

POLICY REPORT

THE IMPACT OF THE BORDER ADJUSTMENT TAX ON THE STATES

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As policymakers debate the future of American tax policy, one proposal threatens to undercut economic stability across the states — the Border Adjustment Tax (BAT). This report examines the sweeping impact of a 20% import tax, revealing how it would drive up consumer costs, strain businesses, and disproportionately harm states and industries that rely on trade.



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INTRODUCTION

EVERY STATE STANDS TO LOSE UNDER A BAT

A new 20% tax on everything that is imported into the United States will increase prices for businesses and consumers.

The highly successful Tax Cuts and Jobs Act (TCJA) was a cornerstone of President Donald Trump's first term in office. The tax cuts saved American families an average of \$1,500 per year, fueled job growth, and helped small businesses thrive.¹ Since then, skyrocketing inflation fueled by reckless government spending has put a huge strain on family budgets. During the Biden administration, prices went up more than 20%, with middle-class families forced to spend \$1,000 more a month just to stay even.²

The TCJA tax cuts are set to expire at the end of this year, which would cost Americans \$4 trillion more in taxes over 10 years.³ Extending these tax cuts means more stability, more opportunity, and a stronger future for everyone.

But one proposal currently being debated would undo many of the benefits that would come from these laudable reforms. It is called a **border adjustment tax (BAT)**, and it includes a provision that would **impose a new 20% tax** on everything that is imported into the United States, increasing the price of all types of consumer goods — from tennis shoes and T-shirts to crude oil and auto parts.

Small businesses, which make up the vast majority of American importers, could see their tax bills skyrocket to unsustainable levels under a BAT. The retail and automotive industries, in particular, stand to be seriously injured. Both industries have relatively low profit margins and rely heavily on imports to keep costs low. A BAT will force retail and automotive businesses to offset the tax hike by increasing prices or cutting jobs.

The question when evaluating the BAT's impact on the states is **not which states stand to lose under the proposal but how much each state will lose**. This report examines the potential state-level impact of implementing a BAT, and the results should raise alarms for lawmakers as they work to draft a tax reform package that works for the benefit of all Americans.



THE BORDER ADJUSTMENT TAX

INSIGHTS

ONE SIZE DOESN'T FIT ALL

Though much of the discussion surrounding the proposed BAT centers around its impact on the nation as a whole, the level of potential risk from a more than \$1 trillion consumer tax⁴ varies from state to state.

In Texas, lawmakers, economists, and business leaders — recognizing the importance of trade between Texas and Mexico — have warned about the impact of levying a 20% tax on imports. Tom Fullerton, an economist at the University of Texas at El Paso, notes that such a tax would threaten supply chains between the two trading partners, hurt industrial performance, and drive up unemployment.⁵

These impacts could spell disaster for U.S. businesses. Business owners have been very vocal about how the BAT poses an existential threat to their livelihood. Take Learning Resources, a Chicago-based educational toy company. The company imports 98% of the products it sells in the United States, and there is no U.S. supplier that can make the same products at the cost it needs. Under the border adjustment, the company's tax bill would balloon to 165% of its earnings, according to its president Rick Woldenberg.⁶ “This plan is not good for me if it kills me,” says Woldenberg. “You know John Maynard Keynes said in the long run we're all dead. I just don't want to be dead now.”⁷

The story is the same for small businesses across the country. Katherine Gold, CEO of an Aurora, Colorado-based children's shoe store, said her company does not have the cash cushion to absorb the impact of the BAT and that it “would put us out of business if we can't pass [the cost of the tax] on immediately.”⁸ Shuttering the company would put more than 100 people out of work.

This would be the outcome in many other cases, driving up costs for consumers and threatening the livelihood of businesses that rely on imports. Businesses like these are major drivers of our economy, providing opportunities and creating well-paying jobs nationwide. With many businesses dependent on both finished products and raw materials that they import from abroad, the BAT is a major threat to economic development and employment in every state.

“This plan is not good for me if it kills me.

...

I don't want to be dead now.”

RICK WOLDENBERG
PRESIDENT, LEARNING RESOURCES

Though every state stands to lose under a BAT, the extent to which individual states are integrated into the global economy helps illustrate the magnitude of the potential impact that a BAT could have on a state's businesses and residents.

STATE SENSITIVITY TO A BAT

Though every state stands to lose, a BAT will do the most harm to states that are more reliant on imports.

In 2023, state imports ranged from \$1 billion in Wyoming to more than \$450 billion in California. Comparing the value of a state’s imports to its overall level of economic activity shows the relative importance of imports to a state’s economy and helps demonstrate how sensitive each state would be to a blanket tax on imported goods.

Though gross domestic product (GDP) measures the value of final goods and services, it still provides a useful benchmark against which to measure the relative value of imported goods (both intermediate and final). The total value of imports in Wyoming, for example, is 1.98% of the state’s overall GDP; in California, imports are approximately one-eighth the value of the state’s economy.

