

The Potential Impacts of New Tariffs on Florida's Economy

July 2025



INTRODUCTION

Tariffs – taxes paid on foreign made goods, and their effect on the U.S. economy have been the subject of intense discussions of late. In response to foreign trade and economic practices that have created large and persistent trade deficits, President Trump has imposed tariffs on countries with which the U.S. trades. A ten percent tariff has been imposed on all countries, and individual higher, reciprocal tariffs have been imposed on those countries with which the U.S. has the largest trade deficits. Researchers, economists, policymakers, and business owners have analyzed the potential good and the bad that comes along with new trade policies. This commentary aims to inform Florida taxpayers of the possible effect tariffs will have on the state economy, its businesses, and the consumers.

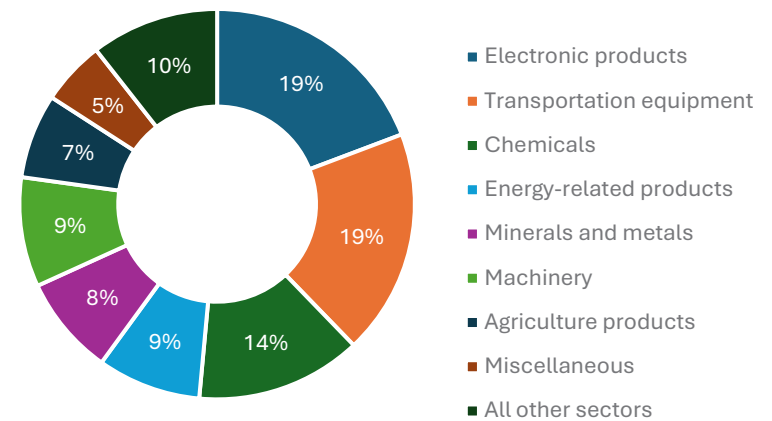
Tariffs are paid when a product is imported into a country. Tariffs increase production costs for the businesses that are importing the product, which can lead to a higher selling price in order to maintain the same profit margin. Countries, such as the U.S., impose higher tariffs with a goal to boost domestic manufacturing and disincentivize foreign goods. The goal is to give a price advantage to domestic goods, shielding the country’s businesses and workers from international competition.

Some of the U.S.’s biggest trade partners impose tariffs on American products sold in their nation. By imposing or threatening to impose significant tariffs on these nations, the U.S. hopes that these countries will reduce or eliminate such tariffs for American products and level the playing field for real fair trade. An ideal payoff for imposing tariffs is increased investment in domestic technology and manufacturing in the long term, wiping out international competition in the domestic markets.

IMPACT ON THE U.S. ECONOMY

While the goal is to level the playing field for U.S. businesses and consumers by eliminating trade disparities, tariffs can have an impact on the national economy, inflation, employment, production pricing, and personal purchasing power. As of 2022, the U.S. was the world’s second largest importer.¹ The U.S. imported goods worth \$3.08 trillion in 2023, shown in Figure 1. The two largest industries for imported goods are electronic products and transportation equipment, suggesting the price increase of these commodities will affect American consumers the most.

FIGURE 1: U.S. IMPORTS BY SECTOR



Source: United States International Trade Commission, 2024²

On April 2nd, 2025, a universal ten percent tariff on all countries was announced by the federal government, with a few countries facing additional reciprocal tariffs of up to 50 percent.³ This means that if a retailer in the U.S. was previously buying a German car for \$40,000, that same car would now cost at least \$44,000. A week after the announcement, due to intense volatility in the bond market, a 90-day suspension on the tariffs was announced, with the exception of a 145 percent tariff on certain Chinese goods.⁴

1 Trading Economics, “United States Imports: Summary,” retrieved from [https://tradingeconomics.com/united-states/imports#:~:text=In%202022%2C%20the%20main%20imports%20were%20consumer.and%20foods%2C%20feeds%20and%20beverages%20\(6%20percent\).&text=For%202024%2C%20imports%20increased%20\\$253.3%20billion%20or%206.6%20to%20\\$42C110%20billion.](https://tradingeconomics.com/united-states/imports#:~:text=In%202022%2C%20the%20main%20imports%20were%20consumer.and%20foods%2C%20feeds%20and%20beverages%20(6%20percent).&text=For%202024%2C%20imports%20increased%20$253.3%20billion%20or%206.6%20to%20$42C110%20billion.), accessed on April 11, 2025.

