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HTS Classification

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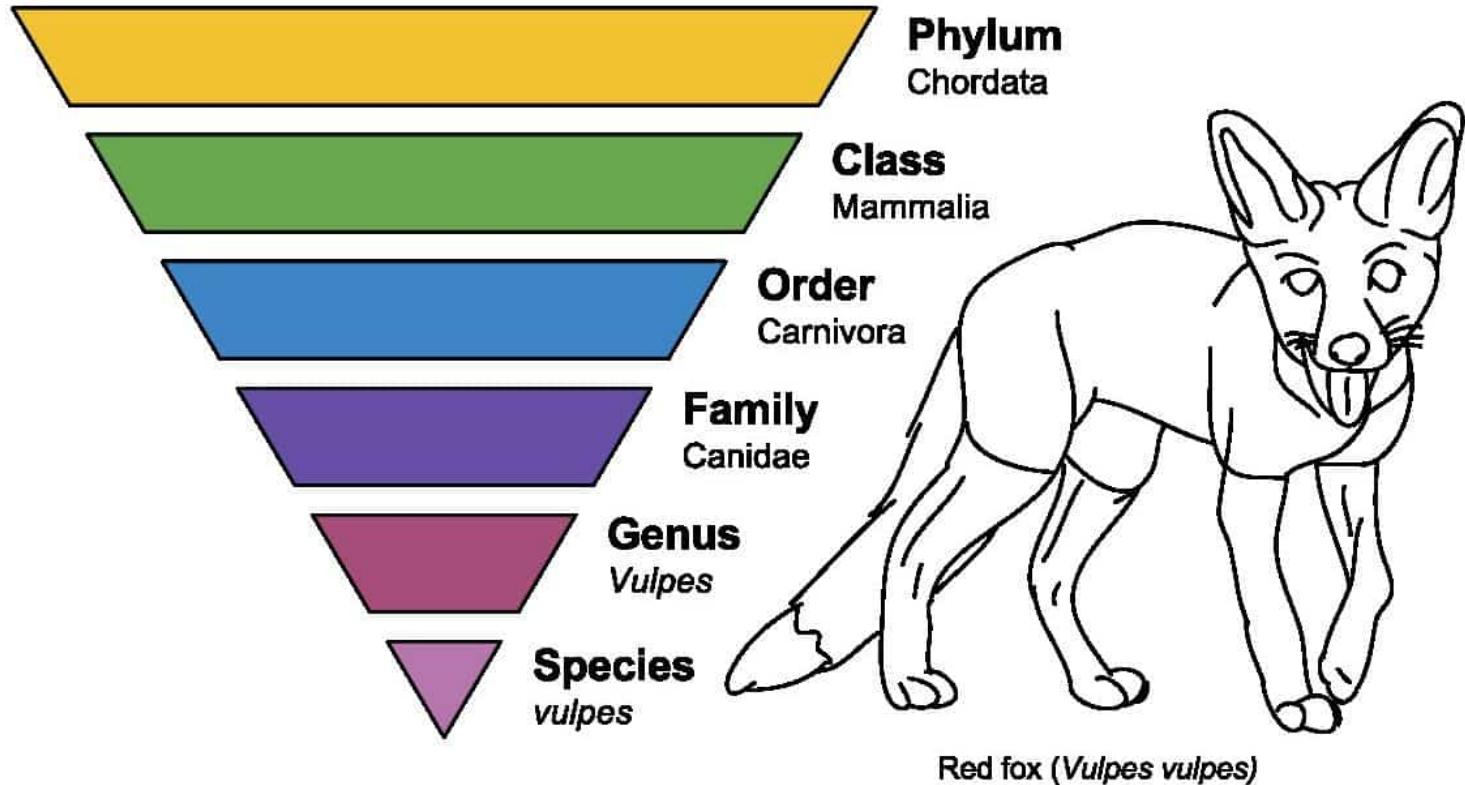
January 24, 2020



We cannot stress enough the importance of this topic.

- So much time is spent on the more exciting and newsworthy areas of trade compliance. However, most of what we end up doing on a day to day basis really starts and ends with HTS classification.
- A recent estimate by CBP claims that as many as 4 out of 10 imports are improperly classified.
- All too often this important task is left in the hands of people who are either not qualified to do it, or not equipped with the proper information.
- Ultimately, Customs will have the last word, and often times, they will disagree for reasons that make little sense.