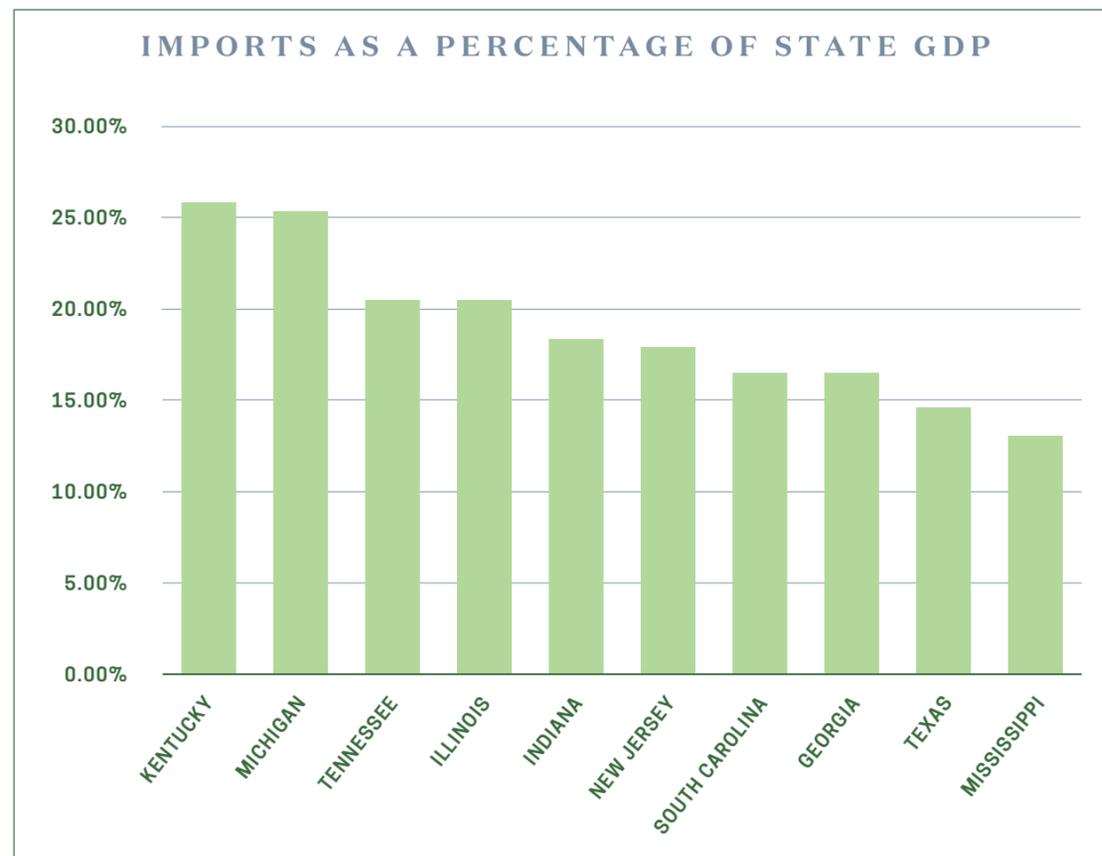
TABLE 1 — IMPORTS & GDP BY STATE

STATE	2023 VALUE OF IMPORTS BY STATE OF DESTINATION (MILLIONS) ⁹	2023 CURRENT DOLLAR GDP (MILLIONS) ¹⁰	IMPORTS AS A PERCENTAGE OF STATE GDP	BAT SENSITIVITY RANK
ALABAMA	37,231	304,936	12.21%	12
ALASKA	3,237	68,056	4.76%	41
ARIZONA	35,381	522,767	6.77%	31
ARKANSAS	6,832	178,606	3.83%	45
CALIFORNIA	450,348	3,870,379	11.64%	13
COLORADO	17,791	529,627	3.36%	46
CONNECTICUT	21,988	345,912	6.36%	33
DELAWARE	10,608	98,069	10.82%	15
FLORIDA	112,498	1,600,811	7.03%	29
GEORGIA	136,856	831,828	16.45%	8
HAWAII	2,676	110,265	2.43%	48
IDAHO	6,091	120,958	5.04%	40
ILLINOIS	224,851	1,098,346	20.47%	4
INDIANA	91,422	499,503	18.30%	5
IOWA	13,309	254,032	5.24%	39
KANSAS	12,957	228,232	5.68%	38
KENTUCKY	72,423	279,708	25.89%	1
LOUISIANA	31,685	314,989	10.06%	18
MAINE	7,265	93,270	7.79%	25
MARYLAND	46,204	515,607	8.96%	21
MASSACHUSETTS	43,209	736,296	5.87%	37
MICHIGAN	171,164	673,818	25.40%	2
MINNESOTA	37,231	483,162	7.71%	26
MISSISSIPPI	19,952	151,147	13.20%	10
MISSOURI	26,838	430,114	6.24%	34
MONTANA	7,436	73,255	10.15%	17
NEBRASKA	5,922	181,285	3.27%	47
NEVADA	18,940	245,979	7.70%	27
NEW HAMPSHIRE	9,618	114,101	8.43%	23
NEW JERSEY	144,620	806,665	17.93%	6
NEW MEXICO	6,012	135,010	4.45%	44
NEW YORK	157,201	2,172,010	7.24%	28
NORTH CAROLINA	80,057	788,103	10.16%	16
NORTH DAKOTA	4,697	76,043	6.18%	35
OHIO	79,735	884,834	9.01%	20
OKLAHOMA	17,757	256,689	6.92%	30
OREGON	19,360	318,884	6.07%	36
PENNSYLVANIA	113,016	976,361	11.58%	14
RHODE ISLAND	10,079	77,574	12.99%	11
SOUTH CAROLINA	54,124	327,420	16.53%	7
SOUTH DAKOTA	1,681	74,034	2.27%	49
TENNESSEE	107,142	523,032	20.48%	3
TEXAS	382,543	2,583,866	14.81%	9
UTAH	18,578	281,329	6.60%	32
VERMONT	3,768	43,534	8.66%	22
VIRGINIA	33,865	719,897	4.70%	43
WASHINGTON	66,197	807,865	8.19%	24
WEST VIRGINIA	4,807	102,152	4.71%	42
WISCONSIN	39,260	428,447	9.16%	19
WYOMING	1,029	51,991	1.98%	50

