



The Pink Tax Really is a Tax:

An Analysis of Gender-based Tariff Differences

**a presentation to the
D/FW Association for Business Economics**

by

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What is the Pink Tax?

- Private suppliers price discriminate based on the sex of the intended consumer







What is the Pink Tax?

- Private suppliers price discriminate based on the sex of the intended consumer
- Tariffs discriminate based on the sex of the intended consumer

The Takeaway

Policy Brief from the Mosbacher Institute for Trade, Economics, and Public Policy

Fairer Trade

Removing Gender Bias in US Import Taxes

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There are many inequities in US tariff policy. Products imported from certain countries enter duty free, while nearly identical products from other countries are heavily taxed. Tariffs on agricultural products are systematically higher than those on manufactured goods. Tariffs on some categories of manufactured goods—such as shoes or cotton shirts—depend on the gender of the intended consumer. Some of these tariff differences have a rational basis in the policy interests of the United States. However, differential taxation of apparel based on gender cannot be defended and should be abolished.

In May 2014, the US Supreme Court refused to hear appeals from importers *Ralph Rucci Shoes Inc.* and *Forever 21 Inc.*, thereby blocking their attempts to challenge an earlier ruling

by the Court of International Trade. The importers had argued before the Court of International Trade that US Federal Government tariffs on apparel and footwear were discriminatory since



WHAT'S THE TAKEAWAY?

Tariff rates on many articles of apparel and footwear are based on the gender of the intended user.

On average the tariffs paid on goods for women are higher than those for men.

Tariffs harm American consumers.

The best solution to these discriminatory tariffs would be to eliminate tariffs on apparel and footwear altogether.

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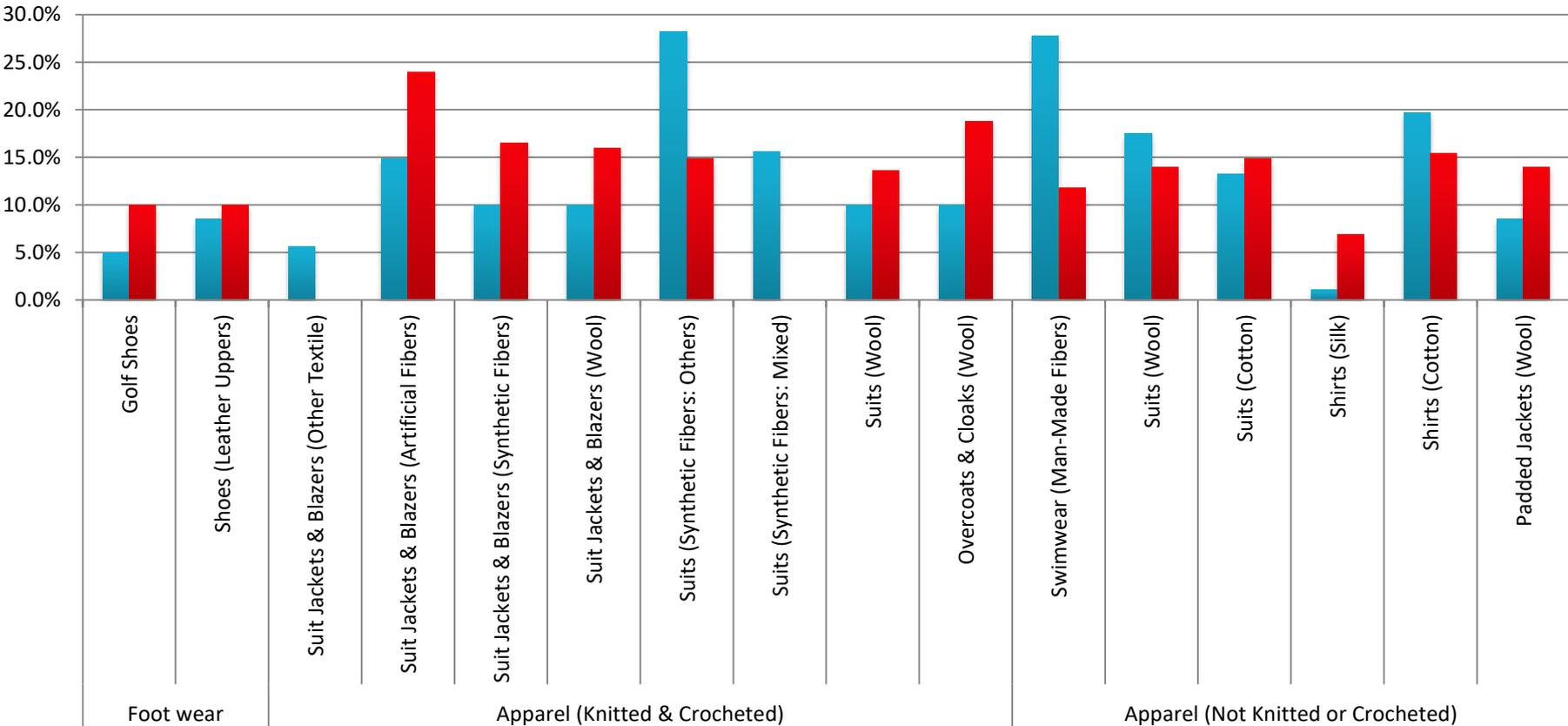
Gender-Classified Imports

