CLIENT ALERTS & INSIGHTS

Duty-Free Customs De Minimis Erosion - Executive Order and Big Beautiful Bill Impacts

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This bulletin was originally published on July 11, 2025. It has been updated to reflect changes from an Executive Order published by the White House on July 30, 2025, titled "Suspending Duty-Free De Minimis Treatment for All Countries" (the "E.O.").

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 E.O. issued on July 30, 2025, eliminates de minimis availability starting on August 29, 2025. The One Big Beautiful Bill Act (the "Bill"), passed earlier this month, removed specific statutory 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, effective 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 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 using 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 the 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 the United States policy on importing 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. We focus on the changes of the Act and the Suspension of De Minimis treatment under a new EO in this article, but the erosion of *de minimis* exemption has been a matter of policy for the Trump Administration. Earlier this year, as part of its America First Trade Policy, the Administration directed the Department of the Treasury to examine the feasibility of generally removing duty-free de minimis treatment for low-value imports (E.O. 14257). It also removed the applicability of *de minimis* treatment for low-value imports from China, effective May 2, 2025.

Executive Suspension of De Minimis Starting August 29, 2025 - Imports from all countries previously subject to duty-free de minimis treatment, or international postal packages, will be subject to all applicable duties effective August 29, 2025. The full range of tariffs, including

reciprocal tariffs, will apply for non-postal shipments. Postal shipments are subject to special rules identified below.

Importantly, the suspension of de minimis imports will not take immediate effect. A pause will remain in place for postal shipments until CBP establishes procedures to process and collect duties. International postal shipments will then be subject to special rules if a flat fee is selected in lieu of paying all applicable tariffs.

The flat fee is $80 per postal item from countries subject to less than 16% tariffs, $160 per postal item from countries subject to 16 - 25% tariffs, or $200 per postal item from countries subject to over 25% tariffs. A country of origin declaration must accompany entries paying a flat fee. No other duties apply except antidumping and countervailing. Carriers must hold an international carrier bond to collect duties and remit payment for shipments they deliver. Carriers must hold a basic importation and entry bond to enter informal entries valued at or less than $2,500.

Statutory Elimination of De Minimis Starting July 1, 2027 - The Bill officially removed 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 was set to be effective in two years. If an alternate duties program is not established, 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 daily 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 was the case for low-value items imported from China under its trade agreement with the United States (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 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 imminent change. Distribution channels with direct-to-consumer models that may have benefited from duty-free entry to date will require a change. 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. Benesch is experienced and available to assist in these efforts.

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