



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Advanced Tariff Strategies

May 14, 2025



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

3-Part Webinar: 20+ Strategies to Mitigate Tariffs

April 30

Controlling what you can control

Agenda

- Supply side and demand side pricing, volume, and terms
- Cash flow, inventory, cost accounting
- Retooling and sourcing
- Incentives (reshore or relocate closer to customer)

Speakers

- Mike Smith
- Paul Stepanek
- Paul Buzzell
- Jen Rohen

May 7

Transfer pricing, currency, and logistics

Agenda

- Transfer pricing
- State tax
- Logistics considerations
- Currency

Speakers

- Mike Smith
- Kyle Dawley
- Paul Stepanek
- Brandon Knight
- Angie Kappel
- Mary Buchzeiger

May 14

Advanced tariff strategies

Agenda

- Country of origin and transformation
- Duty drawbacks
- Break out non-tariffed costs
- HTS code analysis
- Tariff engineering
- Chapter 98
- Bonded warehouse and Free Trade Zones

Speakers

- Mike Smith
- Paul Stepanek
- Matthew Bock



Goal: Reducing Exposure, Preserving Margins

1. **What** tariffs apply?
2. **How** to mitigate the impact?



IMMEDIATE

Tariff accounting “hygiene”
(regardless of % tariff)



NEXT 12 MONTHS

Current footprint



12-24+ MONTHS

Evolving footprint



Welcome



Paul Stepanek
President,
Complete Manufacturing
and Distribution (CMD)



