



## *De Minimis Reform Act, (H.R. XXXX)*

### Background:

- In 2018, President Trump imposed new tariffs on more than half of Chinese imports pursuant to **Section 301** of the Trade Act of 1974 in response to China's unfair trade practices.
- However, certain Chinese firms have been able to avoid paying these tariffs thanks to a provision in U.S. trade law that permits imports worth less than **\$800** to enter the country **without paying any tariffs**. This provision is known as the *de minimis* privilege.
- The purpose of the *de minimis* privilege is to avoid expense disproportionate to the amount of duty that would otherwise be collected from the import. However, as a result of the explosion of global e-commerce, *de minimis* trade has surged to become a major source of imports. According to the latest Customs and Border Protection (CBP) data, **60.8%** of all *de minimis* entries come from **China** alone.
- There is no reason why imports from China should be able to **evade the tariffs** imposed by President Trump if the goods they sell happen to be under \$800.

### Ends *De Minimis* Evasion of Trade Enforcement Tariffs

- **The *De Minimis Reform Act*** ends the *de minimis* privilege for any good subject to **Section 301** trade enforcement tariffs.
  - Denying *de minimis* benefits from goods subject to the Section 301 tariffs would **immediately eliminate *de minimis* for more than half of all *de minimis* entries from China.**
- Prohibits the use of the *de minimis* privilege for imports subject to other U.S. trade remedies:
  - **Antidumping** and **countervailing duty** tariffs;
  - **Section 201** safeguard tariffs; and
  - **Section 232** national security tariffs.

### Improves Transparency and Data Collection Regarding *De Minimis* Entries into our Supply Chains

- **H.R. XXXX** adds a new 10-digit Harmonized Tariff System (HTS) classification requirement for all *de minimis* entries from countries subject to Section 301 tariffs.
  - A 10-digit HTS classification is already required for non-*de minimis* entries.
  - Requiring a 10-digit HTS will not only ensure tariffs are being collected properly, but it also aids law enforcement efforts to address other **unfair** or **illegal trade practices**, like the transshipment of **fentanyl** and items that use **forced labor**.

### Adds Penalties for Bad Actors who Violate U.S. Law through *De Minimis* Entries

- **The *De Minimis Reform Act*** imposes **new civil penalty** for any person who violates U.S. *de minimis* law of up to **\$5,000** for the first violation and **\$10,000** for each subsequent offense.
  - Under current law, generally, the penalty for abusing *de minimis* is merely forfeiture of the shipment, providing little deterrence to bad actors. This change would ensure that every importation through *de minimis* that violates our law is subject to a penalty much higher than the value of the goods.