- Gender-classified imports are those where the sex of the intended consumer was explicitly part of the product description
- Gender-classified goods do not include items commonly worn by only one sex (such as brassieres or bow ties) because sex is not part of the product description

Examples of Gender-Classified Imports

Article Description	Harmonized Tariff Code
Golf shoes with leather uppers for men, youths and boys	6403.19.10
Golf shoes with leather uppers for other persons	6403.19.50
Men's or boys' suit-type jackets and blazers of wool or fine animal hair	6103.31.00
Women's or girls' suit-type jackets and blazers of wool or fine animal hair	6104.31.00
Men's or boys' shirts of cotton	6205.20.20
Women's or girls' blouses, shirts and shirt-blouses of cotton	6206.30.30

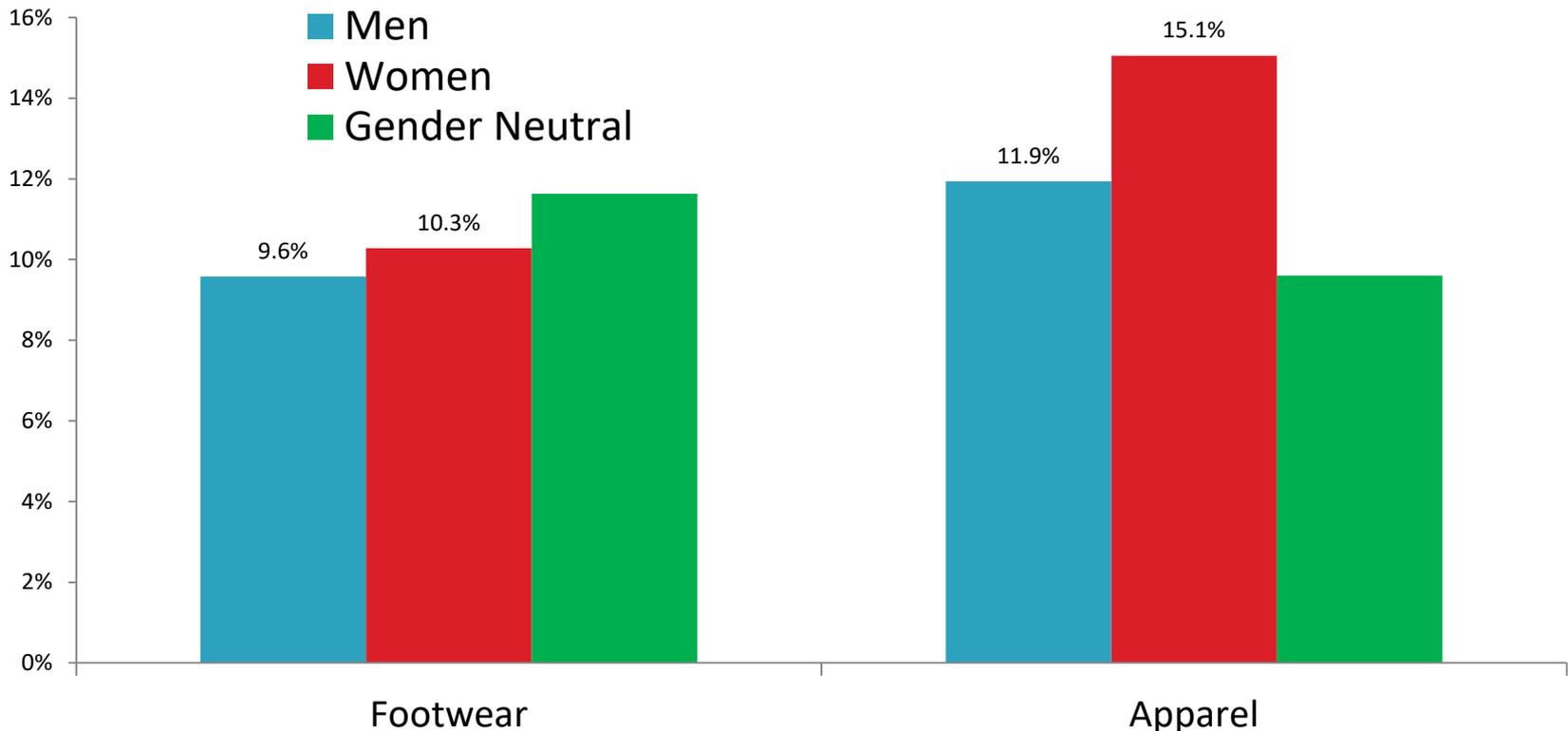
Selected Tariff Differentials



Our Methodology

- Using 2014 trade data from the US International Trade Commission (USITD), we classified all apparel and footwear imports as male, female or neutral
 - Only 14% of US apparel imports and 21% of US footwear imports were gender neutral

Average Tariff Rates by Type



Our Methodology (part 2)

- We identified all the gender-matched pairs of product codes
- We calculated effective tariff rates by product, sex and country as duties paid/custom values
- Country-by-country, we calculated the expected tariff revenue loss in each gender-matched pair if the effective tariff rate were set at the lower of the male or female rates
