

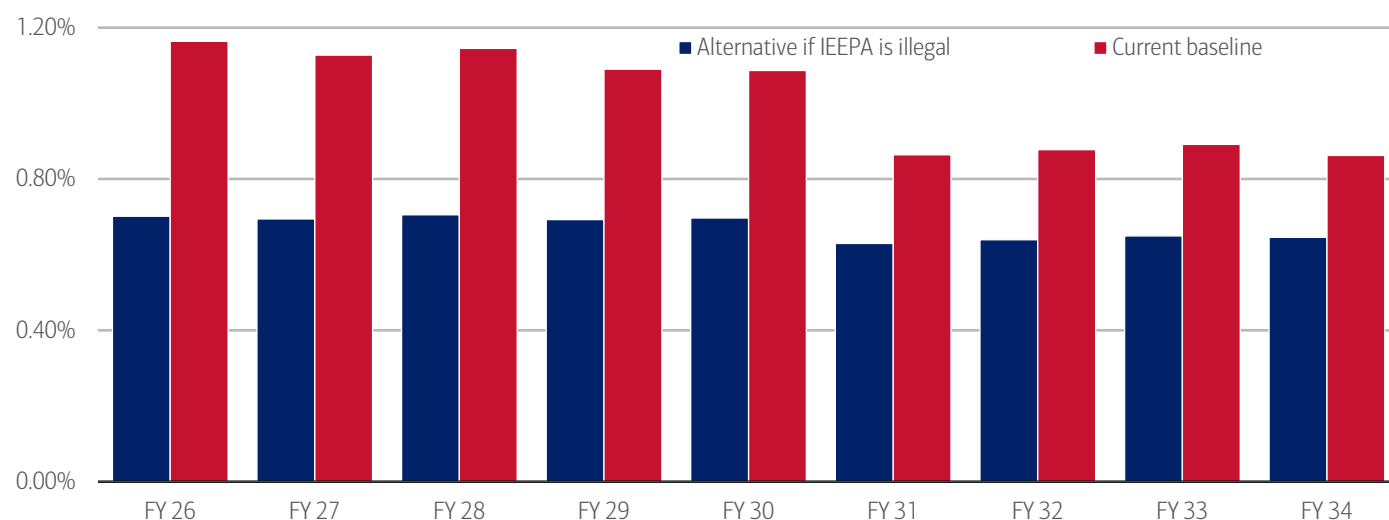
## Institute Daily Insights

# How would reversing IEEPA tariffs affect the economy?

22 September 2025

**If IEEPA tariffs are ruled illegal, tariff revenues would likely drop by up to 0.4pp of GDP relative to the baseline, assuming an effective tariff rate of 10%**

Tariff revenue (% of GDP) for different scenarios



**Source:** BofA Global Research, Haver Analytics

Note: IEEPA = International Emergency Economic Powers Act, pp = percentage point, GDP = gross domestic product

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About two-thirds of the ~15 percentage point (pp) effective tariff rate under the current US administration stems from tariffs imposed under the 1977 International Emergency Economic Powers Act (IEEPA). If the Supreme Court strikes them down in the coming months, the effective tariff rate could drop to around 5% – still well above last year’s level. That said, BofA Global Research expects the administration to quickly implement tariffs through other trade authorities to prevent such a sharp decline. While this could prolong economic uncertainty, it would limit the rise in the deficit-to-GDP ratio and concerns over US debt dynamics.

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