



Proposals to eliminate duty-free imports are akin to levying new taxes on Americans

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Cyber Monday is the biggest online-shopping day of the year. In 2022, Americans spent \$11 billion on Cyber Monday alone. But a number of new proposals seeking to restrict trade could increase price tags, limiting the bargains of those Cyber Monday deals.

While Cyber Monday and holiday sales in general provide consumers with substantial discounts, processing packages requires sophisticated and efficient logistics, especially at U.S. ports. Millions of shipments enter America's ports every day, and processing these shipments is onerous as U.S. Customs and Border Protection (CBP) must both review extensive paperwork and handle inspections to ensure imports comply with U.S. law.

To reduce the burden of processing imported packages, most countries have a "de minimis" threshold — a set value that one person can import per day free from customs duties and taxes.

The U.S. has the highest de minimis threshold in the world, allowing American consumers and businesses to purchase goods from abroad valued at up to \$800 without needing to pay any duties or taxes. Put differently, the de minimis threshold frees up resources for CBP as it reduces red tape and the time spent dealing with customs duties and sales taxes.

Somehow, the de minimis threshold has become part of the protectionist narrative. Opponents claim it is a “loophole” in U.S. customs law. They argue it permits small, low-value packages to enter the U.S. without inspection, allowing illegal drugs like fentanyl, counterfeit goods, and products made with forced labor to sneak into the country with ease and no consequence.

However, these claims are unsubstantiated. There is no evidence that these products are more prevalent in de minimis shipments than larger, non-de minimis shipments.

The de minimis threshold is simply a revenue policy. In 2016, Congress raised the threshold from \$200 to \$800 so that CBP could focus resources on imports that generate more tariff revenue.

More importantly, the de minimis threshold does not exclude shipments from U.S. laws or information requirements, including inspections. In fact, CBP screens all parcels with technological equipment to detect illegal and dangerous merchandise. CBP even provides publicly available data on the types of seizures made on de minimis shipments, including narcotic seizures, which covers fentanyl.

Yet, some policymakers are trying to capitalize on the false claims that de minimis is a loophole supporting illegal trade.

One proposal seeks to amend de minimis by lowering thresholds on a reciprocal basis, meaning the U.S. threshold should match that of trading partners. But it is important to remember that people trade, not countries or their governments, and Americans trade with more than 150 countries. When paying tariffs, traders need to use an already nightmarish document — the U.S. tariff schedule. De minimis saves many American businesses and consumers from needing to navigate this complex document.

Reducing the de minimis threshold is akin to imposing a new tax on Americans and could have the unintended consequence of incentivizing customs duty circumvention. Moreover, trying to match other countries’ bad policy is simply foolish.

Other proposals seek to scale back or eliminate de minimis to punish adversaries. Doing so would require more CBP resources. The National Foreign Trade Council (NFTC) estimates that without de minimis, CBP would need 22,000 additional personnel, costing the agency — and thereby taxpayers — millions.

Enforcing U.S. law against illicit trade, counterfeits, and products made with forced labor are legitimate policy concerns. As previously noted, CBP already uses surveillance equipment to detect narcotics and other illegal merchandise in de minimis shipments as well as all other imports. Private couriers also use sophisticated equipment to detect and ban illegal packages. So, it's unlikely a lower threshold would provide any marginal benefit. Congress would do better to address actual enforcement gaps, for example by providing CBP with resources to modernize through machine learning, artificial intelligence, or other technologies that could help identify illicit activity.

The intention of de minimis is explicitly to lessen the administrative burden, thus amendments to reduce the scope of de minimis would simply be punitive. Americans would incur more paperwork costs and brokerage fees. The NFTC calculates that without de minimis, a \$50 package would require about \$27 in paperwork, a brokerage fee of \$20, plus tariffs and taxes. Therefore, without de minimis, a \$50 package could cost almost \$100. These costs will be added to prices paid by American consumers and businesses, impacting low-income households and small business most.

International trade exposes small businesses to more products at different prices. On the flip side, it also provides more access for their exports. Since small businesses do not need to import in bulk to manufacture their products, de minimis provides them with rapid border clearance and lower logistics costs, and their customers with faster and cheaper goods.

As you enjoy those Cyber Monday deals, keep de minimis in mind. Channel the Thanksgiving spirit for the U.S.'s de minimis threshold, which provides you the freedom to order from almost anywhere in the world at a lower cost and gives small businesses more choice for their inputs to keep American exports competitive.

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