Taxonomy



So what exactly are HTS Codes?

- The rate of duty, qualification for free trade agreements, and the applicability of other government agency regulations are normally determined by the tariff classification assigned to an item.
- In a world where landed cost has become essential, the need for the tariff classification and its rate of duty has been driven upstream to finance, sales and tax.
- HTS numbers are NOT Schedule B numbers and Schedule B numbers are NOT HTS numbers – but many times they ARE interchangeable.

How it works

- The HTS itself works on a Chapter philosophy where the goods become more complex as they move through the chapters: 1-99.
- Although they do mirror each other closely from country to country, not every HTS number is identical country to country.
- HTS numbers can and do regularly change.
- Only through a ruling can one obtain full assurances that their number is correct; although the courts have regularly held that use of a consultant, licensed customs broker or attorney are examples of exercising “reasonable care”.

What the tariff looks like and how its set up.

Harmonized Tariff Schedule of the United States (2020)					
IX 44-4		Article Description	Unit of Quantity	Rates of Duty	
Heading/ Subheading	Stat. Suf- fix			General	Special
4403		Wood in the rough, whether or not stripped of bark or sap-wood, or roughly squared: Treated with paint, stain, creosote or other preservatives:			
4403.11.00		Coniferous.....		Free ^{1/}	
	20	Poles, piles and posts: Telephone, telegraph and electrical power poles.....	m		Free
	40	Fence posts.....	m		
	50	Other.....	m ³		
4403.12.00	60	Other.....	m ³	Free ^{1/}	
		Nonconiferous.....			Free
	20	Poles, piles and posts: Telephone, telegraph and electrical power poles.....	m		
	40	Fence posts.....	m		
	50	Other.....	m ³		
	60	Other.....	m ³		
4403.21.00		Other, coniferous: Of pine (<i>Pinus</i> spp.), of which any cross-sectional dimension is 15 cm or more.....		Free ^{1/}	
	12	Poles, piles and posts: Telephone, telegraph and electrical power poles.....	m		Free
	15	Fence posts.....	m		
	16	Other.....	m		
	20	Logs and timber: Southern yellow pine (<i>Loblolly pine</i> (<i>Pinus</i> <i>taeda</i>)), long leaf pine (<i>Pinus palustris</i>), pitch pine (<i>Pinus rigida</i>), short leaf pine (<i>Pinus</i> <i>echinata</i>), slash pine (<i>Pinus elliottii</i>) and Virginia pine (<i>Pinus virginiana</i>).....	m ³		
	25	Ponderosa pine (<i>Pinus ponderosa</i>).....	m ³		
	30	Other.....	m ³		

Chapter Notes

Harmonized Tariff Schedule of the United States (2020)

Annotated for Statistical Reporting Purposes

IX

44-2

Subheading Note

1. For the purposes of subheading 4401.31, the expression "wood pellets" means by-products such as cutter shavings, sawdust or chips, of the mechanical wood processing industry, furniture-making industry or other wood transformation activities, which have been agglomerated either directly by compression or by the addition of a binder in a proportion not exceeding 3 percent by weight. Such pellets are cylindrical, with a diameter not exceeding 25 mm and a length not exceeding 100 mm.

Additional U.S. Notes

1. In this chapter:
 - (a) The term "wood waste" means residual material other than firewood resulting from the processing of wood, including scraps, shavings, sawdust, veneer clippings, chipper rejects and similar small wood residues, as well as larger or coarser solid types of residual wood such as slabs, edgings, cull pieces and veneer log cores;
 - (b) The term "standard wood moldings" means wood moldings worked to a pattern and having the same profile in cross section throughout their length; and
 - (c) The term "surface covered," as applied to the articles of headings 4411 and 4412, means that one or more exterior surfaces of a product have been treated with creosote or other wood preservatives, or with fillers, sealers, waxes, oils, stains, varnishes, paints or enamels, or have been overlaid with paper, fabric, plastics, base metal, or other material.
2. The effectiveness of the proviso to section 304(a)(3)(J) of the Tariff Act of 1930 (19 U.S.C. 1304(a)(3)(J)), to the extent permitted by that section and as provided for in schedule XX to the General Agreement on Tariffs and Trade, is suspended, with the result that sawed lumber and sawed timbers however provided for, telephone, trolley, electric light and telegraph poles of wood and bundles of shingles, other than red cedar shingles, shall not be required to be marked to indicate the country of origin.
3. Subheadings 4407.19.05 and 4407.19.06 cover combinations of the named species whose proportions are not readily identifiable.
4. Heading 4409 includes articles having a repeating design worked along any edge or face.
5. Heading 4418 includes--
 - (a) drilled or notched lumber studs; and
 - (b) multi-layer assembled flooring panels having a face ply 4 mm or more in thickness.