2 U.S. International Trade Commission, “U.S. Trade by Industry Sectors and Selected Trading Partners 2023,” retrieved from https://www.usitc.gov/research_and_analysis/tradeshifts/2023/us_trade_industry_sectors_and_selected_trading, accessed on April 14, 2025.

3 Penn Wharton Budget Model, “The Economic Effects of President Trump’s Tariffs,” April 2025.

4 Yahoo Finance, “Trump’s tariffs: What they mean for the economy and your wallet,” retrieved from <https://finance.yahoo.com/personal-finance/taxes/article/what-is-a-tariff-194059448.html>, accessed on April 15, 2025.

IMPACT ON U.S. REVENUE

A positive outcome of tariffs is the possible revenue gain for the federal government. The tariff is paid by the importers directly to the federal government. A study by the Tax Foundation and separate study by the Peterson Institute for International Economics analyzed the revenue impact for three scenarios: a universal ten percent tariff on all goods; 15 percent on all goods; and 20 percent on all goods. Both of these studies found that at a conventional level,⁵ a universal tariff of ten percent would increase the U.S. tax revenue by \$2.2 trillion to \$2.4 trillion over the next decade (2025-2034). After considering the macroeconomic effects of tariffs—like reduced imports, decreased business revenues, increased unemployment, lower purchasing power, and retaliation from other economies—the net tax revenue is estimated to increase by \$1.4 trillion to \$1.5 trillion over the next decade.⁶

These calculations do not include the additional reciprocal tariffs imposed on a few countries, if applied after the suspension period. The Penn Wharton Budget Model estimates the revenue increase, counting the additional tariffs on specific countries, to be \$4.5 trillion over the next decade – considering the macroeconomic effects.⁷

IMPACT ON U.S. CONSUMERS

Uncertainty in policy changes often cause consumers to postpone investments and decrease unnecessary consumption. The burden of tariffs is felt by the population at all income levels, with consumer prices increasing and the purchasing power of an individual decreasing. The overall burden of a tax increase is usually split equally between the business and the consumer.⁸

A study by The Budget Lab at Yale University shows that in the long run, consumers will face an overall price increase for imported goods, of 1.7 percent across all individual commodities. The highest distribution of this price increase is expected to be in clothing and textile, with prices increasing by 27 percent and 17 percent, respectively. Food prices and fresh produce prices are expected to increase by three percent and 3.9 percent in the long run.⁹ The tariffs are expected to cost a median household in the U.S. \$22,000 to \$37,000 over the next decade when calculating a conservative estimate.¹⁰ These increased costs may be offset to some degree by those countries that lower the tariffs they are imposing on the U.S.

An important component in the amount of consumer spending is consumer sentiment. Consumer sentiment is how consumers feel about their current financial situation and what they expect from the economy in the coming year. A higher index means the consumers are confident, whereas a lower index indicates pessimism towards the economy. The national consumer survey by the University of Michigan showed consumer sentiment rising for the first time in six months. Despite the rise, consumer sentiment is still 18 percent lower than December 2024.¹¹ Analysts believe this comes among growing concerns about increased inflation due to higher tariffs.¹²

5 Conventional level here refers to the impact of tariffs before any other macroeconomic shifts or retaliation tariffs from other countries.

6 PIIE, “The US Revenue Implications of President Trump’s 2025 Tariffs,” April 2025. See also, Tax Foundation, “How Much Revenue Can Tariffs Really Raise for the Federal Government?,” April 2025.

7 Supra, see footnote 3.

8 Capital Group, “Understanding tariffs in 5 charts,” retrieved from <https://www.capitalgroup.com/individual/insights/articles/understanding-tariffs-5-charts.html>, accessed on April 11, 2025.

9 The Budget Lab – Yale University, “The Fiscal and Economic Effects of the Revised April 9 Tariffs,” retrieved from <https://budgetlab.yale.edu/research/fiscal-and-economic-effects-revised-april-9-tariffs>, accessed on April 15, 2025.

10 Supra, see footnote 3. See also The Budget Lab – Yale University, “The Fiscal and Economic Effects of the Revised April 9 Tariffs,” retrieved from <https://budgetlab.yale.edu/research/fiscal-and-economic-effects-revised-april-9-tariffs>, accessed on April 15, 2025.

