

Understanding Tariffs

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Please note that the current US tariff situation may change. As such, please don't assume, for example, that the tariff code or tariff rate are the same as they were, say, last month. Please contact Purchasing Services with any questions.

What is a Tariff?

A tariff is essentially a tax or duty levied by a government on goods and services imported from another country.

- **Impact:** Tariffs increase the final cost of foreign-made equipment, components, or materials. This cost must be factored into your budget (including research grant budgets) as sellers/manufacturers typically seek to have buyers cover the costs of tariffs.
- **Purpose:** Tariffs are typically used to protect domestic industries or as a tool in international trade negotiations.

Tariffs and Customs Duties Are Not Income Taxes

Tax-exempt status (e.g., §501(c)(3)) only exempts Lehigh from:

- federal income tax
- sometimes state sales/use tax (depending on the state)

But tariffs/customs duties are imposed under trade and customs laws, not tax laws.

So tax-exempt status does not affect whether duties are owed.

What Lehigh Is Usually Responsible for When Importing Goods

Lehigh typically must pay the fees below regardless of non-profit status:

- Customs duties (tariffs)
- Merchandise processing fees (MPF)
- Harbor maintenance fees (HMF)
- Brokerage fees
- Applicable import taxes such as excise taxes

Exceptions (Rare)

Lehigh may be exempt from duties only if a specific customs program applies, such as:

1. Duty-Free Entry Programs for Scientific Instruments – Tariff Schedule 9810

- Program 9810.00.90 allows certain educational/scientific equipment to enter duty-free.
- But eligibility requires:
 - The item is *not* produced in the US in the same form
 - Lehigh uses it strictly for research or educational purposes
 - A formal application to US Customs (CBP) via the Dept. of Commerce

This is specific, limited, and paperwork-heavy.

2. Grants or federal programs that allow duty-free importation

Rare and typically specific to government-funded scientific projects.

3. Goods with a tariff rate of zero

If the product's classification happens to have no duty, then you pay nothing — but that's because of the code, not exemption status.

Specific Info for PIs and Researchers

The De Minimis Exemption is Suspended

Term	New US Policy (Effective 8/29/25)	Impact on Your Purchase
De Minimis Value	Suspended. The previous \$800 threshold for duty-free entry is eliminated for virtually all commercial shipments.	Every purchase of foreign-made goods, regardless of value (even small, inexpensive components), is now subject to applicable duties, taxes, and fees.
Customs Process	All commercial shipments now require a formal or informal customs entry and full payment of duties.	The purchase will require more detailed paperwork and may incur customs broker fees and processing charges, increasing the total cost and administrative burden.

Key Terms to Know

Term	Definition	Impact on Your Purchase
Duty	The actual tax amount paid.	Always applies to commercial imports after August 29, 2025.
Harmonized Tariff Schedule (HTS) Code	A standardized, multi-digit numeric code that classifies the product (e.g., 9012.10 for microscopes).	This code is now required for nearly all shipments to determine the specific tariff rate applied. Accuracy is critical.
Country of Origin	Where the equipment was substantially manufactured.	Determines <i>which</i> specific tariff rates (which vary by country) apply.

Actionable Steps

1. Budgeting: Always include an estimated duty/tariff cost and brokerage/processing fees in your grant budget for *any* foreign purchase. Plan for a customs contingency.
2. Vendor Communication: Use the Standard Vendor Questionnaire (see below) to get the required information upfront. The vendor must provide the HTS code and Country of Origin.

Strategies To Reduce / Eliminate Tariff Charges When Importing Equipment

Here are the most effective and realistic strategies to reduce or eliminate tariff charges when importing equipment. These are based on procurement best practices, customs rules, and how vendors structure international shipments.

1. Ask the Vendor to Use a US Distributor or Fulfillment Partner

#1 most successful strategy

If the vendor sells through a US-based distributor, Importer of Record (IOR), or fulfillment company, that business pays the duties, not Lehigh. You then buy the product as a domestic purchase, with zero tariff exposure.

How to request this:

“Do you have a US distributor who can act as Importer of Record and deliver the equipment duty-paid?”
Many international companies already do this, even if they don’t advertise it.

2. Request a “Delivered Duty Paid (DDP)” Quote

Ask the vendor to ship DDP – Delivered Duty Paid

This means:

- Vendor is the Importer of Record and pays import duties
- Vendor handles customs clearance
- Vendor uses their customs broker
- Lehigh receives the item without tariff charges

Vendors sometimes increase the quote slightly, but the cost is fixed / predictable, eliminating surprise fees.

How to request this:

“Can you provide a DDP quote to Bethlehem, PA (Delivered Duty Paid)? We prefer the supplier to act as importer of record.”