 - Static analysis: quantities held constant

Economic Impact

- In 2014, buyers of imported clothing and footwear paid at least \$330 million more in taxes than they would have paid had there been no gender-based tariff differentials
- Actual burden of the tariff differentials even greater

Possible Solution: Eliminate Tariffs on Apparel and Footwear Altogether

- Fewer than 160,000 jobs in apparel and footwear manufacturing nationwide
- Tariff revenues ~ \$14 billion per year
- \$87,000 in taxes annually for each job in the apparel and footwear manufacturing industries

Alternatives to Eliminating Tariffs

- Eliminate the gender-classification of imports from the harmonized tariff schedules
- Scrub the tariff code to eliminate tariff differentials by gender
- Allow importers to pay the lower of the two tariff rates whenever they diverge

We Can't Rely on the Courts for a Cure

- Tariff differences by sex have been challenged repeatedly in court
- Most recently, the Court of International Trade dismissed the plaintiff's case, ruling that lawmakers did not have discriminatory intent
- In May 2014 the US Supreme Court refused to hear an appeal

Conclusions

- US tariffs on apparel and footwear differ by gender
- The courts may have concluded that Congress had no discriminatory intent, but there is little doubt that gender-based tariffs have discriminatory impact
- Gender-based tariffs cannot be defended and should be abolished

Questions or Comments

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