



U.S. Supreme Court Clarifies Limits of Presidential Tariff Authority Under IEEPA

I. OVERVIEW

In *Learning Resources, Inc. v. Trump President of the United States*¹, the Supreme Court of the United States (“SCOTUS”) addressed whether the President of the United States (“President”) may rely on the International Emergency Economic Powers Act (“IEEPA”) to impose broad peacetime tariffs following a declaration of national emergency.

The case stems from a national emergency declared by the President, citing narcotics trafficking and persistent trade deficits. Relying exclusively on IEEPA’s authority to ‘regulate ... importation,’ the President imposed sweeping additional tariffs. For instance, 25% duties on most Canadian and Mexican imports, increased duties on Chinese goods, and a baseline reciprocal tariff regime affecting nearly all trading partners.

Small businesses and several U.S. States challenged these measures as ultra vires. The District Court for the District of Columbia (“District Court”) granted a preliminary injunction, finding that the petitioners were likely to succeed on merits because IEEPA does not clearly authorize tariff imposition and that they would suffer irreparable economic harm absent interim relief. The Court of International Trade (“CIT”) subsequently granted a summary judgment, holding that IEEPA’s authority to “regulate ... importation” does not extend to imposing duties, which fall within Congress’s taxing power. The Federal Circuit, sitting *en banc*, affirmed in relevant part.

In light of the significant economic impact and separation-of-powers questions involved, the SCOTUS granted review and ruled that the President is not empowered to impose tariffs under the IEEPA.

II. ANALYSIS OF THE SCOTUS RULING

By a 6-3 vote, SCOTUS first clarified that exclusive jurisdiction over such tariff challenges lies with the CIT and then proceeded to examine the substantive scope of IEEPA as follows:

- **Constitutional Framework.** Tariffs, SCOTUS stressed, have long been understood as a “very clear ... branch of the taxing power,” historically providing the federal government with much of its revenue. The framers gave “Congress alone ... access to the pockets of the people” and vested no part of that taxing authority in the Executive. The Government conceded that the President has no inherent Article II authority to impose tariffs and relied exclusively on IEEPA’s statutory authorization to “regulate ... importation” to justify the tariff measures.

Against this backdrop, SCOTUS held that ambiguous statutory language cannot be read to shift a foundational legislative power from Congress to the Executive. In reaffirming this allocation, SCOTUS underscored that tariff policy remains fundamentally legislative in character, even when invoked in response to foreign threats or national

¹ Supreme Court of the United States, *Learning Resources, Inc v Trump, President of the United States* 607 US (2026) (decided Feb. 20, 2026), available at https://www.supremecourt.gov/opinions/25pdf/24-1287_4gci.pdf.

emergencies. Justice Gorsuch, concurring separately, emphasized that courts must insist on clear congressional authorization before permitting the Executive to exercise powers historically reserved to Congress, particularly in fiscal matters. The dissent disagreed, cautioning that the majority's approach unduly constrains executive flexibility in areas involving foreign affairs and national security. It emphasized that IEEPA was enacted as a broad emergency statute intended to afford the President meaningful discretion.

