

December 4, 2024

(FDX, UPS, AMZN, PDD) De Minimis Bill Likely to Pass Next Congress

We believe there's a 2-in-3 chance that de minimis legislation, which would limit China and other non-market economies from taking advantage of the \$800 threshold for which goods come into the U.S. without paying duties, taxes or fees, is enacted before the end of 2025. The legislation would likely be negative for **FedEx** (FDX), **UPS** (UPS), which deliver these packages, and **Amazon** (AMZN), Temu's **PDD Holdings** (PDD) and **Shein** (private), which sell these products into the U.S. market.

We believe the most likely scenario is for the changes to the de minimis law to be incorporated into a tax reconciliation bill extending the 2017 Trump tax policies next year. However, there is an outside chance that a bipartisan proposal is passed in the lame duck session between now and Dec. 20 or attached to a final FY25 government spending bill in Q1'25. But again, that seems unlikely.

If, as we suspect, the de minimis legislation becomes part of the tax bill, investors should start becoming aware of that development when the House Ways and Means Committee and/or the Senate Finance Committee starts to release details of their tax bill, likely in the early spring or summer.

One big reason for a de minimis bill to be added to next year's anticipated tax measure is that the measure is estimated to raise \$24 billion over 10 years. While not a lot of money, we expect Republicans will be looking under every nook and cranny to try and find offsets for the costly tax bill. Furthermore, while there is bipartisan support to change the de minimis law, Democrats and Republicans have been unable to come to an agreement and time is running out to add it to a must pass bill at year's end.

Currently, de minimis rules allow imports valued at less than \$800 to enter the U.S. without paying tariffs. In addition, more than 60% of de minimis shipments come from China, which makes this an attractive policy to go after. In April, the House Ways and Means Committee passed a GOP bill that would:

- End the *de minimis* privilege for any good subject to Section 301 tariffs – immediately eliminating the *de minimis* privilege for more than 60% of such entries from China.
- Prohibit use of the *de minimis* privilege for imports subject to other U.S. trade remedies, including national security tariffs and codifies an existing prohibition on the use of *de minimis* for imports subject to antidumping and countervailing duty tariffs.
- Imposes a new civil penalty for any person who violates U.S. *de minimis* law of \$5,000 for the first violation and \$10,000 for each subsequent offense.

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FedEx Corporation (FDX)

Price:	\$284.00
52-Week High:	\$313.84
52-Week Low:	\$234.45

United Parcel Service Inc (UPS)

Price:	\$129.76
52-Week High:	\$163.82
52-Week Low:	\$123.12

Amazon.com Inc (AMZN)

Price:	\$216.10
52-Week High:	\$215.90
52-Week Low:	\$142.81

PDD Holdings Inc. (PDD)

Price:	\$98.25
52-Week High:	\$164.69
52-Week Low:	\$88.01

We would expect this bill to be close to what is considered and enacted next year.

Finally, if the de minimis bill isn't incorporated into the tax reconciliation legislation, we think that it could pass late next year as part of a year-end spending measure.

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