BAT is a Trillion-Dollar Tax

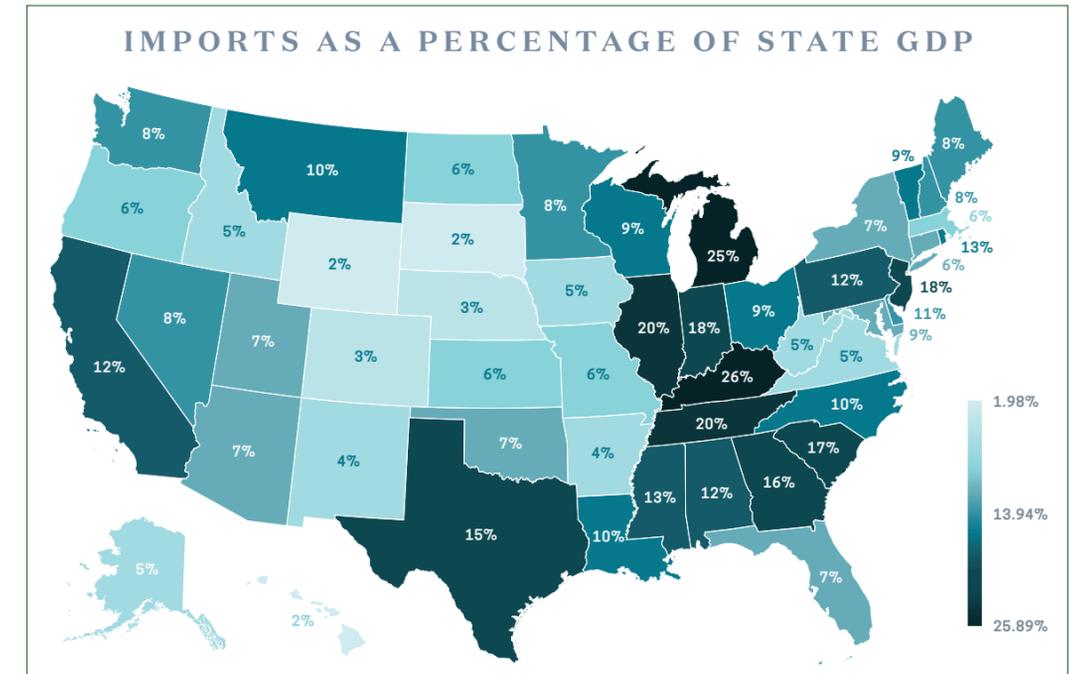
States that are more reliant on imported goods as a part of their overall economic mix stand to be affected the most by a massive tax on imports. The states that would be most sensitive to a BAT because of the high relative value of imports to GDP are Kentucky, Michigan, Tennessee, Illinois, Indiana, New Jersey, South Carolina, Georgia, Texas, and Mississippi.

FIGURE 1 — STATES MOST IMPACTED BY BAT



Though these states are the most vulnerable to a BAT, **businesses in every state would face a very real cost from the enactment of this massive consumer tax.** Figure 2 maps states' sensitivity to a BAT, as measured by each state's imports as a percentage of GDP.