- **Statutory Interpretation of “Regulate ... Importation”.** The central statutory question was whether IEEPA's authorization to “regulate ... importation” includes the power to impose tariffs. The majority concluded that it does not for the following reasons:
 - **No Reference to Tariffs.** SCOTUS noted that IEEPA contains no express reference to “tariffs” or “duties.” By contrast, other trade statutes that authorize tariff adjustments explicitly refer to duties and include procedural safeguards. The absence of such language in IEEPA weighed heavily against the Government's interpretation.
 - **Ordinary Meaning of “Regulate”.** The majority held that the ordinary meaning of “regulate” does not inherently include the power to tax. While regulation may influence market behaviour, taxation is constitutionally distinct. SCOTUS rejected the Government's argument that the power to “prohibit” imports necessarily includes the lesser power to impose duties. Prohibition and taxation are different; as prohibition locks transactions, whereas the taxation raises revenue and directly implicates the legislative power of the purse. Justice Kagan, joined by Justices Sotomayor and Jackson, concurred in the judgment, emphasizing that ordinary textual interpretation alone resolved the case. The dissent maintained that tariffs have historically functioned as instruments of commercial regulation and that the ordinary meaning of “regulate importation” includes adjusting the conditions of entry through duties.
 - **Statutory Structure.** SCOTUS also examined that IEEPA's verb-object combinations as collectively authorizing control, freezing, and prohibitions on foreign property and related transactions, none of which involves raising revenue². Further, SCOTUS reasoned that reading “regulate ... importation” to include tariffs would make that single phrase the only one among the IEEPA's numerous verb-object combinations to confer revenue-raising authority. Such an interpretation would, therefore, fundamentally alter the character of IEEPA from a sanctions and transaction-control regime into a tariff-setting instrument, a transformation which SCOTUS found implausible absent explicit congressional direction.
 - **Export Concerns.** IEEPA authorizes regulation of both importation and exportation. The Constitution, however, prohibits export taxes. SCOTUS observed that if “regulate” were interpreted to include taxation, the IEEPA would appear to authorize constitutionally impermissible export duties. Applying principles of structural avoidance, the majority adopted a narrower reading to prevent such constitutional tension. The dissent considered this concern overstated, arguing that constitutional limits would independently constrain export taxation.
 - **Historical Practice.** The majority further noted that in nearly fifty years of IEEPA's operation, no President had relied on it to impose tariffs. A single 1975 appellate decision under a predecessor statute was insufficient to establish settled congressional intent. The absence of consistent historical practice reinforced

² IEEPA's operative provision include nine verbs (including investigate, block, direct, compel, nullify, void, prevent, prohibit, and regulate) and eleven types of transactions (including acquisition, use, transfer, transportation, importation, and exportation).

SCOTUS's narrower interpretation. The dissent argued that tariffs have long been treated as regulatory tools and that Congress legislated against that broader commercial background.

- **Major Questions Doctrine.** SCOTUS applying the major questions doctrine held that the President was asserting authority of “vast economic and political significance,” given that the tariff regime had potentially unlimited rates, global scope, and indefinite duration, all triggered by an emergency declaration that could persist for years. In such circumstances, SCOTUS stated that Congress must speak clearly. IEEPA's broad authorization to “regulate ... importation” was deemed too general to support such sweeping fiscal authority. The majority further rejected the suggestion that greater judicial deference is warranted simply because the measures implicated trade or foreign affairs. Where the Constitution expressly assigns authority to Congress, particularly the taxing power, that allocation cannot be displaced through expansive statutory interpretation. Justice Kagan agreed with the result but cautioned that reliance on the major questions doctrine was unnecessary, as textual analysis alone resolved the case. The dissent criticized the majority for effectively transforming the doctrine into a heightened clear-statement requirement not grounded in the statute.

In sum, SCOTUS did not invalidate IEEPA as a sanction's statute. However, SCOTUS cleared that emergency economic powers cannot be used as a general tariff-setting mechanism without explicit congressional authorization. Therefore, while the President can impose tariffs through other statutes, it cannot impose tariffs through IEEPA.

III. PRACTICAL IMPLICATIONS

SCOTUS's ruling raises significant practical implications. At the outset, literature following SCOTUS's ruling reflects a broad consensus that tariffs should not be assessed and collected by the CBP for tariff lines created under the IEEPA.³ However, some U.S. trade law experts note that the ruling may not result in an immediate tariff-free entry for imports. There may be a short transition period while the CBP receives directions from the executive branch and update its systems and guidance to allow imports without the payment of IEEPA tariffs.⁴ Consequently, stakeholders are recommended to monitor CBP guidance and trade notices closely over the coming weeks to confirm when IEEPA-based tariff collection is fully disabled in practice.

- **The Aspect of Refunds.** SCOTUS's ruling is also being understood to open the door for significant refund claims for previously collected IEEPA tariffs, with the pathway to recovery likely to be complex, time-consuming and procedurally demanding rather than automatic.⁵ SCOTUS did not itself order refunds, and that questions of who is

³ Daniel W. Wolff, John B. Brew, Weronika Bukowski and Sibilla Grenon, *SCOTUS Holds IEEPA Tariffs Unlawful*, Crowell (Feb. 20, 2026), available at <https://www.crowell.com/en/insights/client-alerts/scotus-holds-ieepa-tariffs-unlawful> (hereinafter referred to as “Crowell's Article”); John F. Guild and Jarod T. Moss, *U.S. Supreme Court Holds IEEPA Does Not Authorize Presidential Tariffs*, BellNunnally (Feb. 20, 2026), available at <https://www.bellnunnally.com/news/client-update-u-s-supreme-court-holds-ieepa-does-not-authorize-presidential-tariffs/> (hereinafter referred to as “BellNunnally's Article”).

