The Value of De Minimis Imports: Summary

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Section 321 of the 1930 Tariff Act allows shipments up to $800 per day per person to be imported free of tariffs and much of the administrative costs of clearing customs. These "de minimis" imports have exploded in recent years as online retail platforms connect overseas producers directly to consumers.

In 2023, one billion de minimis shipments entered the country valued at $54.5 billion, up from just $0.05 billion in 2012. Although de minimis imports are just 1.5% of total US imports, scaled against benchmarks that more closely reflect the types of goods that enter through §321, they are 7.2% of imports of consumer goods and 19.2% of e-commerce sales.

Who benefits from de minimis imports, and what are the aggregate and distributional welfare consequences of potential changes to §321 trade policy? Research on these questions has been limited, as Census data exclude these low-value transactions. We leverage a dataset encompassing the shipments into the US handled by three global carriers. We observe the shipment's destination, allowing us to link purchases to the demographic characteristics of buyers. We complement the analysis with a sample of shipments obtained from CBP containing the universe of de minimis shipments over one week in 2017-2022.

Our analysis of de minimis imports proceeds in three steps. First, we provide a theoretical analysis of a de minimis trade policy: shipments above a threshold are subject to tariffs and administrative fees, such as merchandise processing and broker fees, while below-threshold shipments enter duty- and fee-free. The analysis shows that a subset of shippers who would–in the absence of de minimis–set prices above the threshold respond by lowering prices. As a result, a de minimis policy acts as a source of terms-of-trade gains for a country, and we formally demonstrate the conditions when positive tariffs and a de minimis threshold dominate a zero-tariff trade policy.

Next, we use the framework to guide the empirical analysis of §321 and the direct shipments to final consumers to which the policy is intimately linked. The data reveal that de minimis shipments (below $800) are a large share of direct shipments (packages below $5000) for lower-income households. Panel A of Figure 1 shows that the lowest income zip codes spend 74% of the direct purchases on de minimis imports, compared to 52% for the wealthiest for the wealthiest zip codes. Furthermore, the share of de minimis shipments from China–a high tariff origin–declines with income: 48% for the poorest zip codes compared to 23% for the richest. We observe similar spending patterns with respect to minority household shares. Eliminating §321 would raise import tariffs on de minimis shipments to roughly 15% on China and 2.1% on RW, and impose a per-shipment processing and broker fee of $23.19.[1] Panel B of Figure 1 indicates that with §321

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[1] The carriers and Postal broker fees for informal shipments are $30 and $8.55, and the National Foreign Trade

in effect, the tariff schedule is pro-poor; if eliminated, it would be pro-rich. The CBP data confirm these data patterns.

Based on these spending patterns, eliminating §321 would approximately raise consumer costs by \$11.1b, or \$35 per person and \$139 per family. With the CBP data, the loss is larger–\$22.2b, or \$69 per person and \$278 per family, since these data report a greater share of shipments from China than the carrier data. Figure 2 reports the approximate losses across consumer groups, showing that poorest zip codes would experience a cost increase of 24.8% more than the aggregate (or 9.1% more using CBP data). The least white zip codes would experience a cost increase of 39.4% (or 17.3% with CBP data) more than the aggregate.

These approximations are based exclusively on observed spending patterns; however, they tend to overestimate the impacts of policies for two reasons: 1) consumers are likely to import less as prices increase, and 2) consumers may receive rebates from tariff revenue. To address these factors, we use the framework to assess consumer price sensitivity. This framework indicates that the \$800 threshold will prompt exporters to "bunch" at that mark, resulting in a gap in shipments just above this threshold, which varies according to consumers' price sensitivity. The observed shipment data is used to quantify the extent of this bunching.[2]

When incorporating demand responses and tariff rebates, eliminating §321 would lower aggregate welfare by \$11.8 b (\$37 pp or \$148 pf.) In the CBP sample, we find a larger decline of \$14.3b (\$44 pp or \$178 pf). To put these numbers in perspective, Fajgelbaum et al (2020, "Return to Protectionism", *Quarterly Journal of Economics*) estimate the tariff-inclusive consumer cost of 2019 tariff waves at \$48.2 billion (\$147 pp or \$580 pf).