Mike Smith
Principal, CLA
National Tax Office



Matthe Bock
Esq., Managing Partner,
Bock Trade Law



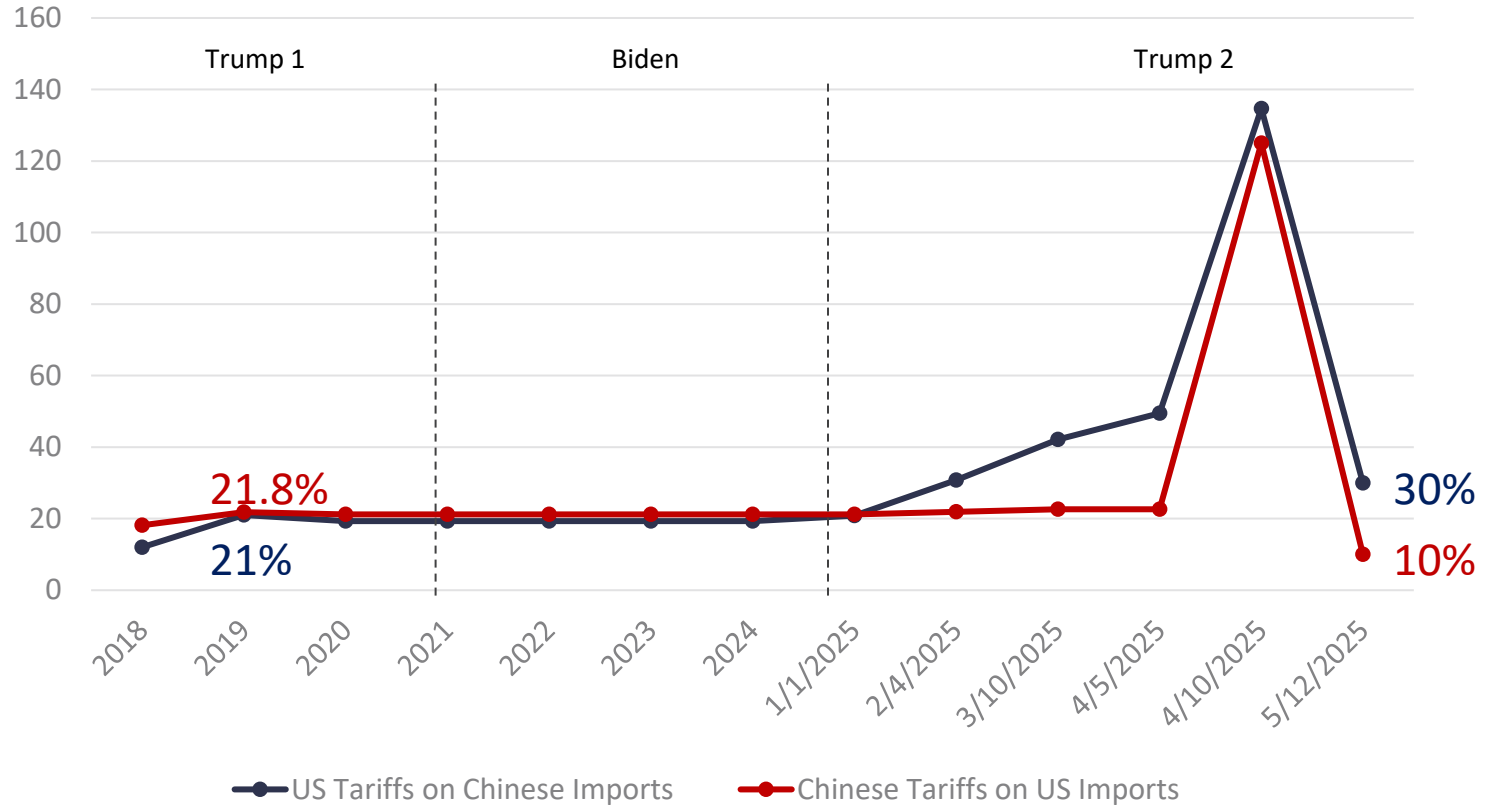
Tariff Policy Update

- Tariff rate and exemption announcements
 - Update on tariff effective dates
 - New/expanded rates and exemptions
- Trade deal news
 - Status of negotiations with China, Japan, MX/CAD, EU, India, Other
 - Timing of announcements
- Capitol Hill update
 - Legislative proposals
 - Tax policy
 - Litigation



US and China Tariff Percentages

Does not include Section 232 on steel and aluminum + derivatives (+25%) as well as AD and CVD (7-230% depending on product).



Invoice Splitting

Non-dutiable costs:

Potential examples

1. Exclusive distribution fees and buying agent fees (if structured properly)
2. Freight and insurance
3. Supply chain origin fees
4. Storage/warehousing
5. Third party inspection/testing
6. Defect allowance
7. Special types of international packaging
8. Certain taxes (e.g., VAT)
9. Post implementation adjustments
10. Exchange rate premiums

Dutiable costs:

The following should be noted on the commercial invoice:

1. Selling commissions
2. Assists
3. Royalties
4. Production costs
5. Packing costs
6. Proceeds

Failure to include the above is undervaluing the goods and may result in penalties.

Legal advice recommended

[Source: What value should be on the commercial invoice submitted to U.S. Customs and Border Protection?](#)



Duty Drawback

- Around since 1789
- Allows 99% of certain duties, taxes, and fees to be claimed.
- Applies to goods that will be:
 - Re-exported
 - Destroyed
- Refundable duties may apply to tariffs on finished goods, components, or raw materials that are imported into the U.S. and later exported
- **Can your ERP handle it?**
- Some export destinations are excluded
- Comprehensive documentation required



Articles subject to reciprocal tariffs may be eligible for duty drawback.



Articles subject to Section 232 tariffs (e.g., steel/aluminum or automotive) are not eligible for duty drawback.