⁴ Andrew K. McAllister et. al., *Supreme Court Strikes Down IEEPA Tariffs: What Importers Need to Know Now*, Holland & Knight (Feb. 20, 2026), available at <https://www.hklaw.com/en/insights/publications/2026/02/supreme-court-strikes-down-ieepa-tariffs> (hereinafter referred to as “Holland & Knight's Article”).

⁵ Allison E. Raley and Michael E. Burke, *Supreme Court Invalidates IEEPA Tariffs: What Importers Should Do Now*, Arnall Golden Gregory LLP (Feb. 20, 2026), available at <https://www.agg.com/news-insights/publications/supreme-court-invalidates-ieepa-tariffs-what-importers-should-do-now/> (hereinafter referred to as “AGG's Article”); Crowell's Article.

entitled to repayment, in what amounts, and by what mechanisms will likely be resolved through further proceedings in the CIT and through the CBP's administrative measures.⁶

The issue of refunds is further complicated by the President recently implying that potential refunds are expected to be subject to litigation for years,⁷ in line with the government's expected approach to contest refund claims.⁸ Guidance provided by some U.S. trade law experts includes identification and quantification of IEEPA tariff exposure, preserving of all records for imports subject to IEEPA tariffs, distinguishing between liquidated and unliquidated entries, and utilizing protests and liquidation extensions.⁹

- **Contractual and Commercial Implications for Exporters.** SCOTUS's ruling may create a commercial asymmetry where U.S. importers that have previously persuaded foreign exporters (including Indian suppliers) to reduce prices or absorb part of the IEEPA duty burden, may now be positioned to recover those same duties from the U.S. Government through refunds. The importance for exporters and importers to review their long-term supply contracts for tariff-related risk allocation is increased with the President's continued exploration of additional mechanisms to impose tariffs.

Indian exporters may therefore wish to revisit the allocation of tariff costs and any future refunds under existing contracts, and whether there are clear provisions on sharing, clawing back or retaining any duty rebates received from refund claims. If the refund mechanism for IEEPA tariffs allows importers to sell tariff refund claims to other parties (such as the exporters themselves), exporters may also wish to update agreements to require notice and consent before such sales, as well as to ensure that any sale is backed by suitable representations and indemnities so that other supply-chain partners are not unexpectedly prejudiced.¹⁰

IV. IMPACT ON OVERALL TARIFF LANDSCAPE

The impact of SCOTUS's ruling on the overall tariff landscape in the U.S. is uncertain. As noted in Justice Kavanaugh's dissenting opinion, the President retains the ability to impose tariffs under alternate instruments such as Section 232 of the Trade Expansion Act of 1962, Sections 122, 201 and 301 of the Trade Act of 1974 (**Trade Act**), and Section 338 of the Tariff Act of 1930.

STATUTORY AUTHORITY

TRIGGER

WHO INVESTIGATES

TYPE OF ACTION ALLOWED

⁶ Crowell's Article; AGG's Article.

⁷ Grace Eliza Goodwin, *How will Trump's new 10% global tariffs work and what's next?*, BBC (Feb 21, 2026), available at <https://www.bbc.com/news/articles/c8r1e327z46o>.

⁸ Crowell's Article; Holland & Knight's Article.

⁹ AGG's Article; Holland & Knight's Article.

¹⁰ Marc R. Shapiro and Martin McSherry, *What Importers, Retailers and Claim Purchasers Need to Know About Preserving Tariff Refund Claims Under International Supply Agreements*, Orrick, Herrington & Sutcliffe LLP (Jan. 21, 2026), available at <https://www.orrick.com/en/Insights/2026/01/What-Importers-Retailers-and-Claim-Purchasers-Need-to-Know-About-Preserving-Tariff-Refund>.

