



The Daily Dish

The De Minimis Rule

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There's a joke in here somewhere about no issue being too small for AAF to study, but let's just skip it and cut to the chase: AAF's Jacob Jensen has a new [insight](#) on the consequences of eliminating the *de minimis* rule, a U.S. trade practice that allows imports valued below \$800 to enter the United States free from tariffs and added fees. Eliminating *de minimis* would be a bad idea.

The *de minimis* policy dates to the 1930s and as recently as 2016 was raised from \$200 to \$800. As you might suspect, this makes sense because the cost of administering duties on these small-dollar imports is greater than the duties that would be collected. Moreover, not collecting duties does not mean they are not scrutinized. Shipments are screened by Customs and Border Protection and a manifest must record key data points, such as package value, the recipient's name, addresses, product descriptions, and carrier information.

Other countries typically have smaller (or no) *de minimis* thresholds, with the result that U.S. exports to other countries are subject to duties even when comparable U.S. imports from other countries are not. This has fed the call to eliminate the provision.

As Jensen outlines, doing so has consequences. It would result in "between \$8 billion and \$30 billion in additional annual costs for consumers and taxpayers." It turns out that this would function as a 14 to 55 percent import tax on more than 1 billion *de minimis* shipments valued at \$54 billion. It would also raise prices: "... *de minimis* encourages importers and producers to lower prices below the threshold to save on fees, paperwork, and tariffs, which adds to consumer savings," Jensen notes. "Without the *de minimis* threshold, administrative and tariff costs would increase substantially, ultimately being passed on to U.S. consumers in the form of higher prices."

Eakinomics gets it. We are no longer in the era of large-scale reduction in barriers to trade, such as the [Doha Round](#) or the [Trans Pacific Partnership](#). But Jensen's analysis reminds us that protectionism – even on a small scale – is still the wrong way to go.