CLIENT ALERTS & INSIGHTS

Customs De Minimis Ending in 2027 - Big Beautiful Bill Impact Analysis for Supply Chains

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Global supply chains have grown reliant on the de minimis exemption for duty-free entry of low-value goods in recent years, particularly in retail and e-commerce. The newly passed One Big Beautiful Bill Act (the "Bill") will eliminate de minimis availability under the US Tariff Act of 1930 starting on July 1, 2027. The Bill also imposes a new civil penalty for the use of exemptions under the Tariff Act in violation of other Customs laws. That penalty effective date is August 3, 2025.

This client alert provides an update on coming changes to duty-free entry and regulatory enforcement of customs duty evasion along with with the top operational planning and compliance needs for supply chains.

De Minimis Challenges to U.S. Trade Policy - The Biden and Trump Administrations each faced challenges with the use of the *de minimis* exemption to enter goods valued at less than $800 USD duty-free. Following the global pandemic, traffic in low-value imports skyrocketed to over 1 billion customs entries. U.S. Customs and Border Protection ("CBP") and other federal agencies view this traffic, and lack of visibility to those items, as a weakness for national security threats. Regulatory agencies routinely identified key threats for these entries as illegal drug smuggling and duty evasion by circumvention of United States policy on the import of certain sectoral items and consumer goods from China.

Other Preceding Trump Administration Actions - Just this year, the Trump Administration has steadily chipped away at the *de minimis* exemption. As part of its America First Trade Policy the Administration directed the Department of Treasury to examine the feasibility of removing duty-free *de minimis* treatment for low-value imports generally (E.O. 14257). It also removed the applicability of *de minimis* treatment for low-value imports from China effective May 2, 2025.

Statutory Elimination of De Minimis Starting July 1, 2027 - The Bill will now officially remove the *de minimis* duty-free entry privilege for low-value shipments under the Tariff Act (H.R.1, Sect. 70531(b)). The removal of the exemption will be effective in two years. If an alternate duties program is not established, then all goods imported into the United States will be subject to ordinary duty rates based on country of origin, regardless of the dollar amount entered per day for any particular importer of record. It is possible, for example, that low-value shipments will be subject to a specific duty rate based on the country of origin. This is presently the case for low-value items imported from China under its trade Agreement with the United States, which lasts through early August (E.O. 14298).

Civil Penalties for Duty Evasion Starting August 3, 2025 - The Bill also establishes that any person who enters, or attempts or facilities the entry, of an article into the United States using any of

the Administrative exemptions available under Section 321 of the Tariff Act, but in violation of any other Customs law, will be assessed a civil penalty of up to $5,000 for the first violation and up to $10,000 for each subsequent violation (H.R.1., Sect. 70531(a), 19 USC 1321). This civil penalty applies in addition to any other penalty available under the law. The civil penalty will be effective by August 3, 2025.

Supply Chain Impacts - Business sectors reliant on duty-free imports do not face any immediate change beyond strategic planning. Distribution channels with direct-to-consumer models that may have benefited from duty-free entry to date will require a change in two years. Sales of any item into the United States, regardless of price, will be subject to increased cost and administrative burden for receipt by individual consumers. This operating environment may eliminate the viability of some inventory management and logistics models used today. They may also drive the race for supplier diversity to manage total duty exposure and cost-effectiveness of warehouse practices or traffic lanes.

The other action item with immediate impact for every import-reliant supply chain is to maintain awareness in this tariff environment and vigilance for day-to-day regulatory compliance. The Benesch Team is experienced and available to assist in these efforts.

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