Section 232 of the Trade Expansion Act of 1962	Tariffs or restrictions based on national security concerns	U.S. Department of Commerce conducts the investigation	Tariffs or quotas based on national security findings
Section 301 of the Trade Act of 1974	Response to unfair trade practices by other countries	U.S. Trade Representative (USTR) must investigate first	Tariffs, trade restrictions, or other retaliatory measures
Section 201 of the Trade Act of 1974	Temporary protection when imports cause serious injury to domestic industries	International Trade Commission (ITC) investigates	Temporary tariffs, quotas, or safeguard measures
Section 338 of the Tariff Act of 1930	Response to discriminatory foreign trade practices	Determined by the U.S. government (historically Presidential authority)	Additional or new duties imposed on discriminatory countries

*Source: Christopher T Zirpoli, Court Decisions Regarding Tariffs Imposed Under the International Emergency Economic Powers Act (IEEPA), Congressional Research Service Report (2025)*¹¹

These alternatives vary in duration, procedural requirements, and subject matter, but they remain valid and widely used statutory tools for imposing tariffs.

Indeed, immediately following SCOTUS's ruling, the President announced plans to impose a 10% global tariff, and according to media reports as of Feb. 21, 2026 has now been raised to 15%,¹² under Section 122 of the Trade Act, a statute that allows the President to levy tariffs of up to 15% for up to 150 days without an agency investigation, to address trade balance problems or international payments issues. However, unless Congress extends it, this tariff automatically expires after 150 days.¹³

V. IMPLICATIONS FOR THE INDIA–US TRADE DEAL

At present, there is no definitive answer on how SCOTUS's ruling will affect the proposed India–US trade agreement. While SCOTUS's ruling has invalidated the tariff regime imposed under IEEPA; the U.S. Administration, as mentioned earlier, has already invoked Section 122 of the Trade Act of 1974 to introduce a temporary 10% tariff. This means that while the legal basis of the earlier tariff structure has changed, tariffs on Indian exports to the U.S. have not disappeared.

Media reports suggest that public statements from President indicate that the ruling does not alter the U.S. intent to proceed with the India–U.S. trade deal, and that negotiations remain ongoing. On the Indian side, high-ranking Government of India official has indicated that the deal may still go through. At the same time, the shift from the IEEPA-

¹¹ Christopher T Zirpoli, *Court Decisions Regarding Tariffs Imposed Under the International Emergency Economic Powers Act (IEEPA)*, Congressional Research Service Report R45529 (Sept. 15, 2025), available at https://www.congress.gov/crs_external_products/R/PDF/R45529/R45529.2.pdf.

¹² Steff Chávez and Peter Foster, *Trump raises global tariffs to 15 per cent in wake of Supreme Court loss*, *The Financial Times* (Feb. 21, 2026), available at <https://giftarticle.ft.com/giftarticle/actions/redeem/2bb00502-7481-4fff-842a-2160cf3e8632>.

¹³ United States, Executive Order, *Ending Certain Tariff Actions* (Feb. 20, 2026) available at <https://www.whitehouse.gov/presidential-actions/2026/02/ending-certain-tariff-actions/>; Grace Eliza Goodwin, *How will Trump's new 10% global tariffs work and what's next?*, *BBC* (Feb 21, 2026), available at <https://www.bbc.com/news/articles/c8r1e327z46o>.

based tariff regime to a Section 122 framework introduces a new legal and policy context that may influence negotiating dynamics.¹⁴

Since the ruling neither ends ongoing negotiations nor guarantees preferential access for Indian exports, it leaves unresolved the tariff framework that may ultimately govern any future agreement. Accordingly, the Indian government must monitor developments closely while preparing for multiple possible outcomes. And the Indian industry may need to pursue and follow up its refund claims arising from the rollback of IEEPA-based tariffs, reassess contracts where exporters had already priced goods at the earlier 18% duty and now face a 10% rate, potentially triggering renegotiation, and, over the longer term, diversify market exposure by actively exploring opportunities in the European Union, the United Kingdom, Oman, and other stable destinations.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com or write to our authors:

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¹⁴Ravi Dutta Mishra and Anil Sasi, *How India may respond to US top court order against Trump's tariffs, and the alternatives for the US President* (Feb. 21, 2026) available at <https://indianexpress.com/article/explained/explained-economics/how-india-may-respond-to-us-top-court-order-against-trumps-tariffs-and-the-alternatives-for-the-us-president-10543430/>; Akshita Singh, *India-US Trade Deal: Trump Global Tariffs 10% Changes Explained*, Business Standard (Feb. 21, 2026) available at https://www.business-standard.com/economy/news/india-us-trade-deal-trump-global-tariffs-10-pc-changes-explained-126022100525_1.html