3. Break Out US-Origin Components

Many items classified as foreign may contain:

- US -origin subcomponents
- US -made electronics
- US software
- US enclosures or materials

If the US content exceeds certain thresholds, the effective duty rate may be reduced. This sometimes drops tariff rates from 10–25% down to 0–2%.

How to request this:

“Please provide a detailed bill of materials with country of origin for all components so we can determine if duty rates can be reduced.”

4. Use Alternative HTS Classifications (legally)

Many vendors default to high-tariff categories because they don’t know better or reuse codes from past shipments. Request a review of the HTS code to identify a valid lower-duty category. Reclassifying under a more accurate code can result in 5 – 20% savings.

Examples:

- Electronics vs. scientific instruments
- Sensors vs. industrial controls
- Parts of a machine vs. standalone units

How to request this:

“Please provide the HTS code you intend to use. We would like to review it with our customs broker to ensure the lowest valid duty classification.”

5. Ask the Vendor to Physically Break Shipments into Components

Oddly, this works, and universities have sometimes saved a considerable amount this way. A fully assembled system may fall under a tariff-heavy HTS code.

Unassembled parts (shipped as a kit) often fall under:

- A lower tariff
- Or 0% duty (many parts categories are duty-free)

6. Leverage Foreign Trade Zones (FTZ) or Bonded Warehouses (rare for universities)

If Lehigh partners with a logistics provider who operates an FTZ. This is not common but is extremely effective for large, ongoing research imports.

- Goods can enter without immediate duty
- Duty is only paid if goods leave the FTZ for domestic use
- If the product is modified, assembled, or classified differently in the FTZ, duties can decrease

7. Use Federal Research Exemptions (rare, if eligible)

HTSUS 9810 duty-free scientific instrument exemption:

- ✓ Only if the equipment is not available from US manufacturers
- ✓ Requires a formal application (months)

More likely to apply to:

- Specialized microscopes
- Analytical instruments
- Custom scientific devices

8. Buy the Tariff-Heavy Components Domestically & Import Only the Non-Tariff Items

- Some parts are tariffed at 25%
- Other parts are duty-free

If the vendor can ship the duty-free parts only, and you buy US-based PLCs, switches, or sensors separately, total project cost may drop significantly. Lehigh can use this when vendor-supplied PLC/HMI hardware would trigger Section 301 China tariffs.

9. Use Consortium Leverage

Because Lehigh belongs to a purchasing consortium (E&I, Omnia Partners, etc.), you can push vendors to:

- Absorb duties
- Use a US distributor
- Offer DDP pricing
- Provide alternate sourcing with lower duty risk

10. Add Customs Requirements to Quote, Contract, RFP or PO Terms

Prior to purchase, Purchasing can require the vendor to include a clause in quotes or contracts such as below. Many vendors accept this if it's included **before** contract signature.

“Supplier shall act as importer of record and shall be responsible for all customs duties, tariffs, and import fees.”

If you have already made a purchase and now the seller is reaching out expecting Lehigh to pay (unexpected) tariffs, please contact Purchasing Services so we can review the quote or contract to determine if Lehigh is responsible for the tariff and see if there's anything that can be done.

Importer of Record (IOR)

The IOR is determined by the shipping terms (Incoterms) on the quote or contract — not by who pays the invoice.

How to Identify Who the IOR Is

1. Check the quote or contract for the Incoterms. If it is NOT explicitly **DDP**, assume Lehigh is the IOR unless the quote or contract says otherwise.

Shipping Term	Who is the IOR ?
DDP (Delivered Duty Paid)	✅ The seller
DAP (Delivered at Place)	⚠️ Usually Lehigh
FCA / FOB / CIF / EXW (Ex Works)	⚠️ Usually Lehigh

Best Practice and strongly recommended

Require DDP (Delivered Duty Paid) to Lehigh - Meaning the seller is the IOR and is legally responsible to handle export, import, customs clearance, duties / tariffs, compliance (FCC, FDA, etc.) and proper classification.

Red Flag Language to Watch For

- “Buyer responsible for import clearance”
- “DAP”
- “FOB Origin”
- “EXW”
- “Customer to act as Importer of Record”

2. Check Who the Customs Broker Is Working For
Ask: “Who is the customs broker filing the entry on behalf of?”
Lehigh is the IOR if the broker asks Lehigh for:
 - EIN
 - IRS letter
 - Power of Attorney

3. Check Who Is Paying Duties and Tariffs
Lehigh is the IOR if you get an invoice from DHL, FedEx, UPS, or a customs broker for:
 - Duties
 - Tariffs
 - Disbursement fees

Seller’s Quote, Contract and Lehigh’s PO language should say:

“All international shipments must be delivered DDP (Delivered Duty Paid) to Lehigh University, Incoterms 2020. Seller is responsible for customs clearance, duties, and import compliance.”

