute in which the power to "regulate" has been understood to include the power to tax.

The Court also held that challenges to IEEPA tariffs fall within the

exclusive jurisdiction of the Court of International Trade (CIT), and not federal district courts.

REFUNDS

The Court ruled today only on the merits of the case (i.e., legality of the IEEPA tariffs). The case was remanded to the lower courts to decide whether refunds will be ordered, and if so, the process by which refunds will be administered. The CIT has stayed hundreds of lawsuits pending the Court's decision. Rulings in those cases will likely be issued after the refund issue is decided.

IMPLICATIONS

The ruling invalidates the IEEPA-based tariffs imposed by President Trump, including the drug trafficking tariffs on Canadian, Mexican, and Chinese imports, and the "reciprocal" tariffs on imports from all trading partners. These tariffs will continue to be collected until Customs and Border Protection (CBP) issues guidance, which is expected soon.

The decision does not, however, address whether these tariffs could have been authorized through alternate means, such as Section 232 of the Trade Expansion Act of 1962 or Section 301 of the Trade Act of 1974. The dissent suggested that "most if not all" of the tariffs might have been authorized under those statutes, which contain their own procedural requirements, agency determinations, and limitations on duration and scope. Following the announcement of the decision, the President indicated he will immediately impose 10% global tariffs pursuant to Section 122 of the Trade Act of 1974 to replace IEEPA tariffs and initiate additional investigations to authorize the imposition of additional tariffs, presumably under Sections 232 and 301.

Businesses and industries affected by the now-invalidated tariffs should act promptly to:

- **Assess refund eligibility** for IEEPA tariffs paid and collect entry line item data for use in filing potential refund claims
- **Coordinate with import brokers** on correction of entry filings until CBP issues guidance related to tariff collection following the Supreme Court ruling
- **Monitor CIT refund rulings and orders** and prepare for processing refund requests
- **Review supply chain and pricing strategies** in light of the changed tariff landscape
- **Monitor Congressional activity** for potential new tariff legislation
- **Evaluate exposure** under remaining Title 19 tariffs, which are unaffected by this ruling

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