U.S. expands Tariff Offset Regime to medium and heavy-duty vehicle sector

May 19, 2026

On May 15, 2026, the United States has expanded its Section 232 tariff mitigation framework to include medium- and heavy-duty vehicle (MHDV) manufacturers.

Key takeaways

These measures broaden the access to import adjustment offsets and aligning treatment across the automotive sector considering the overlap in automotive and MHDV supply chains. The offsets are a form of tariff relief that allow eligible U.S. manufacturers to reduce duties payable on imported vehicle parts based on the value of vehicles they assemble domestically and may be carried forward until fully utilized. Manufacturers in both sectors may now use these offsets to reduce tariffs across both automobile and MHDV parts, reflecting the overlap in their supply chains.

What's new?

The Department of Commerce has amended its offset procedures to implement Proclamation 10984. U.S. domestic MHDV manufacturers can now apply for import adjustment offsets—previously available only to automobile manufacturers—for tariffs imposed on MHDV and automobile parts.

How the Regime works

Eligible U.S. manufacturers may offset tariff liability by an amount equal to 3.75 per cent of the value of vehicles assembled domestically during specified annual periods through 2030. Offsets may be applied against tariffs on both MHDV parts and automobile parts and can be carried forward indefinitely until fully used.

Important limitation

Certain heavy-duty vehicle assembly operations determined to be "limited production operations" are excluded from being eligible for the offset. This means that heavy-duty vehicle production that includes incorporating an imported chassis, chassis glider,

chassis with engine, or engine in the vehicle, is not eligible for offsets under the Offset Process. No equivalent restriction currently applies to automobiles or medium-duty vehicles.

Compliance burden and documentation

Applicants must submit detailed annual filings, including production forecasts, valuation methodologies, tariff exposure estimates, and certifications. The U.S. Department of Commerce retains oversight authority and may adjust offsets based on actual production outcomes.

What this means for industry

- Expanded offset access for MHDV manufacturers reduces effective tariff exposure.
- Increased compliance obligations and scrutiny of production structures.
- Continued policy evolution monitoring, particularly regarding the definition of “limited production operations” for other vehicle classes.

BLG’s International Trade and Investment group continues to monitor the situation closely. If you have any questions about the tariff developments impacting your organization, please reach out to one of our lawyers below. Our multidisciplinary team can help you navigate the new regulatory landscape, maximize opportunities, and ensure compliance across all major industries.

By

Rambod Behboodi, Hessam Mehrabi

Expertise

International Trade & Investment

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 800 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.