Like the approximation, Figure 3 shows that welfare losses also vary by consumer groups.zip codes with median family incomes below \$40k would lose \$46 pp compared to a \$39 loss for zip codes with \$100k incomes and a \$95 pp loss for the richest zip codes. The declines are larger for lower-income households when expressed as a share income (right panel). Across zip code racial composition, we find that welfare in zip codes with 5% white households would experience a per capita decline of \$54, compared with \$44 and \$18 for zip codes with 45% and 95% white share.

We find that the lowest-income and non-white households would bear the brunt of eliminating §321. These distributional impacts are insensitive to demand parameters and fee structure because, as shown in Figure 1, lower-income households simply appear to spend relatively more on de minimis. However, the specific magnitudes depend on the demand parameters and administrative fees. Table 1 reports the losses at fees ranging from \$0 to \$30, and Figure 4 reports the distributional impacts over this range.

Council estimates a broker fee of \$20. In 2023, express carriers handled 19% of de minimis shipments, the Postal Service handled 8%, and other logistics providers handled the remaining 73%. Using these weights, we arrive at an average broker fee of \$20.97. We then apply the CBP's lowest merchandise process fee on informal shipments–\$2.22–to arrive at the total fee of \$23.19.

[2]We examine shipments to the US after and before March 2016, when the threshold increased from \$200 to \$800, and to the OECD over the same time periods. The difference in differences across these four types of shipments identifies the amount of bunching in the data, which informs the consumer demand elasticity.

TABLE 1: AGGREGATE IMPACTS OF ELIMINATING §321

| fee	carrier data			CBP data		
	consumer ($b)	tariff ($b)	welfare ($b)	consumer ($b)	tariff ($b)	welfare ($b)
$0	-2.0	0.8	-1.2	-3.9	2.0	-1.9
$10	-5.5	0.6	-4.9	-10.4	2.0	-8.4
$23.19 (benchmark)	-12.4	0.6	-11.8	-19.5	5.2	-14.3
$30	-16.7	0.8	-15.8	-22.6	6.6	-15.9

 Notes: Table reports the aggregate impacts of eliminating §321 at different per-shipment customs fees in the carrier and CBP data. Within each panel, the first column is the consumer loss, the second column is the tariff revenue gain, and the third column the welfare loss (the sum of the previous two columns).

