U.S. Supreme Court Decision on Emergency Tariffs: Legal and Commercial Implications

February 20, 2026

On February 20, 2026, the U.S. Supreme Court issued its decision in *Learning Resources, Inc. v. Trump*, holding that the *International Emergency Economic Powers Act* (IEEPA) does not authorize the U.S. President to impose broad based import tariffs. The ruling provides authoritative guidance on the limits of executive power in the trade context and has direct implications for businesses subject to U.S. tariffs, including Canadian exporters and importers.

Key holdings

In a 6–3 decision, the Court held that:

- IEEPA does not confer authority to impose tariffs, notwithstanding language permitting the President to "regulate" importation during a declared national emergency.
- Tariffs constitute a form of taxation, a power assigned by the Constitution to Congress, and therefore require clear and express legislative authorization.
- Interpreting IEEPA to permit tariffs of unlimited scope, duration, and amount would impermissibly expand executive authority beyond what Congress delegated.

The majority emphasized that IEEPA has historically been used to impose sanctions and asset blocking measures, not to serve as a general tariff statute. The decision therefore affirms that IEEPA cannot be used as a general trade tool to impose sweeping import duties.

Tariffs invalidated by the decision

As a result of the ruling, tariffs imposed pursuant to IEEPA are invalidated, including:

- Broad "reciprocal" country-specific tariffs applied across numerous trading partners, including Canada; and
- Fentanyl related tariffs imposed on goods from Canada, Mexico, and China that relied on emergency declarations under IEEPA.

The Court made clear, however, that its decision is limited to tariffs imposed under IEEPA. It does not affect tariffs imposed under other statutory authorities, such as Section 232 of the Trade Expansion Act of 1962 (e.g., steel and aluminum tariffs). Those measures remain in effect because they were not before the Court and rest on distinct legislative frameworks.

Implications for Canadian businesses

From a business perspective, the decision materially reduces the risk of sudden, economy wide tariffs imposed under emergency powers. Canadian exporters and companies with integrated U.S. supply chains gain greater legal predictability regarding the limits of executive action under IEEPA.

However, the decision confirms that tariff risk has not been eliminated. Sector specific tariffs imposed under other trade statutes remain available to the U.S. government and continue to present compliance and cost considerations for cross border supply chains.

In practice, the commercial impact of the fentanyl related tariffs had been mitigated by existing trade arrangements. A substantial portion of goods originating in Canada and Mexico had remained exempt pursuant to the Canada–United States–Mexico Agreement (CUSMA). In addition, several trading partners had subsequently entered into bilateral arrangements with the United States under which the originally announced “reciprocal” tariffs were replaced with lower, negotiated duty rates.

Refunds of tariffs already paid

The Supreme Court did not address whether or how refunds will be issued for tariffs collected under the now invalidated IEEPA measures. The Court expressly left refund issues to subsequent proceedings, noting that questions relating to recovery of duties fall outside the scope of the Court’s decision.

As a result:

- No automatic refund mechanism arises from the decision itself.
- Recovery, if available, is expected to depend on U.S. customs law, including liquidation status, administrative protests, and potential litigation.

At this stage, the availability, timing, and mechanics of refunds remain uncertain. Businesses that paid IEEPA based tariffs should assess what steps are available to preserve refund rights, particularly where entries have not yet liquidated.

How we can help

BLG’s multidisciplinary team across Canada is well positioned to support clients as these developments unfold, including by supporting businesses with commercial risk management and strategic responses to cross border trade developments.

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