FIGURE 2 — STATES' SENSITIVITY TO A BAT



One estimate of the net revenue raised by a BAT — that is, the amount raised by the 20% tax on imports minus the cost of exempting exports — placed the figure at \$1.2 trillion over 10 years, an average of roughly \$100 billion each year.¹¹ The net revenue estimate, however, obscures the targeted effect that a BAT would have on importers. If a BAT had been in effect in 2023, for example, importers in just three states — California, Texas, and Illinois — would have faced a potential combined \$211 billion liability under a 20% tax on imports on top of their regular income tax liability.

Proponents of a BAT argue that currency rates would adjust to strengthen the dollar, thereby increasing the purchasing power of importers and offsetting the higher taxes.¹² However, this is unproven economic theory and fails to consider a number of important factors that could limit the impact of currency adjustment. These factors include, for example, the different tax rates between corporations and pass-through businesses, the fact that some of our trading partners do not float their currencies, and whether a proposed export credit will be refundable.

It is impossible to predict the real-world impact of the BAT because something like this has **never been done before**. This proposed system is unlike anything in existence (though proponents will misleadingly compare it to the treatment of value-added taxes (VATs) in other countries) and there is a tremendous amount of risk surrounding its implementation.

A BAT Will Burden Businesses

Economists and analysts, though, doubt that a BAT would result in the rapid and large appreciation necessary to fully offset the cost of the tax.^{13 14 15} Bill Dudley, former president of the New York Federal Reserve, commented, “I’m not of the view that import prices would go up 10%, the dollar would appreciate by exactly 10%, so that the value that retailers pay for imported goods would be exactly the same in dollar terms.”¹⁶ Former Fed Chairwoman Janet Yellen expressed doubt about the fate of the dollar under a BAT, noting “[i]t’s very uncertain exactly what would happen to the dollar. There has been a lot of discussion of that and I think it’s complicated and uncertain.”¹⁷

Using data from 2023, Table 2 illustrates the effects of a 20% tax on imports under a scenario where the dollar imperfectly adjusts by only half of what would be necessary to offset the increased tax burden. It also compares that potential tax burden under a partial-adjustment scenario to the amount of federal business income taxes paid from each state.¹⁸ In South Carolina, for example, businesses paid \$1.6 billion in federal business income taxes in 2023, but South Carolina importers would have faced a potential tax burden of \$5.4 billion under a BAT in this scenario — over three times more than the entire state’s federal business income tax liability. The amount owed under this tax increase would be in addition to a business’s regular federal income tax liability.

South Carolina, Montana, Alaska, Michigan, and New Mexico round out the top five states with the greatest disparity between their tax burden under a 20% import tax and the amount paid under the federal business income tax in 2023. What’s clear, though, is that the BAT stands to extract a significant amount of revenue from importers in every state.

TABLE 2 — POTENTIAL TAX BURDEN UNDER IMPERFECT ADJUSTMENT V. 2023 FEDERAL BUSINESS INCOME TAXES PAID

STATE	2023 VALUE OF IMPORTS BY STATE OF DESTINATION (MILLIONS) ¹⁹	20% TAX ON TOTAL VALUE OF IMPORTS (MILLIONS)	TAX BURDEN ASSUMING \$ IMPERFECTLY ADJUSTS BY 1/2 OF OFFSET (MILLIONS)	FY23 FED. BUSINESS INCOME TAXES PAID BY STATE (MILLIONS) ²⁰	TAX BURDEN V. TOTAL FED. BUSINESS INCOME TAXES PAID
ALABAMA	37,231	7,446	3,723	2,069	180%
ALASKA	3,237	647	324	142	227%
ARIZONA	35,381	7,076	3,538	6,281	56%
ARKANSAS	6,832	1,366	683	3,689	19%
CALIFORNIA	450,348	90,070	45,035	52,424	86%
COLORADO	17,791	3,558	1,779	4,744	38%
CONNECTICUT	21,988	4,398	2,199	11,407	19%
DELAWARE	10,608	2,122	1,061	6,177	17%
FLORIDA	112,498	22,500	11,250	19,759	57%
GEORGIA	136,856	27,371	13,686	17,455	78%
HAWAII	2,676	535	268	629	43%
IDAHO	6,091	1,218	609	1,106	55%
ILLINOIS	224,851	44,970	22,485	26,542	85%
INDIANA	91,422	18,284	9,142	9,086	101%
IOWA	13,309	2,662	1,331	1,570	85%
KANSAS	12,957	2,591	1,296	2,468	53%
KENTUCKY	72,423	14,485	7,242	4,025	180%
LOUISIANA	31,685	6,337	3,168	2,424	131%
MAINE	7,265	1,453	727	872	83%
MARYLAND	46,204	9,241	4,620	4,484	103%
MASSACHUSETTS	43,209	8,642	4,321	13,360	32%
MICHIGAN	171,164	34,233	17,116	7,707	222%
MINNESOTA	37,231	7,446	3,723	13,051	29%
MISSISSIPPI	19,952	3,990	1,995	1,031	193%
MISSOURI	26,838	5,368	2,684	10,725	25%
MONTANA	7,436	1,487	744	263	282%
NEBRASKA	5,922	1,184	592	7,536	8%
NEVADA	18,940	3,788	1,894	2,183	87%
NEW HAMPSHIRE	9,618	1,924	962	504	191%
NEW JERSEY	144,620	28,924	14,462	29,541	49%
NEW MEXICO	6,012	1,202	601	295	204%
NEW YORK	157,201	31,440	15,720	39,097	40%
NORTH CAROLINA	80,057	16,011	8,006	12,863	62%
NORTH DAKOTA	4,697	939	470	527	89%
OHIO	79,735	15,947	7,974	15,205	52%
OKLAHOMA	17,757	3,551	1,776	4,149	43%
OREGON	19,360	3,872	1,936	2,406	80%
PENNSYLVANIA	113,016	22,603	11,302	17,754	64%
RHODE ISLAND	10,079	2,016	1,008	2,898	35%
SOUTH CAROLINA	54,124	10,825	5,412	1,612	336%
SOUTH DAKOTA	1,681	336	168	379	44%
TENNESSEE	107,142	21,428	10,714	7,774	138%
TEXAS	382,543	76,509	38,254	33,596	114%
UTAH	18,578	3,716	1,858	1,945	95%
VERMONT	3,768	754	377	339	111%
VIRGINIA	33,865	6,773	3,387	11,804	29%
WASHINGTON	66,197	13,239	6,620	24,099	27%
WEST VIRGINIA	4,807	961	481	353	136%
WISCONSIN	39,260	7,852	3,926	5,687	69%
WYOMING	1,029	206	103	254	41%