## FIGURE 1: DE MINIMIS EXPENDITURES AND TARIFF INCIDENCE
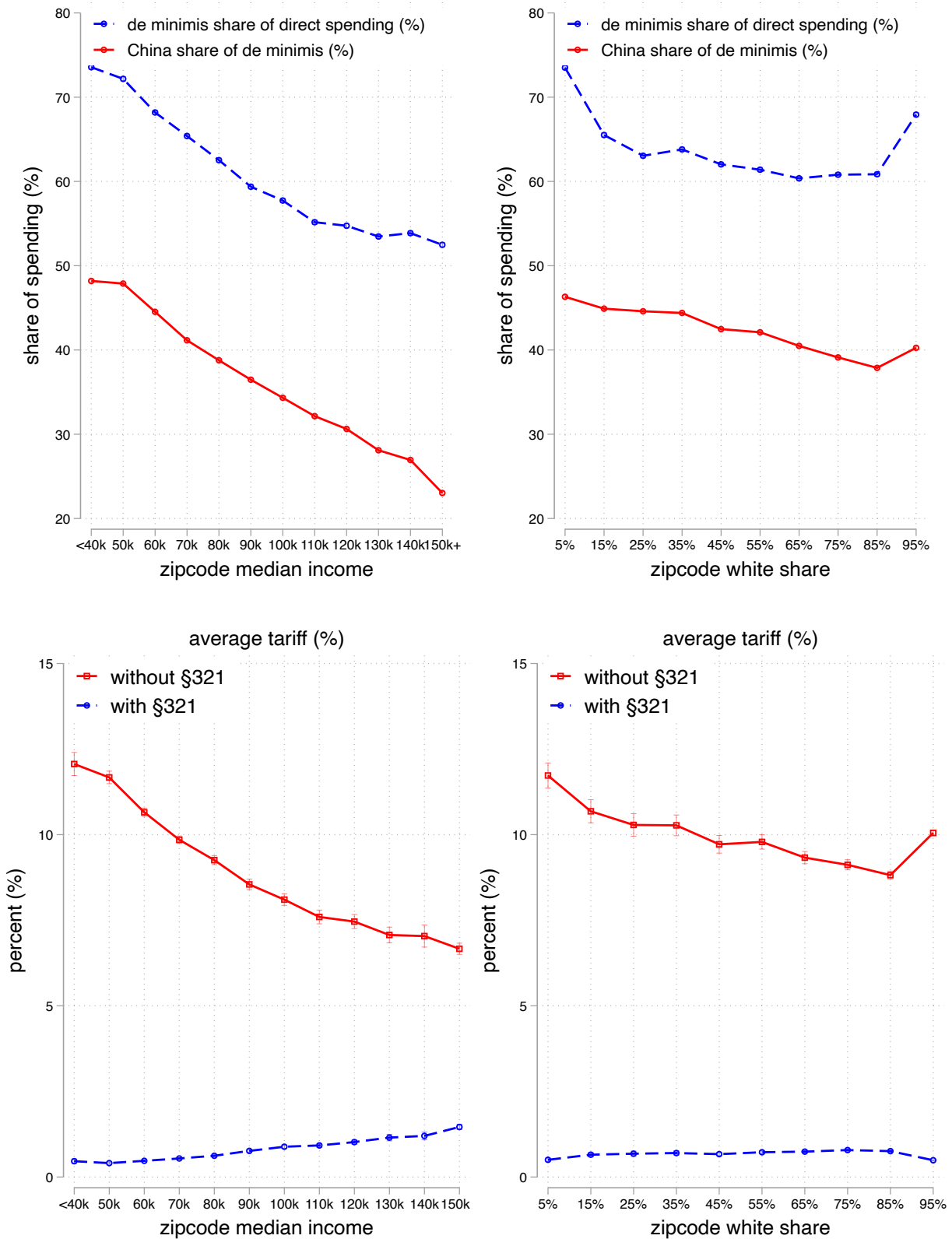
Notes: Top panel reports the share of direct shipments (shipments below $5000) that are de minimis (shipments below $800, blue series) and the share of de minimis shipments from China (red series) by zip code characteristic. The bottom panel reports the value-weighted average tariff with §321 (blue series) and without §321 (red series). Bars are standard errors of the means. Source: carrier data, 2021.