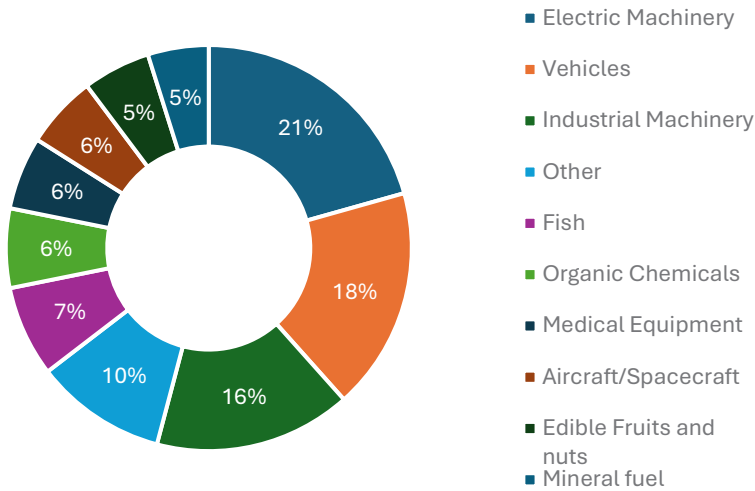
11 University of Michigan, “Surveys of Consumers: Final Results for June 2025,” retrieved from <https://www.sca.isr.umich.edu/>, accessed on July 1, 2025.

12 CNN, “US consumer sentiment plummets to second-lowest level on records going back to 1952,” retrieved from <https://www.cnn.com/2025/04/11/economy/us-consumer-sentiment-april/index.html>, accessed on April 17, 2025.

IMPACT ON FLORIDA’S ECONOMY

Florida is the tenth largest importer in the U.S., with a total import value of \$117 billion in 2024.¹³ The largest portion of imports are made in the vehicle, electronic, and industrial industries. Figure 2 shows the ten largest importing industries in Florida.

FIGURE 2: TOP 10 IMPORT INDUSTRIES IN FLORIDA



Source: *Select Florida*¹⁴

In January 2025, Florida exported goods worth \$6.1 billion and imported goods worth around \$10 billion.¹⁵ Countries like Canada, Brazil, Mexico and China have been long-term partners for Florida in both import and export activities. After the U.S. announced its new tariffs, Canada and China have announced reciprocal tariffs which will negatively impact Florida’s economy.

IMPACT ON FLORIDA BUSINESSES

The construction industry, although not in the top ten industries of the state’s total imports, relies heavily on imports. According to a study by the National Association of Home Builders, 75 percent of the imported lumber used for construction comes from Canada, and a crucial component of drywall—gypsum—comes from Mexico. When these materials get hit with tariffs, costs in the construction industry are expected to increase by more than \$3 billion.¹⁶ Developers in South Florida are scrambling to lock in costs before the tariffs hit and find new alternatives for raw materials. As demand for domestic products increases, their prices will also increase, which ultimately raises the cost of production.

Florida is home to more than 850 franchised car dealerships but does not have even one large-scale automobile manufacturing plant.¹⁷ With a 25 percent tariff (if suspension is lifted), the cost of one car for the domestic producers is expected to increase by at least 15 percent.¹⁸ As of present, there is no such thing as an all-American car—those built in domestic factories use a significant number of imported parts.

As a warm and coastal state, Florida’s agriculture and fisheries industry is well-known around the world. As shown in Figure 2, one of the top ten import industries in Florida is seafood, due to high local demand. As of 2023, Florida imported seafood worth \$3 billion.¹⁹ While it is uncertain how much of this stays within Florida, it does add to the local supply. In the same manner, Florida exported seafood products amounting to \$440 million.²⁰

Florida’s already struggling citrus industry²¹ will also bear the effects of the new tariffs. A large portion of Florida’s orange juice production is exported to Canada; however, the reciprocal tariffs Canada placed on U.S. imports are likely to negatively impact Florida’s citrus industry.²² This can reduce the demand for Florida’s orange juice outside of the U.S. and affect state revenue.

¹³ OEC, “US: Florida,” retrieved from https://oec.world/en/profile/subnational_usa/florida, accessed on April 21, 2025.

¹⁴ Select Florida, “2023 Annual Report on Florida-Origin Exports & Florida-Destination Imports,” March 2024.

¹⁵ OEC, “US: Florida,” retrieved from https://oec.world/en/profile/subnational_usa/florida, accessed on April 21, 2025.

¹⁶ News-Press, “Preparing for tariffs in Southwest Florida construction market. Pricing, delay concerns,” retrieved from <https://www.news-press.com/story/money/2025/04/17/industries-sort-through-clap-on-clap-off-handling-tariffs-costs-sw-florida-swfl-housing-prices-trump/83121159007/>, accessed on April 21, 2025.