The BAT Equals Big Bills for Small Businesses

Given the uncertainty over how currency rates will respond to border adjustment, importers are understandably concerned about how the BAT would affect their businesses. Table 3 shows the maximum amount a 20% import tax could have cost individual importers absent any currency adjustment – an average of \$214,000 each in Wyoming, ranging up to nearly \$3.2 million each in Michigan.

With the border adjustment provision, supporters make a big bet that this will be a textbook transition. In reality, consumers will likely take a big hit when the dollar appreciation does not perfectly offset their price increases.

TABLE 3 — MAXIMUM AVERAGE POTENTIAL COST PER IDENTIFIED IMPORTER

STATE	2022 NUMBER OF IDENTIFIED IMPORTERS ²¹	2023 VALUE OF IMPORTS BY STATE OF DESTINATION (MILLIONS) ²²	20% TAX ON TOTAL VALUE OF IMPORTS (MILLIONS)	MAX AVERAGE COST/IDENTIFIED IMPORTER (THOUSANDS)
ALABAMA	4,374	37,231	7,446	1,702
ALASKA	902	3,237	647	718
ARIZONA	6,444	35,381	7,076	1,098
ARKANSAS	2,179	6,832	1,366	627
CALIFORNIA	73,180	450,348	90,070	1,231
COLORADO	6,773	17,791	3,558	525
CONNECTICUT	4,491	21,988	4,398	979
DELAWARE	2,237	10,608	2,122	948
FLORIDA	32,866	112,498	22,500	685
GEORGIA	17,220	136,856	27,371	1,590
HAWAII	2,462	2,676	535	217
IDAHO	1,946	6,091	1,218	626
ILLINOIS	22,282	224,851	44,970	2,018
INDIANA	7,111	91,422	18,284	2,571
IOWA	3,065	13,309	2,662	868
KANSAS	3,116	12,957	2,591	832
KENTUCKY	4,679	72,423	14,485	3,096
LOUISIANA	4,123	31,685	6,337	1,537
MAINE	1,754	7,265	1,453	828
MARYLAND	7,412	46,204	9,241	1,247
MASSACHUSETTS	9,487	43,209	8,642	911
MICHIGAN	10,790	171,164	34,233	3,173
MINNESOTA	7,120	37,231	7,446	1,046
MISSISSIPPI	2,150	19,952	3,990	1,856
MISSOURI	6,345	26,838	5,368	846
MONTANA	1,385	7,436	1,487	1,074
NEBRASKA	2,046	5,922	1,184	579
NEVADA	4,648	18,940	3,788	815
NEW HAMPSHIRE	2,208	9,618	1,924	871
NEW JERSEY	22,391	144,620	28,924	1,292
NEW MEXICO	1,516	6,012	1,202	793
NEW YORK	40,978	157,201	31,440	767
NORTH CAROLINA	10,205	80,057	16,011	1,569
NORTH DAKOTA	1,235	4,697	939	761
OHIO	12,280	79,735	15,947	1,299
OKLAHOMA	2,807	17,757	3,551	1,265
OREGON	5,966	19,360	3,872	649
PENNSYLVANIA	12,672	113,016	22,603	1,784
RHODE ISLAND	1,514	10,079	2,016	1,331
SOUTH CAROLINA	8,020	54,124	10,825	1,350
SOUTH DAKOTA	1,031	1,681	336	326
TENNESSEE	7,740	107,142	21,428	2,769
TEXAS	33,939	382,543	76,509	2,254
UTAH	5,195	18,578	3,716	715
VERMONT	1,207	3,768	754	624
VIRGINIA	8,817	33,865	6,773	768
WASHINGTON	12,487	66,197	13,239	1,060
WEST VIRGINIA	1,062	4,807	961	905
WISCONSIN	6,599	39,260	7,852	1,190
WYOMING	960	1,029	206	214

BAT BACKFIRES ON AMERICAN AUTO MANUFACTURING

The BAT would raise the cost of vehicles and parts, reducing sales and jobs across the auto industry.