## FIGURE 2: APPROXIMATE WELFARE LOSSES
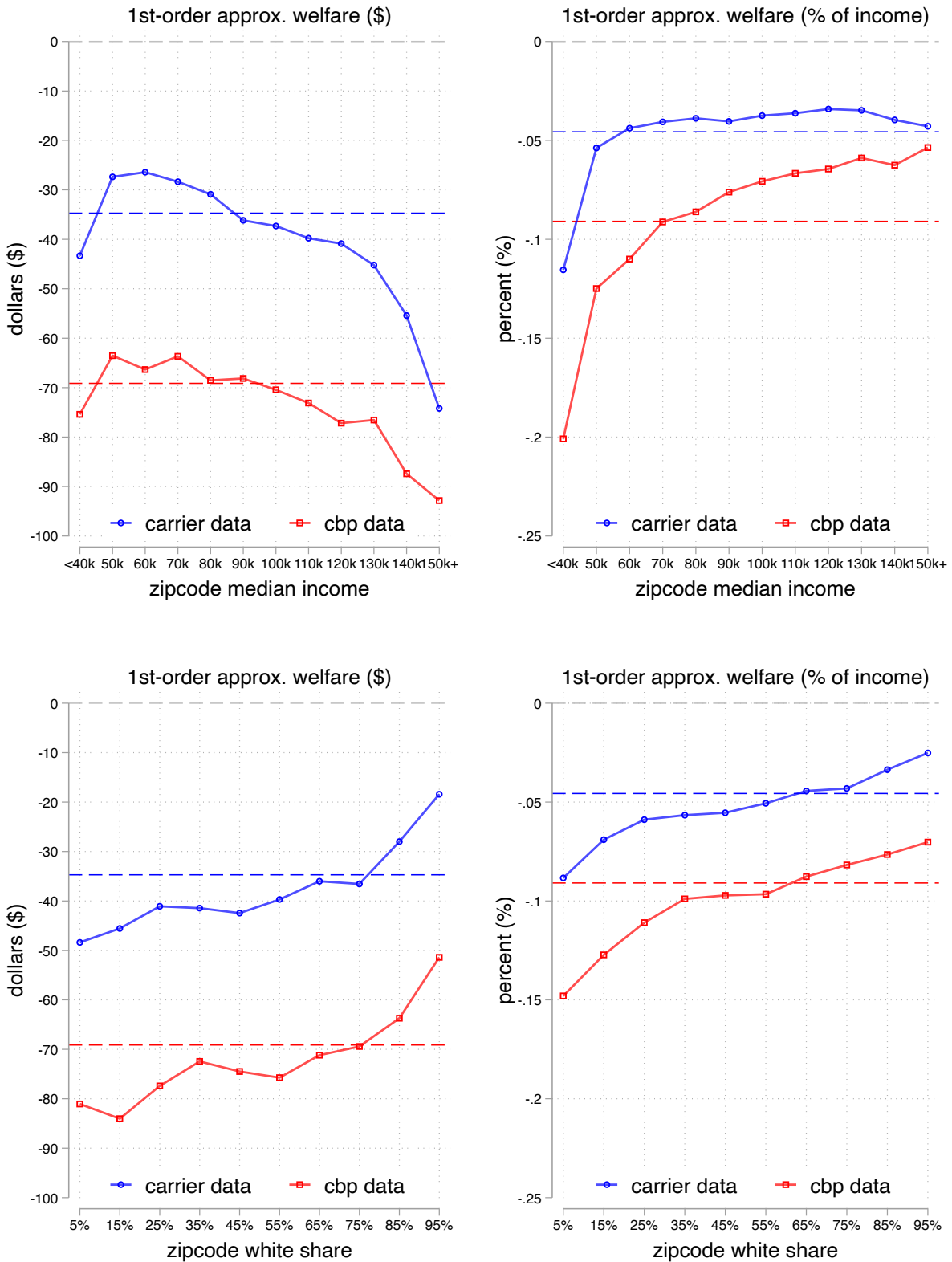
Notes: Figure reports the first-order approximation to the welfare loss from removing §321. The blue (red) series denotes estimates from carrier (CBP) data; aggregate losses are denoted by the horizontal dash line.

