

CLIENT ALERT

CUSTOMS FRAUD: A TOP PRIORITY FOR THE DOJ

What Importers Should Know and Do



Early in his administration, President Trump announced various tariffs and duties on goods imported into the United States. Since then, his administration has continued to threaten – and at times actually apply – restrictive tariffs.

One of the results is a marked increase in investigations and enforcement actions related to allegations of customs fraud – including the avoidance of import duties – by the Department of Justice (DOJ).

To be sure, customs enforcement did not begin with the current administration. In 2018, for example, a Virginia-based home furniture company [agreed](#) to pay \$10.5 million to resolve allegations that it violated the federal False Claims Act (FCA) by misclassifying the type of furniture being imported from China and thereby avoiding significant “anti-dumping” duties. In February 2024, the DOJ [announced](#) that a California-based clothing wholesale executive had been sentenced to 4 years in prison for undervaluing imported garments in order to avoid paying millions of dollars in customs duties.

However, while customs fraud enforcement is nothing new, the pace of such enforcement under the current administration appears to be increasing. This is no accident: the DOJ has made it clear that customs fraud is a top priority, including in a [May 2025 memo](#) regarding white collar enforcement priorities under the current administration.

Since then, there have been several customs fraud-related matters, including:

- In March 2025, a California-based wood flooring importer [agreed](#) to pay \$8.1 million to resolve allegations that it violated the FCA by “intentionally misidentifying the manufacturers and country or origin of [] imported products.”
- In July 2025, the U.S. Attorney’s Office in South Carolina [filed](#) an FCA lawsuit against a Myrtle Beach furniture supplier, alleging that the company employed an unlawful “double-invoicing scheme,” wherein it would submit false entry summaries and invoices to U.S. Customs that undervalued imported office chairs.
- Also in July 2025, a New Hampshire based company and its subsidiaries [agreed](#) to pay \$6.8 million to resolve allegations that they violated the FCA by knowingly failing to pay customs duties on certain plastic resin imported from China. That case was the result of a voluntary self disclosure.

Types of Customs Fraud Schemes

Customs fraud can take various forms, including:

- Undervaluing goods to reduce the amount of import duties.
- Misclassifying goods under a tariff code with a lower duty rate than the codes for the goods being imported.
- Listing a false country of origin in order to receive preferential duty rates or avoid anti-dumping duties.
- Declaring a higher quantity of low-value items and hiding high-value items among them, thereby evading the correct duty on the high-value items.
- Smuggling goods across international borders without declaration to customs, thereby avoiding all customs controls and duties.
- Using forged or altered documents, like fake invoices or certificates of origin, to deceive customs officials.
- Rerouting goods through third countries to conceal their true origin, particularly where the goods’ actual country of origin faces trade restrictions or higher duties.

What Can You Do to Avoid Liability?

The good news is that companies can – and should – take steps to reduce the risk of a costly investigation or, even worse, significant civil and even criminal liability. This includes, but is not limited to:

- **Ensuring Accurate Tariff Classifications and Valuations:** Work with experienced customs brokers or trade counsel to correctly classify goods and declare proper transaction values.
- **Implement Robust Compliance Programs:** Establish internal controls, training, and auditing procedures to detect and prevent false or misleading import documentation, including invoices and country-of-origin declarations.
- **Respond Honestly to Customs Inquiries:** Provide truthful and complete information in response to Customs and Border Protection (CBP) audits or requests. Knowingly submitting false statements—including during such a review—can trigger FCA or even criminal liability.

- **Conduct Due Diligence on Suppliers and Freight Forwarders:** Vet business partners for compliance practices and monitor for red flags such as inconsistent documentation or requests to alter invoices or shipping data. Importers may be held liable for the fraudulent conduct of others if they act with deliberate ignorance or reckless disregard.

Finally, where an importer realizes that it may have improperly avoided customs duties, it should work with legal counsel to consider whether self disclosure is appropriate. While the July 2025 New Hampshire case discussed above demonstrates that even self disclosures can lead to significant liability, typically the liability after a self disclosure will be less than if the government finds out about the issues some other way, including via an FCA *qui tam* whistleblower lawsuit or audit.

The attorneys at [Chilivis Grubman](#) represent businesses and individuals in connection with government investigations and litigation. If you need assistance with such a matter, please [contact us](#).