Though proponents of a BAT argue that it would rejuvenate American manufacturing,²³ taxing imports at 20% would be devastating for domestic automakers that rely on an integrated supply chain for components and vehicles made in the United States. (Raw materials and components for cars manufactured in the United States can cross the border repeatedly before being assembled at an American factory, potentially being taxed at every crossing.)²⁴

In 2023, the United States imported auto parts totaling more than \$194 billion.²⁵ One study concluded that a BAT could increase the cost of imported parts for domestically made vehicles by \$23.8 billion and raise the cost of each car made in the United States by more than \$2,000 on average.²⁶ That cost would have to be passed onto consumers — reducing auto sales, making automakers unprofitable, and ultimately leading to job losses.²⁷

Of the 10 states that are most sensitive to a BAT overall, nine are home to a significant number of auto manufacturing jobs, representing nearly 500,000 combined jobs that would be imperiled by a BAT. Michigan — perhaps not coincidentally — is both the second most sensitive state to a BAT and the state with the most auto manufacturing jobs.

TABLE 4 — STATES MOST SENSITIVE TO A BAT & DIRECT MOTOR VEHICLE MANUFACTURING JOBS

BAT SENSITIVITY RANK	STATE	2024 DIRECT MOTOR VEHICLE MANUFACTURING JOBS ²⁸	DIRECT MOTOR VEHICLE MANUFACTURING JOBS RANK
1	KENTUCKY	53,871	5
2	MICHIGAN	162,874	1
3	TENNESSEE	60,305	4
4	ILLINOIS	75,848	3
5	INDIANA	34,776	9
6	NEW JERSEY	1,507	31
7	SOUTH CAROLINA	32,962	10
8	GEORGIA	19,753	12
9	TEXAS	35,994	8
10	MISSISSIPPI	11,103	14

A BAT stands to impact not only automakers but the wider auto industry as well. Automotive suppliers would face margin pressure as manufacturers try to offset increased costs and would be forced to cut jobs as overall vehicle sales decline.²⁹ Higher prices and fewer sales would also put pressure on auto dealers. The president and CEO of one of the nation’s largest automotive dealership groups — Wisconsin-based Russ Darrow Automotive Groups — warned about the “unintended consequences” of a BAT as he cautioned that the import tax could be passed along to consumers.³⁰ One dealership owner based in Plover, Wisconsin expressed concern over how a BAT would affect jobs: “I have 52 employees ... 40 of them are married with kids. How much of a ripple effect could this have?”³¹

BAT WOULD SPELL DISASTER FOR THE RETAIL INDUSTRY

Retailers who rely heavily on imports could see their tax bills soar higher than their profits in many cases.

