



## TAX NEWS & VIEWS PODCAST

### Episode - Global Insights: Tariffs, Site Selection, and Credits & Incentives

#### Host

**Carrie Falkenhayn**, Tax Partner, Deloitte Tax LLP

#### Speakers

**Theresa Walker**, Tax Leader, Deloitte Tax LLP

**Darin Buelow**, Tax Principal, Deloitte Tax LLP

**Douglas Tyler**, Tax Managing Director, Tax LLP

**Carrie Falkenhayn:** From Deloitte Tax, welcome to the Tax News and Views Podcast. In this series, we talk to specialists from Deloitte about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views, and today we're talking about a topic that has been in the news a lot lately, and that is tariffs.

And, we're going to be hearing from a number of Deloitte specialists in our podcast today. First, we're going to be hearing from Theresa Walker. She's a global trade specialist, and she's going to walk us through what we're seeing generally around tariffs in the marketplace. Then we'll be hearing from Darren Buelow. Darren is Deloitte Consulting's global leader for location strategy and site selection capabilities, and he's going to talk a little bit about the implications for the supply chain. And then we're going to talk about the impact of tariffs on government incentives, and we're going to hear from Doug Tyler. He's with Deloitte's Tax Credit Incentives Group, and he specializes in global credit and incentive services. So, Theresa, I'm going to start with you. We have all been reading a lot about tariffs. Can you describe why this is such a complex matter for companies to navigate?

**Theresa Walker:** Sure, thanks for the question, Carrie. Significant amount of data and documentation, and it's important to note that tariffs are just one aspect of what imports need to manage. So tariffs are applied based on a number of factors, including country of origin and product. Currently, multiple tariff orders

exist, so some orders affect specific products and or parts of products, like aluminum and steel content, and other orders apply to countries. These tariffs can stack on each other. So, for example, one product coming into the U.S. can have 3 types of tariffs that apply to it. And the amount of data, documentation, and tariff rate analysis historically has been a challenge for the industry. So, these multiple tariff orders and the pace at which they are changing intensifies the speed and frequency of the financial planning and creates a more burdensome compliance environment.

**Carrie Falkenhayn:** Okay, thanks for that, Theresa. Can you also talk about how tariffs have been changing?

**Theresa Walker:** So as of August 7th, over 60 countries are subject to reciprocal tariffs. We do have more clarity on sector-specific products, like steel, aluminum, and copper, yet ongoing discussions with major trade trading partners continue, like China. We are awaiting final decisions on some sector-specific tariffs, such as pharmaceuticals. So in this environment, we really see companies continue to monitor those ongoing tariff negotiations, results of product-specific investigations, and the overall enforcement environment.

**Carrie Falkenhayn:** Darren, I'm going to turn to you now. So, what do you see with supply chain and global site selection?

**Darin Buelow:** Carry, thanks. You know, there are a lot of factors that go into a location decision by a manufacturer, and there's sort of a perception that tariffs alone would be enough to motivate manufacturers to move production into the U.S. The fact is that these footprint decisions are usually based on a whole wide number of geographically variable factors. The things that vary when you change geography include labor costs, skill availability, of course freight and logistics costs change when you shift locations. Access to suppliers, risk considerations, regulatory approvals. Tax considerations, utilities and infrastructure, which is a really big deal for manufacturers and other companies. There's even relocation costs and many other factors. So there's a lot that goes into this. Tariffs is an important consideration, but it's not the only consideration. What we're also seeing is that with higher interest rates these days and increased cost for equipment and construction materials, it's not just a kind of a slam dunk to just lift and shift production based on tariffs, particularly when these tariffs could be modified in the future with very little advance notice. So, it's true, some companies are making the move, some are motivated to do so just because they've got customers that require them to onshore their production, or they've got to increase their U.S. manufacturing capability to qualify for domestic contracts, or there's some other strategic or structural cost advantage for them to do so, but the fact is that many are waiting.

**Carrie Falkenhayn:** And so, for companies that are considering making the move, what are some of the difficulties or challenges they might encounter?

**Darin Buelow:** Well, there's many. Let's start first with talent. There are something like 450,000 open manufacturing jobs in the U.S. Sources say 7.2 million unfilled jobs overall. So, that means that there's already a lot of demand for skilled talent, especially in the manufacturing domain. And the U.S. is not a homogenous country. The talent markets across the U.S. are not identical to one another. Companies really need to objectively and rigorously evaluate these talent markets in their finalist locations that they're thinking about in order to ensure that they're making the right decision for the business. So that's one. Number two is electricity. The electrical grid in the U.S. has been under a number of different challenges with all of the data center deployments and large manufacturing deployments that have happened in the last 5 years. It's getting more and more difficult to find locations that can handle large loads, and manufacturers need to be attuned to this. And then third, really, is the development timing. Because of the strain on the electrical grid and transmission extensions, many utility companies are requiring transmission studies that can take many, many months and slow down the process.

