

# FACTS: The De Minimis Tax Exemption



## A BIPARTISAN LAW THAT AMERICANS RELY ON:

The de minimis tax exemption permits shipments valued under \$800 (per person, per day) to enter the U.S. free of duty and taxes. These shipments are subject to U.S. laws and information requirements that promote effective enforcement. Congress reaffirmed and expanded this long-standing tax exemption on a bipartisan basis in 2016.

## WHY CONGRESS SUPPORTS THE DE MINIMIS TAX EXEMPTION:



### IT REDUCES COSTS FOR AMERICAN SMALL BUSINESSES & CONSUMERS:

Particularly as more American small businesses rely on e-commerce to launch and grow, the de minimis tax exemption provides access to inputs for small businesses seeking to sell their products. The savings these businesses gain are passed on to consumers and allow businesses to hire and expand.



### IT DELIVERS FOR LOW-INCOME AND UNDERSERVED COMMUNITIES:

If you live in a community without nearby access to retail, the de minimis tax exemption provides access to affordable goods. According to the Centre for Economic Policy Research, the tax exemption disproportionately benefits low-income households and African American and Hispanic families.



### IT REDUCES INFLATIONARY PRESSURE AND SUPPLY CHAIN DELAYS:

The de minimis tax exemption allows goods to be shipped quickly and affordably, while cutting taxes and reducing red tape for small businesses. Coming out of the pandemic, the last thing America's small businesses need is higher taxes and more unnecessary obstacles to overcome.



### IT ALLOWS CBP TO CONCENTRATE LIMITED RESOURCES:

Without de minimis, CBP would need to hire and train an estimated 22,000 additional personnel, costing the agency millions. This would shift the CBP's attention away from the overburdened southern border to other facilities where de minimis shipments are more prevalent such as the Port of LA.



## ELIMINATING DE MINIMIS COULD DOUBLE COSTS FOR AMERICAN SMALL BUSINESSES & CONSUMERS:

### WITH DE MINIMIS



### WITHOUT DE MINIMIS



## PROMOTING EFFECTIVE ENFORCEMENT:

U.S. Customs and Border Protection (CBP) has confirmed that it screens low-value shipments just as they would screen higher value entries coming through other modes. These shipments are subject to screening and review by over fifty federal agencies enforcing over 500 U.S. laws.

Today, CBP and other federal agencies receive data related to de minimis shipments before they depart for the U.S. and further information prior to arrival in the U.S. Information available to the government related to low-value shipments has steadily increased, particularly through CBP's 321 Data Pilot and Entry Type 86 Test programs.

## INFORMATION CBP RECEIVES ON DE MINIMIS SHIPMENTS:

- ✓ Person shipping and address
- ✓ Value
- ✓ Initial recipient name & address
- ✓ Final recipient name and address
- ✓ Weight
- ✓ Transportation information (including carrier & flight number)
- ✓ Postal charges/fees
- ✓ Certificate number
- ✓ License number
- ✓ Invoice number
- ✓ Detailed description of goods
- ✓ Airport of origin and arrival
- ✓ Value and currency
- ✓ Country of origin
- ✓ Airway bill number
- ✓ Flight number
- ✓ Quantity

## HOW CONGRESS CAN IMPROVE DE MINIMIS WITHOUT HURTING BUSINESSES & CONSUMERS

- 1** Enhance the current de minimis policy by improving CBP capabilities to scale effective enforcement based on better information while preserving the economic benefits of de minimis treatment. Expand the Type 86 Entry test and 321 Data pilot in a way that addresses well-defined gaps and encourages regular examination of how these programs are promoting compliant trade.
- 2** Ensure policy is addressing actual enforcement gaps. Conduct ongoing, statistically significant **compliance measurement** across all types of shipments, allowing the government and industry to focus their efforts on creative solutions to well-defined challenges.
- 3** Promote smarter enforcement. Apply **machine learning, artificial intelligence and other technologies** to better identify illicit activity. Responsible businesses are already using this technology that would be a force multiplier for government. The effective use of technology provides scalable solutions to address the increased volume and scope of goods arriving in the U.S.