FIGURE 3: WELFARE LOSSES
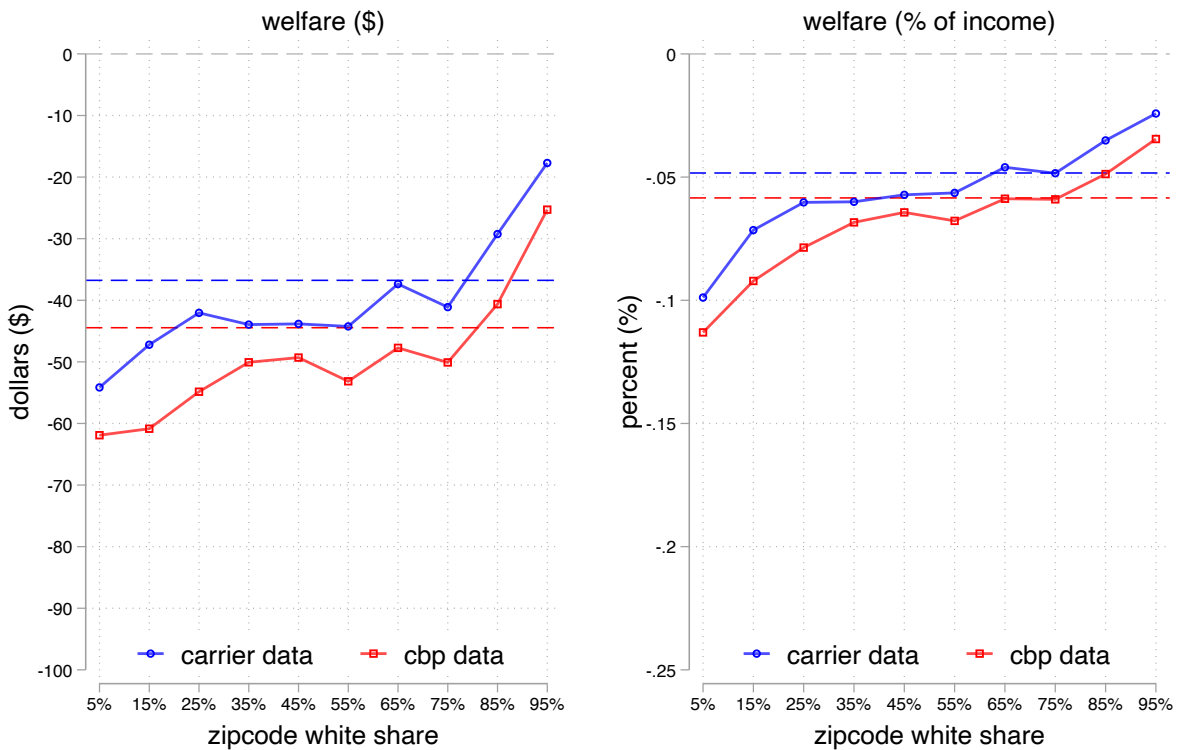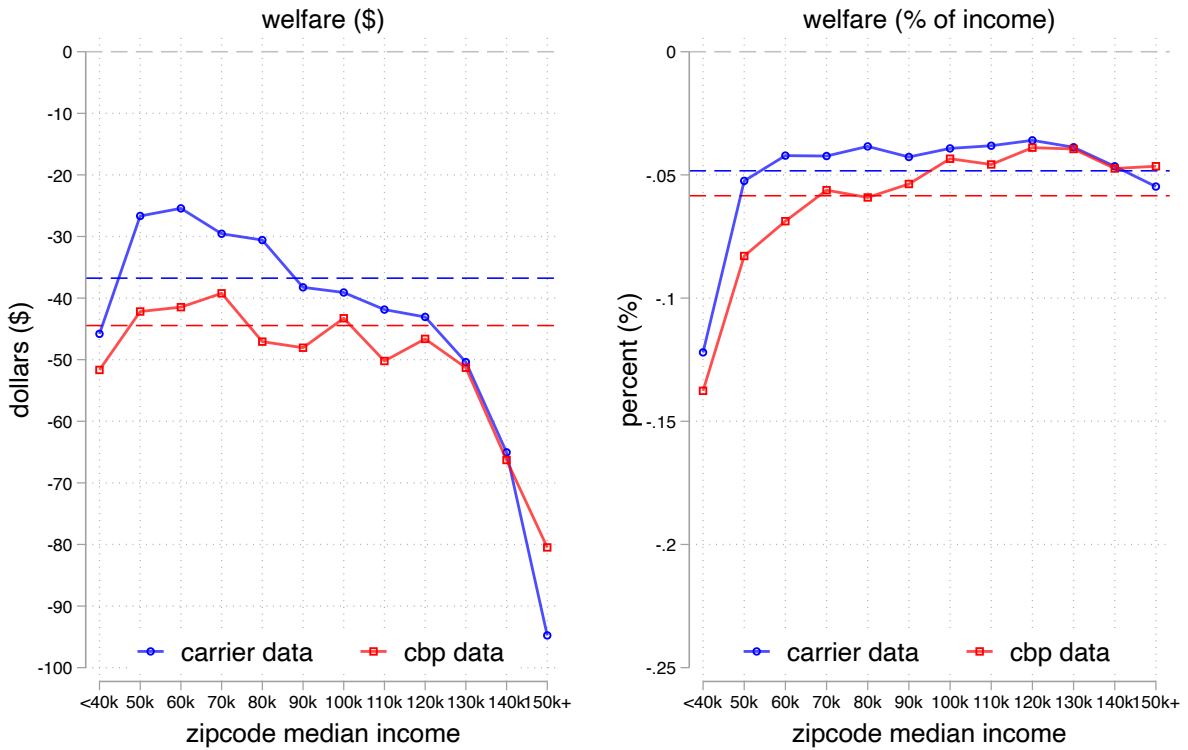
Notes: Figure reports welfare losses that incorporate demand responses and tariff rebates back to consumers. The blue (red) series denotes estimates from carrier (CBP) data; aggregate loss denoted by the horizontal dash line.