Transformers, circuit breakers, these are still 36 to 42 months out lead time, which means that even though you can build the building in, say, 18 months, that doesn't mean that you will have power to the building, because you're going to be waiting on circuit breakers and transformers.

Permitting, utility extensions for water and wastewater, those also can add more time that many companies either don't consider up front in terms of their planning process, or they find out about it too late.

**Carrie Falkenhayn:** There's definitely a lot to consider there. Doug, how is this all sort of translating into what we're seeing from a credits and incentives standpoint?

**Douglas Tyler:** Sure, Carrie, thanks for that. Well, first of all, I think clients are recognizing that jurisdictions vary significantly and can be more or less interesting from the standpoint of the level of benefits and how those benefits can be relevant to their fact pattern. And so they are increasingly taking that into consideration early, as tariffs are, you know, one factor that impacts location decisions. Incentives are another factor. A company's tax profile is something that also has to be taken into consideration, and with that is, of course, Pillar 2. And so, certain incentives that historically, perhaps, were available, such as tax holidays, may not be Pillar 2 compliant, and so you have to look at what kinds of credits and incentives are available in a jurisdiction? How does it meet the company's tax profile? Does it add value as the company's looking at where to locate? And how they access those benefits. Some of the other things we're seeing are things such as carbon taxes. Are increasing in geographies across the world. And for instance, I've had clients that have looked at a jurisdiction, and to learn that in the years after establishing a new location with incentives, that there may be carbon taxes coming in. So then the question is, you know, do you look at to see if there are ways to offset those carbon taxes, with various other incentives? Finally, you know, as tariffs are driving considerations of alternative geographies, local and regional economic development agencies are very aware that this is often occurring, and are looking to capitalize. And so there are increasing number of incentives in some cases.

Designed to try to attract companies but at the same time, there's also a certain level of uncertainty, as Darren mentioned, about whether or not a tariff is going to be in place for a certain amount of time or not. And so that does cause a little bit of hesitation at the same time or, of course, seeing increased protectionism in some cases from certain countries.

That is a factor in all of this as well. Finally, there's some other various regulatory considerations, some of which impact incentives, such as the European Union's Foreign Subsidies Regulation, which requires submission of documentation about subsidies for certain fact patterns as well. So there's a number of factors that go into companies' consideration and the application of credits and incentives that can be valuable, but also need to be understood properly.

**Carrie Falkenhayn:** Yeah, no, thank you for that. Teresa, we will round out with you, and maybe you could share with us how you're seeing tariffs play out as organizations consider their global footprint. In particular, what differences are you seeing amongst industries?

**Theresa Walker:** Sure, thanks for the question, Carrie. So, tariff strategies, what we're seeing, they really vary across companies. They include moving manufacturing back to the U.S., stockpiling inventory, changing sourcing strategies, and reviewing contracts. So, looking at the contract terms to assess pricing, payment terms, and terms of trade. I think it's really important to note that, you know, some industries have more flexibility than others, so some constraints of certain industries may include food companies, where geography limits where certain products can grow, or if a pharmaceutical company is considering bringing manufacturing back to the U.S., considering that the timing for the tech transfer process to happen.

**Carrie Falkenhayn:** All right, thank you, Teresa, for your closing thoughts, and to all our speakers today for sharing your insights on tariffs, supply chain strategy, incentives, as well as locations.

If our audience would like more information, please go to [Deloitte.com](https://www.deloitte.com), you can search on tariffs, you can search on supply chain, you can search on credits and incentives, location strategies. There are a variety of materials that go deeper into these topics. So feel free to go there. Thank you, as always, for joining us, and we hope that you tune in next time. In the meantime, be well, everyone. Take care.

This podcast is produced by Deloitte. The views and opinions expressed by podcast speakers and guests are solely their own and do not reflect the opinions of Deloitte. This podcast provides general information only and is not intended to constitute advice or services of any kind. For additional information about Deloitte, go to [deloitte.com/about](https://www.deloitte.com/about).

### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](https://www.deloitte.com/about) to learn more about our global network of member firms.