This language is important because an IOR could be legally responsible for the tariff but add a contractual term that says the buyer will reimburse the IOR for tariffs.

PI Checklist: Buying Foreign-Made Equipment

Use this checklist to ensure all necessary steps are completed before and during the purchase of equipment manufactured outside of the US.

Pre-Purchase & Budgeting

- ☐ **Identify Need & Specification:** Finalize the exact make and model of the foreign-made equipment.
- ☐ **Confirm Country of Origin:** Determine the country where the equipment is manufactured.
- ☐ **Complete Vendor Questionnaire:** Send the Standard Vendor Questionnaire and receive all required customs information (HTS code, Country of Origin, Incoterms).
- ☐ **Calculate Tariff Cost:** Use the HTS code and Country of Origin to determine the applicable tariff percentage. Calculate the estimated tariff cost and confirm it is budgeted.
- ☐ **Budget for Fees:** Include funds for customs brokerage fees, processing charges, and any other duties, as no commercial shipment is exempt from fees.
- ☐ **Select Incoterms:** Agree with the vendor on appropriate Incoterms (DAP or DDP are often preferred for clarity on who pays duties).
- ☐ **Engage Procurement:** Initiate the PO process and notify the procurement/import office immediately that the PO is for a foreign purchase and requires full customs clearance.

Documentation & Shipping

- ☐ **PO Matches Commercial Invoice:** Ensure the final PO value and terms precisely match the vendor's commercial invoice.
- ☐ **Required Documents Attached:** Verify the vendor has provided a complete set of required shipping documents:
 - ☐ **Commercial Invoice** (Signed and accurate HTS/Value)
 - ☐ **Packing List**
 - ☐ **Bill of Lading / Airway Bill** (Proof of shipment)
 - ☐ **Any required Permits/Certificates** (e.g., FDA, EPA, or Export Control licenses, if applicable)
- ☐ **Monitor Shipment:** Track the shipment progress and notify Purchasing/Customs if any delays occur at the border due to incomplete entry documentation.

Post-Clearance & Reconciliation

- ☐ **Review Entry Documents:** Obtain and review the final US Customs and Border Protection (CBP) entry summary (e.g., CBP Form 7501) to confirm the correct HTS code and value were used.
- ☐ **Confirm Duty Payment:** Verify that the correct party (institution or vendor, per Incoterms) paid the duties and fees.
- ☐ **File Records:** Retain all purchase, shipping, and customs clearance documents for the full audit/retention period (typically 5+ years).

Certification

I certify that the information provided above is complete and accurate to the best of my knowledge and is the basis upon which the customs entry will be made.

Vendor Authorized Signature:

Print Name/Title:

Date:

Customs & Tariff Exposure Decision Tree for Research-Related Purchases

Step 1 — Is the item being imported from outside the US?

- No → No tariff exposure. Done.
- Yes → Go to Step 2.

Step 2 — Who is the Importer of Record?

- Vendor / US distributor → Lehigh pays *no* duties.
- Lehigh → Duties may apply. Go to Step 3.

Step 3 — Can the vendor ship DDP (Delivered Duty Paid)?

- Yes → Tariff eliminated; vendor pays duties.
- No → Go to Step 4.

Step 4 — Request HTS classification & Country of Origin (COO)

Review tariff rates using:

- ✓ Vendor-provided HTS code
- ✓ COO for each component

If a lower-duty classification is available → request vendor to relabel appropriately.

If not → Go to Step 5.

Step 5 — Are US-origin equivalents available for some components?

- Yes → Split purchase (domestic + import)
- No → Go to Step 6.

Step 6 — Can the item ship as unassembled components?

- Yes → Lower duty may apply.
- No → Go to Step 7.

Step 7 — Is the equipment eligible for HTS 9810 scientific exemption?

Criteria:

- Used exclusively for research
- No US equivalent available
- Requires DOC petition

If yes, begin the DFSI application.

If no, duties apply.

Standard Vendor Questionnaire for Customs Information

This form focuses on critical data points (HTS, Country of Origin, Incoterms) required for all commercial imports.