FIGURE 4: WELFARE LOSSES BY FEE
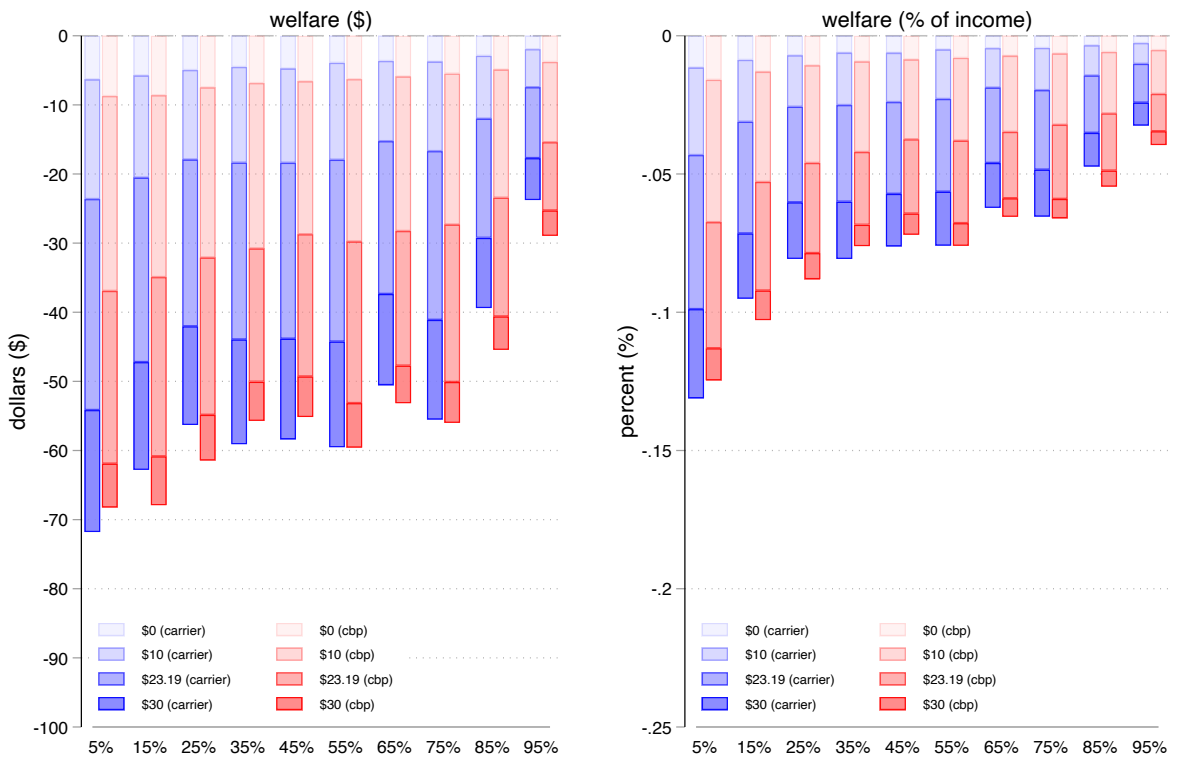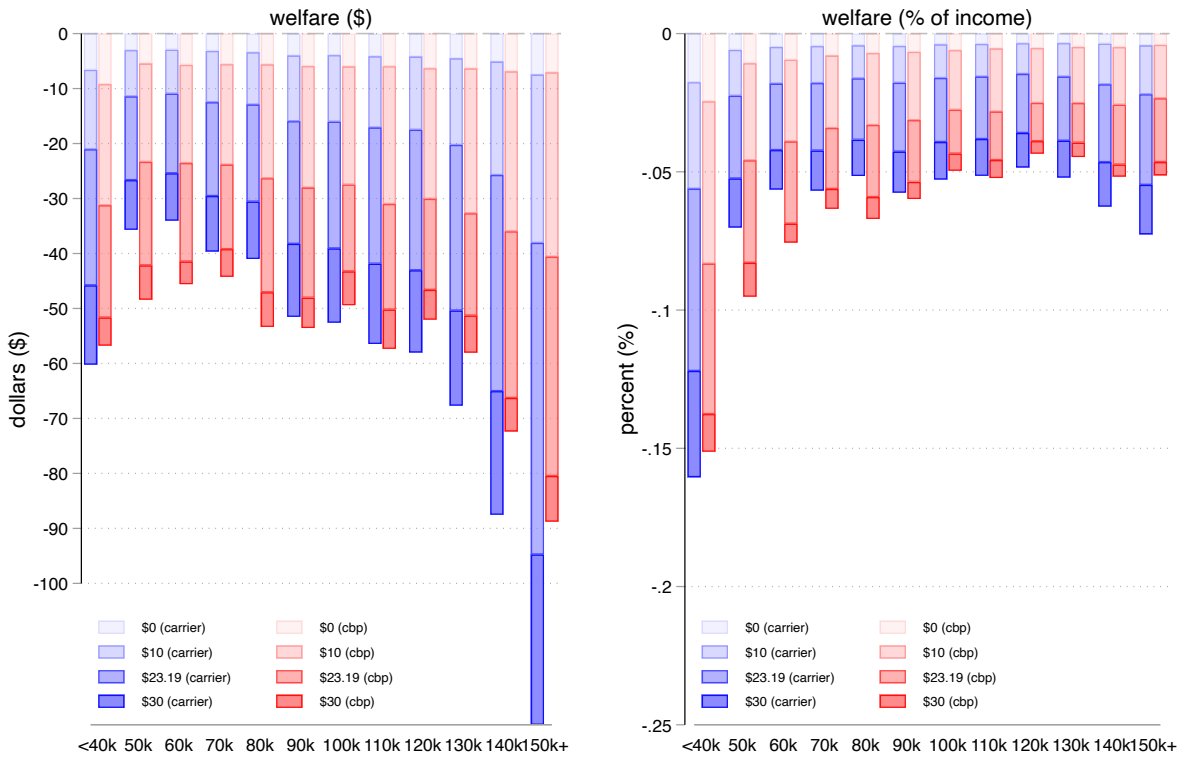
Notes: Figure reports welfare losses against zip code characteristics at fees ranging from $0 to $30 per shipment. Within each consumer group, the blue (red) stacks are the welfare losses from carrier (CBP) data.