Legal advice recommended

Source: Drawback | [U.S. Customs and Border Protection](#)



First Sale

- Avoids tariff on middleman markups
- Three rules:
 - Two bona fide (genuine) sales prior to importer
 - First sale is clearly bound for USA
 - FMV, including between related parties
- Customs requires comprehensive documentation
- Legal advice recommended



Chapter 98

- May apply to:
 - Exports of articles previously imported for repair or alterations
 - Articles donated for relief or charity
 - Military apparel and equipment
 - Nairobi protocol
 - Prototype duty exemption
 - Agricultural actual use provision
 - Temporary importation under bond
- Legal advice recommended

[Source: Requirements for Importers and Brokers Regarding HTS Subheading 9801.00.10 - U.S. and Foreign Goods Returned | U.S. Customs and Border Protection](#)



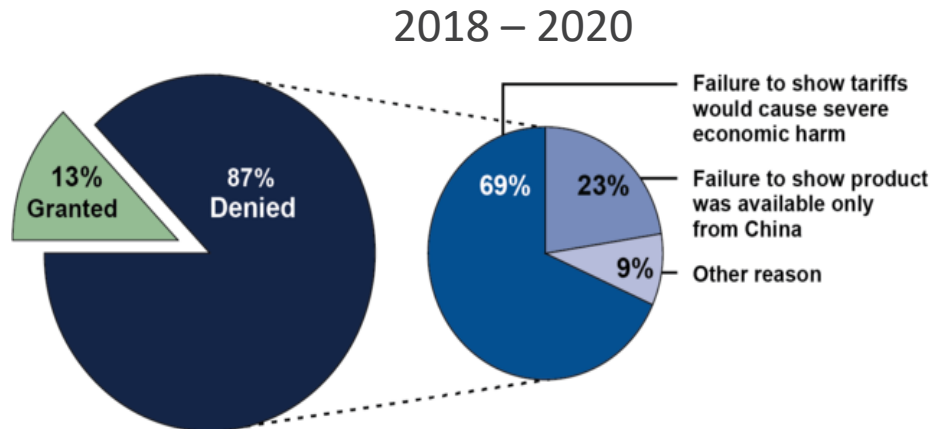
Relief Process

- **2018 – 2020**

- First round: 25% on China
- USTR received 53,000 requests
- 13% granted
- Successful categories: machinery, electrical equipment, mechanical appliances, etc. (can't find anywhere else)

- **2025**

- No formal **exclusion** process at this time
- Some **exemptions**



Source: GAO analysis of the Office of the U.S. Trade Representative (USTR) data. | GAO-21-506

Source: US GAO office report, [U.S.-China Trade: USTR Should Fully Document Internal Procedures for Making Tariff Exclusion and Extension Decisions](#) | U.S. GAO



HTS (US) Codes

- Changes must be carefully managed
- Incorrect classifications can lead to delays at the border, seizure, fines, or denial of import privileges
- Government can look back 5 years
- Check Form 7501 related to every shipment carefully
- Legal advice recommended



Tariff Engineering

- Modify design
 - 2015 – Converse All Star
 - Soft vs. rubber bottom
 - Slipper = 6% Shoe = 20%
- Assemble locally
 - Components may be tariffed lower than finished goods
- Legal advice recommended



Country of Origin: Transformation

- “Transformation requires a change in the [HS classification code](#) of the non-originating components to the HS code of the final product (e.g., processing wood into furniture).”
- “Regional Value Content” requires good has added value from US or free-trade agreement partner countries.
- Be ready to document and defend.
- Legal advice recommended.

Source: US International Trade Administration [Rules of Origin: Substantial Transformation](#)



Country of Origin: Challenges & Risks

- Next tariffs?
- IP protection
- Political stability
- Infrastructure
- Labor costs
- Civil unrest
- Corruption
- Language
- Capacity
- Experience
- Technical know-how
- Climate change

Vietnam



Pros

- **Emerging Infrastructure and Seaports:** Investments in roads, railways, and seaports are enhancing trade and logistics. Ports like Haiphong and Ho Chi Minh Port are assets.
- **Low Labor Costs:** Cost-effective labor is ideal for labor-intensive industries.
- **Advanced Technology and Processes:** Influenced by Japanese and Korean investments, Vietnam has improved its capabilities through technology transfer.
- **Established Supply Chains:** Sectors like apparel and electronics have developed robust supply chains, with companies like Samsung playing a significant role.
- **Geopolitical Advantages:** Vietnam's strategic location and participation in trade agreements like ASEAN and RCEP provide access to regional markets.
- **Government Support for Foreign Investment:** Tax incentives and land concessions attract foreign businesses.

