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Tariff Impacts on Property Tax: What You Need to Know

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The Big Picture

Businesses are bearing the brunt of tariffs with planning uncertainty, sharply rising costs, and earnings pressure.

- Tariffs tend to **raise input costs** and **slow inventory turnover**.
- In previous tariff waves, slow moving inventory and increased in-transit stock has created **value pressure**.
- When inventory costs rise but resale remains uncertain, **appraisers must differentiate in-line stock** from excess when assessing market value.
- **Supply chain remapping** and **origin documentation** now materially affect whether firms can avoid steep tariffs.

Industry Insights — Steel/Metals

Rising raw input costs, unpredictable procurement pricing, and inventory risk necessitate contract review and scenario planning.

Steel tariffs doubled to 50% effective June 4, 2025, under section 232, replacing prior 25% rates and expanding to many derivative products (BCG Global, 6/11/2025).

Domestic mills are raising prices, but many downstream manufacturers are still exposed due to lack of domestic sourcing.

Forecasting volatility: cost forecasting becomes less reliable amidst rapid tariff shifts, with downstream forecasting implications for tax leaders to be able to forecast their annual budgets.

Leaders face trade-offs between investing in United States capacity expansion vs. absorbing higher imported input costs or buying forward stock.

Increased inventory (e.g., stored imported material) may become stranded or overvalued, impacting property tax basics.

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Industry Insights | Construction/Building Materials

Tariffs act as input-cost shocks that necessitate contractual flexibility and supply diversification.

Companies dependent on imported goods such as lumber, metal fasteners, or hardware are seeing direct cost hikes as tariffs elevate purchasing prices.

Builders and contractors could struggle to pass on higher input costs to clients due to a competitive market, pressuring margins, particularly if they operate using any fixed-price contracts.

Need to Know for Corporate and Tax Leaders

Property tax liability may rise if inventory and equipment values surge, however tactical valuation arguments can mitigate exposure.

A firm understanding of operational needs is required for proactive tax planning. While tax leaders cannot control all operational aspects such as supply chain shifts, a strong understanding of business objectives and requirements will better facilitate advisement on tax implications.

The tariff environment requires closer proximity to forecasting, cost of goods, and capital allocations.

Excess imported stock and increased Capex may inflate asset valuations. Understanding where certain distressed inventory can support valuation relief strategies will be key.

Tying assessed value to actual in-use market condition, not inflated national index assumptions, will help minimize tax liability.

Longer lead times and rerouted orders are limiting just-in-time inventory strategies, which raises both holding costs and unpredictability, in turn creating volatility. Focusing on these challenges allows you to deescalate that volatility, allowing more flexibility in sourcing and logistics.

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Property Tax Implications

Elevated inventory levels and pricing uncertainty can inflate personal property tax valuations, especially in Texas and other inventory-taxing states.

- Stranded or slow-moving stock (e.g., high-cost imports unused due to supply delays or substitutions) may increase certain obsolescence, helping to justify lower valuation assessments, but affecting potential turn rates for inventory exemptions (e.g., Freeport Inventory Exemptions).

Short-term inflation in equipment and raw materials can temporarily increase business personal property valuations.

- For heavily aluminum- or copper-dependent industries (e.g., aerospace, electronics, certain construction materials), sustained higher replacement costs could increase valuation bases over multiple tax cycles.

Current inflation in the used goods market raises replacement cost new (RCN) factors, which can push up assessed values where assessors rely on trend tables or RCNLD valuation models.

- This is especially relevant for industries that import specialized machinery (e.g., metal fabrication, extrusion, or electronics assembly).

Appraiser's Insights

"We have started to see inventory build ups related to tariffs. Turnover will be what drives those year-end balances so it will absolutely be different industry to industry."

If tariffs are causing you to hold more inventory than usual at year-end, we can help ensure your property tax returns accurately reflect market realities, including any adjustments for slow-moving or excess stock, ultimately helping to minimize your tax liabilities.

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Appraiser's Insights, cont.

"Steel ~23% imported; domestic capacity ~80% utilization → spike likely temporary. Aluminum & copper ~50% import reliance → price jumps could be sustained."

Material composition matters. Industries reliant on high-import metals like aluminum and copper face longer-term exposure, while steel-heavy businesses may only see a short spike. This can affect both your reported inventory and how assessors view your taxable base.

If assessors trend up used equipment values based on national guides, we can work on your behalf to drive your depreciation schedules and market adjustments to reflect the actual condition and utility of your assets to avoid over-assessment.

"My expectation would be an increase in used values of equipment in the coming quarters as tariffs cause moderate one-time inflation on equipment in imported industries."

"We've seen macro softness in things like building materials that have seen a reduction in inventory values that is offsetting any tariff impact."

Even if tariffs increase certain costs, broader market softness may justify an equal or greater reduction in assessed value if properly documented.

Counties may lag in reacting to market changes. Getting ahead now with a defensible inventory and equipment position is key to managing 2026 assessments.

"We haven't seen jurisdictions making any changes yet... we wouldn't expect to see an impact from tariffs [yet]."

Keep in touch with TAG.

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About Tax Advisors Group

Established in 2001 and headquartered in Dallas, Texas, Tax Advisors Group (TAG) is an award-winning boutique nationwide property tax consulting firm with a specialized focus on Business Personal Property taxes. With over 24 years of dedicated experience, TAG offers a unique blend of expertise and personalized service to help clients significantly reduce their property tax burdens, allowing them to retain more of their profits and reinvest capital into their businesses. TAG leverages an advanced technology stack and a world-class service and delivery team to provide industry-leading property tax solutions for a diverse client base that includes both small businesses and large, national enterprises across all industries.