

## An Unfair Playing Field – Outlining the U.S. De Minimis Laws

The Trade Facilitation and Enforcement Act of 2015 is a law that raised the De Minimis shipment value in the United States from \$200 to \$800 per transaction. This means that importers can bring their merchandise into the United States from a foreign country, without having to pay taxes, or follow the standard regulations and relevant customs duties that every other importer must do, as long as it is valued under \$800. I strongly believe that a change is necessary to these current rules and that the shipment value should be lowered significantly because of the negative impacts to our economy and to U.S. citizens.

The first and arguably greatest loss that America's economy has taken since raising the limit to \$800, is the negative impact to our trade deficit and the amount of customs duties that has been lost directly in the U.S. economy. In 2021, the estimated amount of De Minimis imports was totaled at \$128 billion, meaning the true trade deficit of the U.S. was actually 15% higher than originally forecasted from \$8.5 billion to close to \$1 trillion (Ferry, 2022). This data that is calculated at the end of each year is being heavily misconstrued because of just how many imports are coming into the United States unregulated because of the high value of the De Minimis law. This is ultimately bad for the economy as a higher trade deficit means the average income for domestic workers will decrease and it will directly impact the country's savings and debt. All of these imports coming in under the \$800 limit means the government is losing out on millions of dollars every day. For example, the U.S. Treasury can lose up to \$200 in duties on every singular import transaction, which adds up each year to an insurmountable loss (Stumo, 2021). With more and more cheap imports being purchased via e-commerce, this financial gap will continue to grow and worsen.

Another very important reason why the De Minimis limit needs to be lowered is that it allows products to be imported and distributed throughout the United States that may be potentially unsafe, not reputable, and even illegal. Due to the higher value of the De Minimis limit, so many more shipments are coming into the country, and circumventing important U.S. Customs and other government agencies (OGA) regulations which could be a dangerous thing for the security and safety of American consumers. The change in this law was not supposed to allow these goods that may not be commercially viable if they are over \$800 to bypass these regulations and enter the commerce of the United States. Due to this increase, large American corporations such as Amazon and Walmart take advantage of the De Minimis limit being so high to import their products without following the normal customs regulations, which causes a lot of damage to our brick-and-mortar retailers within our country. For example, a certain item imported that may have 25% duties and another 25% in Trump tariffs, are imported without duties if they are under \$800. There are ultimately too many reasons that negatively impact the United States' economy and welfare of its citizens.

Lastly, the change in this law hurts the United States because of the exploitation of its original intent. Initially, the De Minimis limit was set at \$200 so that Americans coming back from vacation overseas could bring home gifts and souvenirs without having to pay any fees. For reference, the United States De Minimis limit seems astronomical in comparison to other countries, as the limit of \$800 is the highest in the world by a considerable amount, as it still was in 2015 when it was \$200. In equivalence to the U.S. dollar, China's De Minimis limit is \$8, Mexico's is \$50, Canada's is \$158, and the European limit is \$170 (Ferry, 2022). The question of reciprocity also comes into play as the United States conducts business with all of these other countries, yet allows a much higher leeway for their importation of products than these nations give to us. It is

incredibly difficult for the U.S. economy to prosper and compete with other nations' economies when they allow for these cheap products to be imported along with giving big corporations an easy loophole to bypass regulations and save an enormous amount of money when importing their products. This directly forces American retailers with little to no e-commerce presence to compete against these importers who do not have to follow the same customs regulations and pay the same taxes and fees as them.

The playing field for trading with other countries is not equal, as seen with the \$792 gap in the De Minimis limit between importing into the United States versus importing into China. There appears to be no advantages or incentives for the U.S. to have this number so high, and it is only hurting our national trade deficit even more. If the United States is serious about stabilizing its economy while allowing their consumers to purchase products safely and reputably, we must lower the De Minimis limit from \$800 back down to \$200 or even lower.

## Sources

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