Cons

- **Lack of Skilled Labor:** While labor is abundant, there is a shortage of skilled workers, requiring additional training for high-tech industries.
- **Insufficient Supply Chain Integration:** Relies on imports for key components and raw materials, increasing production costs and supply chain risks.
- **Infrastructure:** Despite improvements, some regions still face transportation and logistics issues, impacting efficiency.
- **Corruption:** Corruption remains a concern, adding to operational costs and complexities.
- **High Quality Oversight:** Additional management oversight may be required.
- **Tariff Impact:** Economy highly dependent on exports. Policy changes could have major impact.



Thailand



Pros

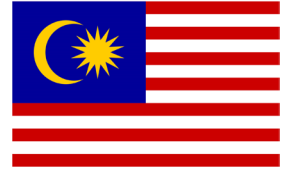
- **Customer-Focused Culture:** Strong willingness to satisfy customer needs.
- **Infrastructure:** Well-developed, with easy access to suppliers.
- **Supply Chain Integration:** Decent vertical integration.
- **Raw Material Supply:** Established base for raw materials.
- **Skilled Labor:** Access to skilled workforce.
- **Political Stability:** Relatively stable political environment.
- **Major Ports:** Several major ports facilitate international trade.
- **Business Transparency:** Transparent setup processes.
- **Regional Hub Development:** The Eastern Economic Corridor (EEC) in Thailand is vigorously developing high - tech and biomedical industries.
- **Industrial Transformation:** Actively transitioning traditional automotive manufacturing to EV, which brings advanced technologies and management experience.

Cons

- **Capacity Constraints:** Limited existing capacity which is being consumed quickly.
- **Language Challenges:** Engineering development/quality control can be challenging due to language barriers.
- **Engineer support:** Where India requires more quality control support, Thailand requires more engineering support.
- **Aging Population:** Population aged 65 and above accounts for 14%. The shortage of labor is beginning to constrain economic development.
- **Geopolitical Impact:** Regional tensions may affect trade and investment.
- **Tariff Impact:** Potential for increased tariffs from the US, affecting exports.



Malaysia



Pros

- **Geographical Edge:** Near Singapore, Malaysia gains from Singapore's economic pull.
- **Investment friendly:** Easy investment access, high transparency, and strong English skills.
- **Supply Chain Strength:** Established supply bases for auto parts, rubber, and chemicals, plus local engineering know-how.
- **Industrial Foundation:** Electronics, automotive, and chemicals.
- **Policy - led Upgrade:** The "Madani Economy" spurs industrial change. NIMP 2030 aims for high - end manufacturing, and NETR promotes the new energy industry.
- **Favorable Policies:** Tax breaks, looser foreign equity rules, and FTAs cut costs for foreign invested companies.

Cons

- **Cost Factor:** High costs because of closeness to Singapore.
- **Workforce Source:** On site frontline workers mostly from neighboring countries.
- **Political Situation:** Used to be unstable, now getting better.
- **Resource Limitation:** Limited raw material capacity.
- **Ethnic Policy Impact:** Indigenous first policy curbs foreign talent development.
- **Tariff Impact:** Economy highly dependent on exports; policy changes by major trade partners could have impact.

Indonesia



Pros

- **Growing Market:** A large and expanding consumer market.
- **Large Population:** Nearly 266 million people provide a vast domestic market.
- **Advantageous Manufacturing:** Manufacturing is well-suited for the Indonesian market.
- **Trade Agreements:** Membership in RCEP offers trade benefits.
- **Resource Wealth:** Abundant natural resources support diverse industries.
- **Digital Advancement:** Rapid growth in the digital sector.
- **E-commerce Boom:** Expanding e-commerce market offers new opportunities.

