

Auto tariffs have been generating headlines since early 2025, but most of the coverage focuses on what they mean for new car buyers at the dealership. That framing misses half the story. The same tariff pressure reshaping sticker prices on new vehicles is quietly changing what your current car is worth for insurance purposes, appraisals, and resale. If you own a vehicle right now, whether you are in the middle of a claim, planning to sell, or just trying to understand what a fair settlement looks like, the tariff situation in 2026 is directly relevant to you.

What the Tariffs Actually Did to New Car Prices

In 2025, the Trump administration imposed a 25% tariff on passenger vehicles and light trucks built outside the United States, along with separate tariffs on imported auto parts that took effect in May 2025. The stated goal was to incentivize domestic manufacturing. The measurable result: the automotive industry absorbed an estimated \$30 billion in additional costs in the first year alone.

Not all of that was passed to consumers immediately. Manufacturers absorbed what they could while using destination fees and reduced incentives to quietly recover margin. But by early 2026, the math caught up. Industry data shows new car list prices have risen roughly 10.4% year over year, though consumers are paying closer to 5.9% more at the transaction level because dealers have been absorbing some of the gap through competitive pressure. That still translates to an average increase of \$1,600 to \$2,000 on U.S.-assembled vehicles and \$5,000 to \$8,900 on imported models.

Key point: *Tariffs on new cars do not directly add value to the vehicle. They add cost to the transaction. The distinction matters enormously when the subject turns to appraisals, insurance, and resale.*

How New Car Prices Flow Into Used Car Values

Here is where tariffs start affecting drivers who have no intention of buying anything new. When new car prices rise sharply, the used car market does not stay put. Buyers who are priced out of new inventory shift demand toward used vehicles, which tightens supply and pushes used prices upward. This pattern already played out during the pandemic-era inventory shortage, and a version of it is repeating now.

The shift is already visible in buyer behavior. Search activity for used vehicles has surged as concerns about new car affordability grow. Entry-level buyers in particular are being pushed structurally into the used market because no manufacturer is currently investing in a domestically assembled vehicle priced to fill the affordability gap that tariffs have created.

The result is upward pressure on used car values in specific segments, particularly for domestic vehicles and models with significant U.S. assembly content, where the tariff markup on their new counterparts is most visible.

What This Means for Insurance Claims and Appraisals

Actual Cash Value, or ACV, is the number your insurer uses to calculate your total loss settlement. It is based on what your vehicle was worth in the current market at the moment before the accident. When used car values shift, ACV shifts with them. This creates two distinct scenarios depending on how your specific vehicle sits in the tariff landscape.

Scenario 1: Your Vehicle's Value Has Increased

If you drive a domestic model or a vehicle whose new counterpart has seen a significant tariff-driven price increase, used examples of that same vehicle may be commanding more in the market. If your insurer's valuation does not reflect this shift, your settlement could be lower than what the current market would actually support. **Getting a higher ACV from insurance** always starts with understanding whether the comparables your insurer is using actually reflect current market conditions.

Scenario 2: Value Being Suppressed by Softening Retail Demand

Not all vehicles benefit from tariff pressure. Higher new car prices also reduce overall transaction volume as some buyers simply delay purchases. When the total number of vehicles changing hands drops, certain segments see softer pricing. An insurer using outdated or broadly averaged data may be applying a market correction that does not accurately reflect your specific vehicle's segment. This is one of the core problems documented in our analysis of **the growing gap between real market prices and insurance valuations in 2026**.

The Repair Cost Problem: Tariffs on Parts

The tariff impact on your vehicle does not stop at resale value. Parts tariffs that took effect in May 2025 on components imported primarily from Mexico and Canada are driving up the cost of collision repairs. Most repair parts used in U.S. auto body shops are imported. A 25% tariff on those components inflates repair estimates, and inflated repair estimates have two consequences that affect vehicle owners directly.

Impact Area	What Changes	Effect on Vehicle Owner
Repair costs	Imported parts cost more due to tariffs	Higher out-of-pocket exposure on partial losses
Total loss threshold	Higher repair costs push more vehicles past the total loss threshold	More vehicles declared total losses than in prior years
Insurance premiums	Insurers pass higher claim costs to policyholders	Broader coverage now costs significantly more
Diminished value	More documented structural repairs mean bigger structural losses	Stronger basis for DV claims on repaired vehicles
Settlement talks	Insurers face higher costs, may tighten ACV offers	Independent appraisals become more valuable as counterweights

The total loss threshold shift deserves particular attention. When repair costs rise across the board, the dollar threshold at which a vehicle is declared a total loss is crossed more frequently. If your ACV calculation is inaccurate when that happens, you absorb that shortfall. Understanding **why repair estimates often miss the real financial impact** is a necessary starting point before engaging with an adjuster.