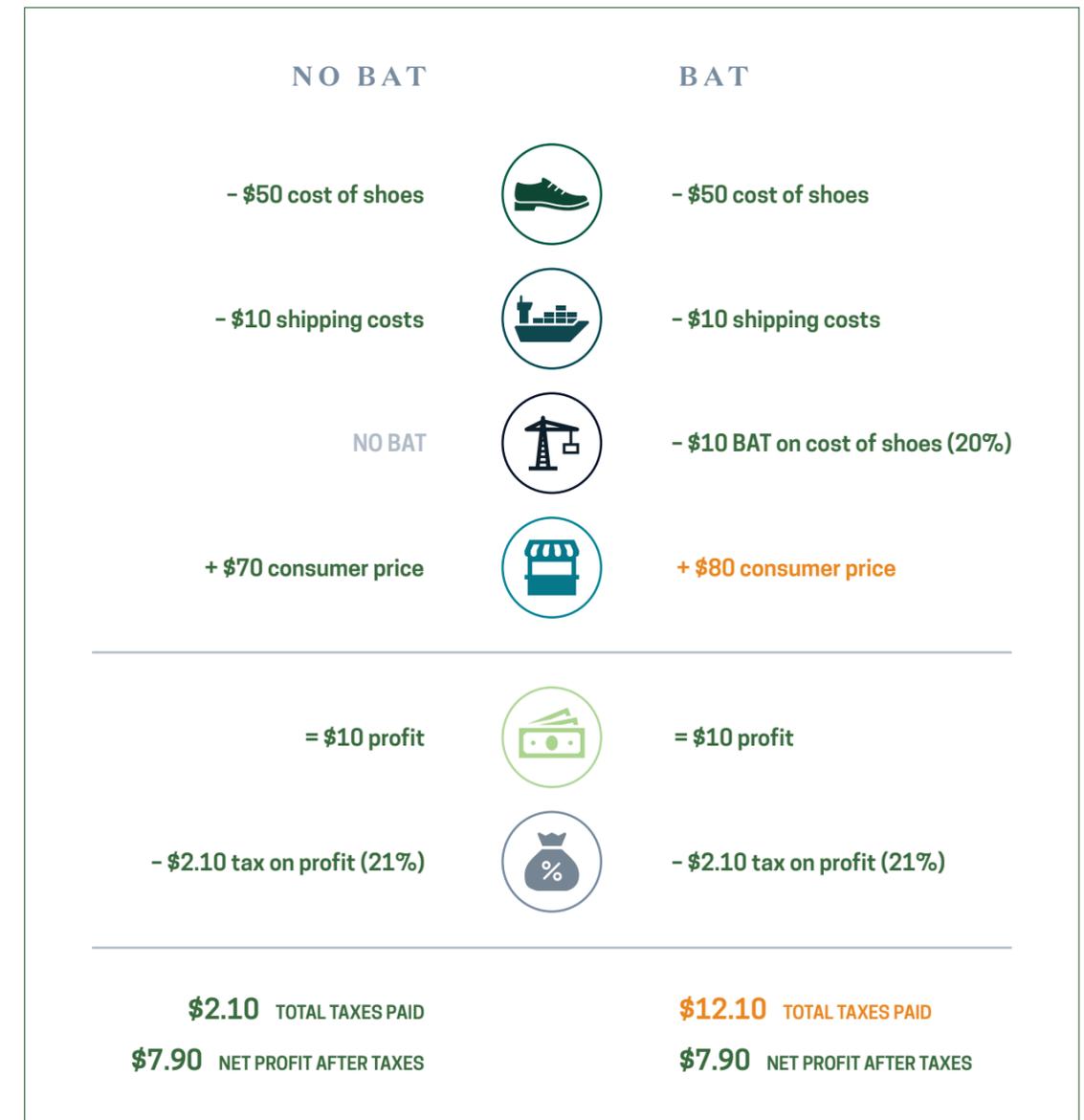
The retail industry would be particularly vulnerable to serious harm from the implementation of a BAT, considering that most retailers heavily rely on imports to stock their shelves with consumer goods. The retail industry typically operates on a model of low profit margins, foregoing larger price markups in favor of a high volume of sales.³² This model is mutually beneficial for the consumer and retailer but provides very little cushion to absorb an additional 20% tax on imported goods.

Consider a shoe retailer that imports the shoes it sells from a manufacturer overseas. It buys a pair of shoes from the manufacturer for \$50 and pays \$10 in shipping costs. The retailer sells the shoes for \$70, earning a \$10 profit. Under the current tax system, the retailer would owe 21% in taxes on the \$10 profit because it would get to deduct the \$60 it paid in business costs acquiring the shoes. The total tax bill would be \$2.10, with the retailer gaining \$7.90 in net profit.

Under the proposed border adjustment, the retailer would pay a 20% BAT on the imported shoes, increasing their cost from \$60 to \$70, after shipping. To cover this hike and still make a \$10 profit, the retailer would need to raise the price of the shoes to \$80.³³ Under this proposal, the total tax bill on the shoes would rise nearly six-fold from \$2.10 to \$12.10.

Figure 3 makes it easy to see how devastating a BAT could be for the retail industry, which, faced with skyrocketing tax bills, would need to raise prices, cut jobs, or shut their doors altogether.

FIGURE 3 — HOW A BAT AFFECTS RETAIL PRICES*



* Assumes no dollar adjustment

Retail Reels Under a BAT

To provide a better understanding of the state-level impact this tax could have on the retail industry, Table 5 looks at the overall impact the retail industry has in each state. Consider, for example, a state like Florida, in which retail jobs account for more than 13% of the private job market, with more than 1 million employees. In fact, in every state, the retail industry employs more than 10% of total private employees.

Lawmakers should consider the retail industry’s large and vital role in their states and consider if they are willing to put so many good jobs at risk just as state and local economies are beginning to turn around from the inflationary policies passed during the Biden administration.