Cons

- **Geographical Challenges:** Scattered geography poses logistical issues.
- **Political Changes:** Potential disruptions due to political instability.
- **Regulatory Complexity:** Navigating regulations is time-consuming and costly.
- **Corruption Issues:** Affects business operations and costs.
- **Labor Disputes:** Strikes and protests can disrupt business.
- **Religious Factors:** Can impact employee efficiency and management.
- **Educational Gaps:** Workforce skills need improvement for high-value industries.

Philippines



Pros

- **English Proficiency:** Widespread use of English eases business communication.
- **Regulatory Clarity:** A relatively easy-to-navigate regulatory environment.
- **Labor Costs:** Abundant low-cost unskilled labor is beneficial for assembly work.
- **Capital Intensive:** Favorable for industries relying on capital and automation.
- **US Alliance:** Being a US ally may mitigate the impact of US tariffs...
- **Digital Growth:** Investment in digital infrastructure is boosting the digital economy.
- **Service Expansion:** Rapid growth in IT and BPO services presents new opportunities.

Cons

- **Integration Issues:** Manufacturing lacks vertical integration, affecting efficiency.
- **Security Concerns:** Unstable security due to natural disasters and internal issues.
- **Corruption:** Ongoing challenges that can impact business operations.
- **Infrastructure Deficits:** Gaps in transportation, energy, and telecoms infrastructure.
- **Geopolitical Risks:** Relations with China and other geopolitical factors affect stability.
- **Remittance Dependence:** Heavy reliance on remittances can lead to economic volatility.
- **Educational Gaps:** Workforce skills need improvement for higher-value industries.



India



Pros

- **Huge market size:** With a population of over 1.4 billion, India has one of the world's largest domestic consumer markets.
- **Emerging market:** suppliers aggressively quote for business
- **Language:** 80% speak English
- **Low labor cost**
- **Familiar with export markets**
- Decent **skilled engineering** labor in pockets (depending on the supplier)
- **Flexibility:** capable of doing lower volume, highly-engineered content
- **Process clarity:** clear business setup process, but it can be long and tedious

Cons

- **Infrastructure Limitations:** Remote suppliers can be difficult to access.
- **Supply Chain Integration:** Lack of vertical integration can lead to quality oversight.
- **Corruption:** A persistent issue that can complicate operations.
- **Skilled Labor Access:** Limited availability in certain regions.
- **Utility Disruptions:** Frequent power outages.
- **Quality Oversight:** Suppliers may overlook material and cosmetic quality.
- **Geopolitical Impact:** Tensions with neighboring countries may affect supply chains.
- **Tariff Impact:** Potential for increased tariffs from the US, affecting exports.



Hungary



Pros

- **Skilled labor** force
- Well-Developed **Infrastructure**
- EU & NATO
- **Stable Political Environment:** Relatively consistent policies and low political risk
- **Central European location:** Strategic position within Europe, easy access to neighboring markets
- **Transparent** Business Environment
- **Strong Industrial Base:** Established manufacturing sectors with a rich history of industrial development, especially automobile, biopharmaceuticals, electronics.

Cons

- Existing **capacity** is often quickly utilized, leading to long lead times for engaging with suppliers
- **English** proficiency vary
- Some complex and time-consuming administrative procedures
- Higher **cost of living** compared to some neighboring countries
- Economy heavily reliant on a **few key industries**
- **Limited Natural Resources**
- Possible 20% reciprocal tariff imposed by the US.

Poland



Pros

- Cost-competitive **skilled labor**
- Strategic EU **logistics** hub
- EU & NATO
- **English** is becoming increasingly popular, and many speak German and Russian as well
- **Digital-first** business environment
- **Advanced manufacturing** clusters: Established manufacturing sectors with a rich history of industrial development, especially mining & mining machinery automobile, chemicals.