Vendor Information

Field	Required Answer
Vendor/Seller Name & Contact	
Vendor Address	
Shipping Origin (Port/City)	

Goods & Valuation Information

Field	Required Answer
Detailed Product Description	(Must specify model, function, and materials)
Quantity	
Unit Price	
Total Commercial Invoice Value	
Currency of Sale	

Essential Customs & Import Data

Field	Required Answer
Harmonized Tariff Schedule (HTS) Code	(Must be 6-10 digits, e.g., \$8471.50)
Country of Origin	(Where the goods were substantially manufactured, e.g., Japan)
Is this equipment a U.S. export return?	Yes / No (If yes, provide original export documentation)
Are any items controlled by U.S. Export Controls (ITAR/EAR)?	Yes / No (If yes, provide classification number, e.g., ECCN)
Are there any warranties, royalties, or assists included in the price?	Yes / No (If yes, please detail)
Incoterms (Terms of Sale)	(e.g., EXW, FOB, DAP, DDP) _____

Certification

I certify that the information provided above is complete and accurate to the best of my knowledge and is the basis upon which the customs entry will be made.

Vendor Authorized Signature: _____
Print Name/Title: _____
Date: _____

Requesting DDP, Tariff Removal, or Alternate Import Options – Vendor Email Template

Subject: Request for Tariff-Free or Duty-Paid Import Options

Dear [Vendor Name],

Lehigh University is a tax-exempt US educational institution. To comply with our procurement and budgeting requirements, we must evaluate any potential tariff exposure prior to purchase.

To assist us, please provide the following information:

1. Importer of Record / US Distributor

Do you have a US-based distributor or fulfillment partner that can act as the *importer of record* and supply the equipment duty-paid?

2. Delivered Duty Paid (DDP) Pricing

If a distributor is not available, can you provide a DDP (Delivered Duty Paid) quote to Bethlehem, PA, where your company assumes responsibility for all tariffs, customs duties, and import fees?

3. HTS Codes & Country of Origin

Please provide the HTS code(s) and country of origin you intend to use for each item so we can review tariff classification.

4. Alternate Sourcing Options

If certain components have high tariff exposure, do you offer US-origin or alternate low-duty equivalents (e.g., PLCs, sensors, switches, transformers)?

5. Shipment Configuration

Are you able to ship the items unassembled or as separate components, if that results in a lower duty rate?

Thank you for helping us determine the most cost-effective procurement structure. We look forward to your reply.

Thank you,

Name

Title

Lehigh University

Quote/ Contract / PO Clause — Tariff & Import Fee Responsibility

Add to Purchase Orders, Requests for Proposals, or Seller's Quote / Terms and Conditions.

◆ Option A – Vendor Responsible (Ideal)

Tariffs and Import Fees:

Supplier shall act as the Importer of Record for all shipments to Lehigh University and shall be solely responsible for payment of all customs duties, tariffs, import taxes, merchandise processing fees, and related customs charges. All pricing shall be considered **Delivered Duty Paid (DDP)** to the University's designated delivery point.

◆ Option B – Shared Responsibility (If Vendor Pushes Back)

Tariffs and Import Fees:

Supplier shall disclose all applicable duty rates, HTS classifications, and estimated tariff charges prior to order acceptance. No tariff or customs-related charges may be billed to Lehigh University without prior written approval. Supplier agrees to work with the University to reduce tariff impact by exploring alternative HTS codes, alternate sourcing, or unassembled shipping options.

◆ Option C – For RFPs or Competitive Bids

Tariff Mitigation Requirement:

Respondents must describe their plan for minimizing or eliminating tariff exposure, including:

- Use of a U.S. importer or distributor
- Availability of DDP pricing
- Proposed HTS codes
- Component-level country-of-origin disclosure
- Feasibility of shipping unassembled components

Failure to address tariff mitigation may affect award determination.

Cost Savings Analysis Template

Use when evaluating tariff reduction options with vendors.

Tariff Mitigation Evaluation – Project: _____
Vendor: _____
Equipment: _____
Quote Total: \$ _____

1. HTS Classification Analysis

Item Vendor HTS Code Duty Rate Suggested Alternative Revised Duty Rate

2. Import Structure Comparison

Option	Tariff Cost	Freight/Brokerage	Vendor Premium	Total Cost
Lehigh acts as Importer (default)	\$ _____	\$ _____	\$0	\$ _____
Vendor ships DDP	\$0	\$0	\$ _____	\$ _____
US Distributor	\$0	domestic shipping included		\$ _____
Unassembled shipment	\$ _____	\$ _____	\$0	\$ _____

3. Component Split Strategy

Component	Domestic Source Available?	Domestic Price	Tariff Saved
PLC/HMI	Yes/No	\$ _____	\$ _____
Sensors	Yes/No	\$ _____	\$ _____
Electrical Hardware	Yes/No	\$ _____	\$ _____

4. DFSI Scientific Instrument Eligibility

- Research-only use: Yes/No
- US equivalent exists: Yes/No
- Feasible to apply: Yes/No
- Estimated duty avoided: \$ _____

5. Summary

Lowest-cost scenario: _____
Total estimated savings: \$ _____
Recommendation to PI: _____