TABLE 5 — IMPACT OF A BAT ON THE RETAIL INDUSTRY BY STATE

STATE	AVERAGE 2023 RETAIL TRADE EMPLOYMENT (THOUSANDS) ³⁴	2023 CURRENT DOLLAR RETAIL TRADE CONTRIBUTION TO GDP (MILLIONS) ³⁵	2023 RETAIL EMPLOYMENT AS A % OF TOTAL PRIVATE EMPLOYMENT
ALABAMA	239	22,989	14.1%
ALASKA	35	3,416	14.2%
ARIZONA	345	39,106	12.5%
ARKANSAS	143	14,244	13.2%
CALIFORNIA	1,606	234,050	10.4%
COLORADO	276	30,789	11.3%
CONNECTICUT	167	20,203	11.5%
DELAWARE	51	4,349	12.7%
FLORIDA	1,144	126,150	13.3%
GEORGIA	513	52,848	12.4%
HAWAII	65	8,186	12.6%
IDAHO	94	9,876	13.0%
ILLINOIS	575	64,604	11.0%
INDIANA	316	31,115	11.4%
IOWA	174	15,086	13.3%
KANSAS	143	14,597	12.2%
KENTUCKY	209	18,997	12.4%
LOUISIANA	218	22,918	13.7%
MAINE	82	8,503	15.1%
MARYLAND	270	29,601	12.3%
MASSACHUSETTS	330	34,859	10.3%
MICHIGAN	455	48,153	11.9%
MINNESOTA	283	28,416	11.2%
MISSISSIPPI	139	13,440	14.9%
MISSOURI	306	29,531	12.4%
MONTANA	63	5,202	14.8%
NEBRASKA	105	9,273	12.4%
NEVADA	149	17,579	11.0%
NEW HAMPSHIRE	90	8,986	15.0%
NEW JERSEY	430	51,016	11.8%
NEW MEXICO	95	7,741	13.9%
NEW YORK	843	104,510	10.4%
NORTH CAROLINA	524	50,732	12.7%
NORTH DAKOTA	45	4,367	13.0%
OHIO	545	58,628	11.5%
OKLAHOMA	186	17,761	13.9%
OREGON	208	19,714	12.2%
PENNSYLVANIA	596	60,697	11.2%
RHODE ISLAND	47	5,218	11.1%
SOUTH CAROLINA	266	25,180	14.1%
SOUTH DAKOTA	54	5,369	14.3%
TENNESSEE	344	41,372	12.3%
TEXAS	1,395	159,760	11.9%
UTAH	181	21,370	12.6%
VERMONT	36	3,654	14.0%
VIRGINIA	393	42,398	11.8%
WASHINGTON	332	84,788	11.1%
WEST VIRGINIA	78	7,434	14.1%
WISCONSIN	298	28,445	11.7%
WYOMING	30	3,112	14.2%

AMERICANS LOSE UNDER A BORDER ADJUSTMENT TAX

Implementing an unprecedented, regressive tax on imports would have significant ripple effects throughout American industry, threatening jobs and economic growth.

Every state will be negatively impacted by a BAT, and those states that rely more on imports face a graver threat from the tax hike. At a cost of more than \$1 trillion, this tax on businesses and consumers is on par with the Affordable Care Act.³⁶

American importers – 97% of whom are small to medium-sized businesses³⁷ – could see their tax bills skyrocket to unsustainable levels under a BAT.

In today's highly integrated global economy, every consumer in every corner of the country would feel the effects of the BAT in the form of higher costs at the department store, grocery store, gas pump, and online. Lawmakers who think that the BAT cannot impact their states are mistaken; the risks and costs that would come along with border adjustment are too much for American consumers and businesses to bear.

Methodology

SENSITIVITY RANK:

The U.S. Census Bureau tracks the value of imports by state of destination, which accounts for where the merchandise is destined as known at the time of entry summary filing. This value is then divided by a state's GDP and compared to all other states to derive a sensitivity rank.

POTENTIAL TAX BURDENS UNDER IMPERFECT ADJUSTMENT V. FEDERAL BUSINESS INCOME TAXES:

The 2023 value of imports for each state is multiplied by 20% to determine the potential amount owed from each state under a BAT and then halved to reflect a possible scenario of imperfect currency adjustment. That value is then divided by 2023 IRS data on federal business income taxes paid by each state as a point of comparison.

MAXIMUM AVERAGE POTENTIAL COST PER IDENTIFIED IMPORTER:

The potential amount owed from each state under a BAT is divided by the number of identified importers per state to determine the maximum potential average cost of a BAT per identified importer. According to the U.S. Census Bureau, the total import value that could not be linked to specific companies was 13.4% in 2022,³⁸ and therefore the number of importers could be understated. Please see full report for limitations on data.³⁹

AVERAGE 2023 RETAIL TRADE EMPLOYMENT:

A simple average of monthly retail trade employment by state for 2023 using payroll data from the Bureau of Labor Statistics.

2023 RETAIL EMPLOYMENT V. TOTAL PRIVATE EMPLOYMENT:

The 2023 annual average of monthly retail trade employment by state is divided by the annual average of total private employment by state.

Calculations have been rounded.

THE BORDER ADJUSTMENT TAX

APPENDIX

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- 30 *Supra* note 24.
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- 37 *Supra* note 21 at 4.
- 38 *Supra* note 21.
- 39 *Ibid.*
- 40 *Supra* note 9.
- 41 *Supra* note 21.



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