Cons

- **Capacity** saturation risks
- **Energy** transition pressures
- Technical **talent** drain
- **Bureaucratic** complexities
- **Supply chain** bottlenecks: near half reliance on non-EU raw material imports exposes automotive suppliers to customs volatility
- Regional **infrastructure** disparities
- Possible 20% reciprocal tariff imposed by the US.



Romania



Pros

- Cost-competitive **skilled labor**
- Aggressive **supplier pricing** strategies to capture market share
- **EU & NATO**
- Growing **English** proficiency among workforce
- **Export-oriented** experience
- **Regulatory** transparency
- Advanced **manufacturing clusters**: Established manufacturing sectors with a rich history of industrial development, especially petrochemical, metal & metal processing, automobile, machinery.

Cons

- **Transportation** inefficiencies
- **Supply chain** vulnerabilities
- Systemic **corruption**
- **Technical workforce** gaps
- **Infrastructure** instability
- Manufacturing **quality** variability
- Possible 20% reciprocal tariff imposed by the US.



Croatia



Pros

- Highly skilled **workforce**
- Strategic geographic **location**
- EU, NATO, **Eurozone**
- Growing **English** proficiency among workforce
- Favorable **investment** climate
- **Regulatory** transparency
- **Advanced manufacturing** clusters: Established manufacturing sectors with a rich history of industrial development, especially automobile, maritime, shipbuilding, food processing

Cons

- **Administrative** procedures may involve lengthy processing times and fragmented coordination
- Economic **volatility**
- **Infrastructure** gaps
- Rising **labor costs**
- Elevated land and rental **costs**
- Possible 20% reciprocal tariff imposed by the US



Mexico



Pros

- **Quick Market Access:** Close proximity to the US market.
- **Trade Agreement Benefits:** USMCA offers tariff reductions and trade process improvements.
- **Cost-Effective Transportation:** Strategic location reduces shipping costs.
- **Convenient Time Zone:** Same time zone as the US for easier business coordination.
- **Cultural Compatibility:** Similar business practices ease the transition for US companies.
- **Growing Tech Industry:** Attracting foreign investment with a burgeoning technology sector.
- **Demographics:** A large young population with potential for a vast labor pool.

Cons

- **Supply Chain Issues:** Persistent challenges in managing supply chains.
- **Slow RFQ Process:** Inefficient handling of RFQ processes.
- **Limited Custom Manufacturing:** Insufficient flexibility for custom jobs and rapid prototyping.
- **Weak Legal Framework:** Problems with enforcing contracts and resolving disputes.
- **Complex Regulations:** Often politically influenced, leading to unpredictability.
- **Corruption and Instability:** Ongoing issues can disrupt business operations.
- **Security Risks:** Ongoing security concerns can affect business continuity.
- **Skilled Labor Deficit:** Skilled industrial workers in particular.



Approach

Phase 1

- Find/verify/qualify key suppliers
- Feed in components from China, Taiwan, US, EU Japan
- Assembly

Phase 2

- Look for emerging local supply base
- Localize sourcing
 - By component
 - By process

Phase 3

- Improve in-region vertical integration



20+ Tariff Reduction Strategies

Simple

Complex



Tariff Roadmap Assessment

Reactive >> Proactive

Step 1



Impact

- Current state
- Supply side
- Demand side



Roadmap

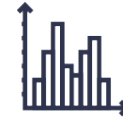
1. **Short term:**
“tariff hygiene”
2. **Medium:**
current footprint
3. **Long-Term**
reimagined footprint

Step 2



Implement

- People
- Process
- Systems



Measure and Adjust

- KPIs
- Weekly huddle

Dynamic environment – agility is mission critical



Contact us to discuss how we can *serve* you and *help* you *achieve* your goals.



Paul Stepanek
President, CMD
paul.stepanek@completemad.com



Mike Smith
Principal, CLA
mike.smith@CLAconnect.com



Matthew Bock
Esq., Managing Partner, Bock Trade Law
mbock@bocktradelaw.com



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

3-Part Webinar Series:
20+ Tariff Reduction Strategies

Thank you!



Videos & Slides



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.