



Update on Tariffs

Beyond the import tariffs that are in effect, the [U.S. de minimis exemption for goods less than \\$800 was suspended at the end of August](#). This means all imports will face tariffs based on the rates for a given country of origin of the product. Every shipment, regardless of value or origin, will go through customs entry for assessment.

What to know when purchasing goods internationally that are being shipped to the U.S.

Shipping terms also known as Incoterms (International Commercial Terms) define the seller and buyer responsibilities, costs and risks.

The preferred shipping term to be used for shipments coming to the U.S. is **Delivered Duty Paid (DDP)**. In this case, the seller is responsible for the cost of delivery, any duties, tariffs, taxes and custom charges.

If a different shipping term is used (e.g., FOB – Free on Board, DAP – Delivered at Place, etc.), LC State will be responsible for import duties, tariffs and other charges. In those situations, there needs to be discussions with the supplier on total costs of the goods and appropriate adjustments made to what is being purchased.

Total costs should be considered when reviewing supplier proposals and quotes. These total costs, including applicable tariffs, should be included in sponsored project proposal budgets.

How are Tariffs paid: Majority of shipments are typically shipped through major logistic services like FedEx, who have custom brokers. The logistic service custom brokers will pay the tariff and then will bill the party responsible for the tariff and their handling fees. This can lead to significant unexpected bills.

When entering a requisition or reconciling a p-card transaction, use 20675 object code for TARIFF charges.

Avoiding custom delays: The vendor/seller is generally responsible for providing the necessary custom documentation (e.g., commercial invoice and packing slip), and for the majority of smaller shipments, this works well but if the value of the goods is greater than \$2500, there are complexities in the shipment including delivery time constraints. In this latter case, a specialized custom brokerage service might be needed to ensure compliance with regulatory needs.



The Purchasing Department can help you with shipping terms, discussions with the supplier on total costs and if a shipment might need support from a custom brokerage service. Contact Purchasing at purch@lcsc.edu.

Note: If you are purchasing goods that are being shipped solely within the U.S., tariffs DO NOT apply. LC State expects vendors to manage their supply chain and business with no impacts to cost, quality and performance.

P-Card for foreign purchases. Per IRS regulations, certain purchases from international (foreign) vendors may be subject to U. S. tax withholding requirements. If P-Card is used for these transactions, LC State may incur additional costs, including both tax and penalties, which will be charged to the department.

To comply with federal requirements and avoid unexpected costs:

- **Software and service purchases** from foreign vendors **must be processed through a Purchase Order (PO)** rather than a P-Card.
- **Before completing any P-Card purchase** from a foreign vendor, confirm the vendor's tax status.
- **Contact Purchasing.** Purchasing will consult with the Controller to verify whether the appropriate IRS forms (such as Form W-8BEN-E or applicable tax treaty documentation) have been received and approved.

If LC State does not have the proper tax or treaty paperwork on file and your department proceeds with a P-Card purchase, the department will be responsible for the **42.86% tax withholding** applied to the transaction.