The Diminished Value Angle

Tariffs affect diminished value claims in a way that most drivers and even most adjusters have not fully processed. When repair costs rise, repair scopes on partial losses tend to become more compressed. Shops are under pressure to minimize labor and parts costs, which can mean repairs that look complete on the surface but leave underlying issues that reduce the vehicle's market value.

A thorough repair using OEM parts is expensive. When tariffs make those parts more costly, there is financial pressure throughout the repair supply chain to substitute or abbreviate. Any compromise in repair quality is reflected in the vehicle's resale value, and that delta is exactly what a diminished value claim is designed to recover. Our guide on [how to document diminished value](#) covers what to capture before and after repairs to build the strongest possible record.

There is also the broader market signal: when new car prices rise due to tariffs, buyers become more price-sensitive. A vehicle with accident history that was already being discounted at resale will face a more aggressive discount in a market where every dollar matters more. Our data on [diminished value loss by vehicle segment in 2026](#) shows how this plays out across different categories.

What to Do If You Have an Open Claim Right Now

The tariff environment makes it more important than ever to verify that your insurance company's valuation reflects what is actually happening in the market, not what was happening six or twelve months ago. Valuation systems used by insurers, including CCC One and Mitchell, update on a lag. Market movements driven by tariff pressure can outpace those updates, creating gaps between what the system says your car is worth and what a buyer would actually pay for it today.

- **Request the full comparable vehicle report from your insurer.** Look at every vehicle used to establish your ACV and check whether those comparables reflect the current market in your region.
- **Look for evidence of tariff-driven value shifts in your segment.** If your vehicle's new equivalent has seen a significant price increase, used examples may be selling at a premium that the insurer's data has not captured.
- **Document repair costs before and after the tariff timeline.** If your vehicle was repaired in 2025 or 2026, the cost of parts and labor will reflect the tariff environment. That documentation supports both a fair ACV conversation and any diminished value claim.
- **Get an independent appraisal if the numbers do not add up.** This is the only way to put a defensible, market-grounded number on the table. Our overview of [insurance claim FAQs covering appraisals, diminished value, and total loss](#) explains the process in plain terms.

Not Sure What Your Vehicle Is Worth in This Market?

Tariffs are reshaping values across every segment. An independent appraisal from Appraisal Engine gives you a certified, market-grounded number you can actually use in a claim or negotiation.

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Frequently Asked Questions

Do auto tariffs directly increase my car's insurance payout if it is totaled?

Not automatically. Tariffs do not add value to your vehicle. What they can do is drive up used car prices in specific segments by reducing new car affordability and shifting demand toward the used market. If your vehicle's segment has seen real market price increases, that should be reflected in your ACV calculation. If it is not, you have grounds to challenge the offer with documented comparables or an independent appraisal.

Why are repair costs going up, and does that affect my claim?

Parts tariffs that took effect in May 2025 apply to most imported components used in U.S. collision repairs. Since the majority of repair parts come from Mexico, Canada, and overseas suppliers, the cost of labor and materials on standard repairs has increased. Higher repair costs mean more vehicles are being pushed past the total loss threshold, and they create more pressure on partial loss claims where the out-of-pocket exposure for the vehicle owner increases.

How do tariffs affect my diminished value claim?

In two ways. First, higher parts costs create financial pressure on repair quality throughout the supply chain, which can result in repairs that are less thorough than they should be, amplifying the value loss at resale. Second, in a market where buyers are more price-sensitive due to higher new car costs, the discount applied to a vehicle with accident history tends to be more aggressive. Both factors can support a larger diminished value recovery when documented properly.

Can I dispute my insurer's ACV if I believe tariffs have increased my vehicle's market value?

Yes. If you have evidence that comparable vehicles in your market are selling for more than what the insurer's valuation reflects, you can dispute the offer. The strongest basis for that dispute is an independent professional appraisal supported by current comparable sales data from your region. Generic online estimates are not sufficient because they often lag real market movements and do not account for regional variation.

Are all vehicles affected equally by tariffs?

No. Imported vehicles have seen the largest price increases, estimated at \$5,000 to \$8,900 per vehicle based on industry tracking of 2025-2026 transaction data. Domestically assembled vehicles have seen smaller but still significant increases of \$1,600 to \$2,000. The used market response varies by segment, with strong-demand vehicles and models without domestic substitutes seeing the sharpest value appreciation. Lower-demand and high-inventory segments are less affected.