¹⁷ Alligator, “Looming trade war spooks Florida businesses, consumers,” retrieved from <https://www.alligator.org/article/2025/04/florida-faces-trump-administration-tariffs>, accessed on April 18, 2025.

¹⁸ CNN, “Car prices will surge by thousands of dollars because of Trump’s tariffs. It’ll happen before you expect it,” retrieved from <https://www.cnn.com/2025/03/27/cars/auto-tariffs-car-prices-impact-hnk-intl/index.html>, accessed on April 18, 2025.

¹⁹ Select Florida, “2023 Annual Report on Florida-Origin Exports & Florida-Destination Imports,” March 2024.

²⁰ FDAC, “Florida Seafood and Aquaculture Overview and Statistics,” retrieved from <https://www.fdacs.gov/Agriculture-Industry/Florida-Seafood-and-Aquaculture-Overview-and-Statistics>, accessed on May 8, 2025.

²¹ Florida TaxWatch, “The Continuing Decline of Florida’s Citrus Industry,” December 2024.

²² Food & Wine, “Disease, Hurricane, and Trump’s Tariffs Are to Blame for Orange Juice Getting Way More Expensive,” retrieved from <https://www.foodandwine.com/increased-orange-juice-prices-climate-change-trump-tariffs-11691016>, accessed on April 22, 2025.

IMPACT ON FLORIDA CONSUMERS

As the cost of production goes up for almost all commodities, the burden of this increase will fall on Florida consumers. Higher construction costs can increase the price of a typical house built by Florida developers by \$10,000.²³ A median home sale price in Florida was more than \$400,000 as of February 2025. Already facing a housing shortage, consumers in Florida will likely face even more difficulty accessing affordable housing.

An increase in the cost of production in the automobile industry will lead to an increase in the price of a car, by at least \$6,000 - \$7,000, for consumers.²⁴ Florida ranks fifth among the U.S. in grocery costs—amounting to an average of \$287.27 per week.²⁵ Fresh produce and fruits and nuts is one of the top ten industries for Florida imports. An average Floridian's weekly grocery bill is expected to increase by 10 to 15 percent as a result of imposed tariffs. The effects of higher tariffs will be seen on every level, from home appliances to clothing and shoes, auto and home insurance, and even vacation costs.

Consumer sentiment in Florida follows the national trend. In June 2025, the consumer sentiment index in Florida grew for the second time, after three months of decline in the beginning of the year. In March, consumer sentiment dropped by 6.6 points, and a further 1.8 points in April. In May, the consumer sentiment increased by 3.7 points, with another 3.1 point increase in June. Of the five components that make up the index—opinion on current economic conditions, future economic conditions, current spending intentions, future spending intentions, and current personal financial situation—all improved in June.²⁶ This change in sentiment may be a result of factors like the easing of trade tensions between the U.S. and other countries, and a relatively stable stock market.

WRAP-UP

While the tariffs aim to protect domestic industries and boost capital investment in the long-term, they pose significant risks to the broader economy in the short-term. The new tariffs will likely exert pressure on Florida's economy as consumers face higher prices, small businesses encounter increased operational costs, unemployment rises, and overall economic growth slows down.

At present, the inflation rate and unemployment rates have not seen an increase, the labor market and the interest rate established by the Federal Reserve have been steady as of April 2025. Since the tariffs were announced, there has been a temporary suspension on most tariff increases, and negotiations regarding the reciprocal tariffs imposed to the U.S. are ongoing. This uncertainty is what is reflected in the national, as well as state level consumer sentiment. While some industries may see short-term gains, the broader economic outlook remains uncertain. The changing consumer sentiment indicates that Floridians are being cautious about the long-term implications of these trade policies. As the situation develops, it will be crucial to monitor these trends to assess the full impact on Florida's economic landscape.

²³ News-Press, "Preparing for tariffs in Southwest Florida construction market. Pricing, delay concerns," retrieved from <https://www.news-press.com/story/money/2025/04/17/industries-sort-through-clap-on-clap-off-handling-tariffs-costs-sw-florida-swfl-housing-prices-trump/83121159007/>, accessed on April 21, 2025.

²⁴ Supra, see footnote 18.

²⁵ The Hill, "Study finds these states spend the most on groceries in America," retrieved from <https://thehill.com/changing-america/respect/poverty/4408043-study-finds-these-states-spend-the-most-on-groceries-in-america/>, accessed on April 21, 2025.

²⁶ UF Survey Research Center, "Florida Consumer Sentiment Index - June 2025," July

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