Statistical Note

1. For the purposes of heading 4407, the term "rough" includes wood that has been edged, resawn, crosscut or trimmed to smaller sizes but it does not include wood that has been dressed or surfaced by planing on one or more edges or faces or has been edge-glued or end-glued.

Tariff Schedule Organization

- The subject merchandise may be specifically provided for in the tariff according to its:
 - Material or composition
 - Use, application, or function
 - Common (*eo nomine*), scientific or technical name

Tariff Schedule Organization (cont.)

Types of Heading	Examples
<i>Eo nomine</i> (specifically provided for)	“Air conditioners” (HTS 8415)
Use headings (principal and actual use)	“Machinery, equipment and implements to be used for agricultural or horticultural purposes” (HTS 9817.00.50)
Headings of general designation	Mint tea; “mint” (1211.90) versus “tea” (0902)
Basket provisions	“Other articles of plastic...other...other...other” (3926.90.9990)

GRI 1

- 1. The table of contents, alphabetical index, and titles of sections, chapters and sub-chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative section or chapter notes and, provided such headings or notes do not otherwise require, according to the following provisions:

Harmonized Tariff Schedule of the United States (2020)

Annotated for Statistical Reporting Purposes

XVI
85-49

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty	
				1	2
				General	Special
8528 (con.)		Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus: (con.) Projectors:			
8528.62.00	00	Capable of directly connecting to and designed for use with an automatic data processing machine of heading 8471.....	No.....	Free ^{31/}	35%

GRI 2

- (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as entered, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also include a reference to that article complete or finished (or failing to be classified as complete or finished by virtue of this rule), entered unassembled or disassembled.
- (b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of rule 3.

GRI 3

- When, by application of rule 2(b) or for any other reason, goods are, *prima facie*, classifiable under two or more headings, classification shall be effected as follows:
 - (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
 - (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable.

GRI 3(c)

- (c) When goods cannot be classified by reference to 3(a) or 3(b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

GRI 4

- Goods which cannot be classified in accordance with the above rules shall be classified under the heading appropriate to the goods to which they are most akin.

GRI 5

- In addition to the foregoing provisions, the following rules shall apply in respect of the goods referred to therein:
 - (a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and entered with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This rule does not, however, apply to containers which give the whole its essential character;
 - (b) Subject to the provisions of rule 5(a) above, packing materials and packing containers entered with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use

GRI 6

- For legal purposes, the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related subheading notes and, mutatis mutandis, to the above rules, on the understanding that only subheadings at the same level are comparable.
- For the purposes of this rule, the relative section, chapter and subchapter notes also apply, unless the context otherwise requires.

8405		Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers; parts thereof:		
8405.10.00	00	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers.....	No.....	Free ^{1/}
8405.90.00	00	Parts.....	kg.....	Free ^{1/}
8406		Steam turbines and other vapor turbines, and parts thereof:		
8406.10		Turbines for marine propulsion:		
8406.10.10	00	Steam turbines.....	No.....	6.7% ^{1/}
		Other.....	No.....	Free ^{1/}
		Other turbines:		
		Of an output exceeding 40 MW:		
		Steam turbines.....		6.7% ^{6/}
	20	Stationary steam turbines, condensing type...	No.	
	70	Other.....	No.	
8406.81.90	00	Other.....	No.....	Free ^{1/}
8406.82		Of an output not exceeding 40 MW:		
8406.82.10		Steam turbines.....		6.7% ^{7/}

Parts and Accessories

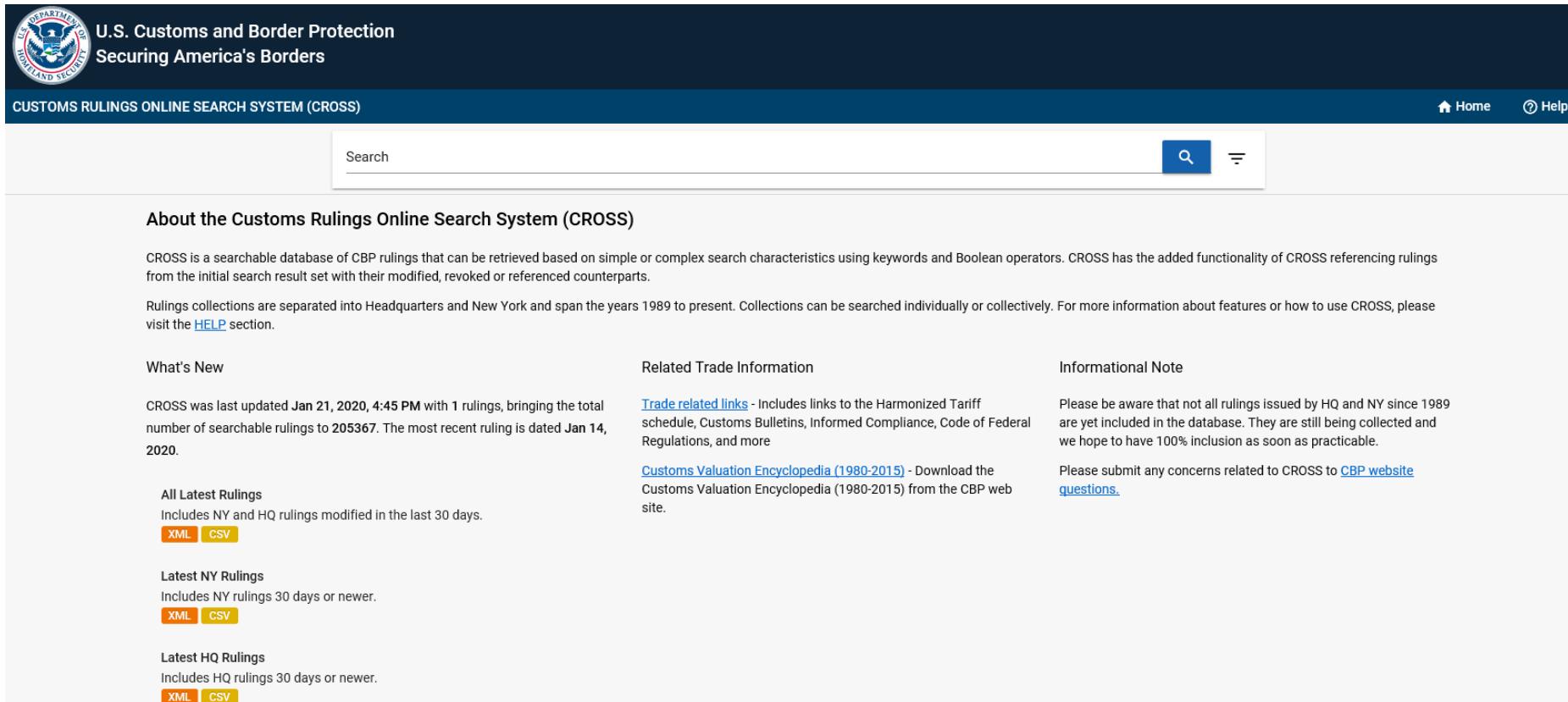
- “Parts of General Use” – Note 2 Section XV and Note 1(g) Section XVI, HTSUS
 - Springs
 - Nails
 - Screws, nuts, bolts
 - Pipe fittings
 - Stranded wire
 - Chain

Common Challenges

- Certain terms and definitions in the tariff don't match that of dictionary, scientific, or industry terms and definitions.
- Certain tariff provisions are quite detailed and require the classifier to know intricate details of the product. For example, classifying of belts requires that the classifier knows the constituent material, or for luggage the surface material.
- Some goods are classified by their actual use, such as the earlier mentioned agricultural machinery under HTS 9817.
- Many goods are classified by their constituent materials, such as Chapter 39 is entirely composed of Plastic and Articles Thereof.
- Some goods can be found in a number of tariff provisions, such as gaskets which appear in four (4) different places in the tariff depending on their composition and use.

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What's New

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[Customs Valuation Encyclopedia \(1980-2015\)](#) - Download the Customs Valuation Encyclopedia (1980-2015) from the CBP web site.

Informational Note

Please be aware that not all rulings issued by HQ and NY since 1989 are yet included in the database. They are still being collected and we hope to have 100% inclusion as soon as practicable.

Please submit any concerns related to CROSS to [CBP website questions](#).



Thank You

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