Imports

Classification 101

confidence delivered
on time, with care, everywhere.
Mallory’s Classification Policy

It is Mallory policy that all classification’s reported to CBP come from the importer of record.

- We are not the experts in our clients business, therefore we may not classify products on their behalf.

This class is intended as a guide thru CBPs policies on how to classify but does not in anyway qualify a Mallory employee to classify products on our clients behalf.
**Classification**

In a room full of classifiers, one person can arrive at one classification, or Harmonized Tariff Schedule of the United States (HTSUS or HTS) number, while the person next to them arrives at a completely different HTS# for the exact same product.

| How is classifying done successfully for customs purposes? | Are descriptions from commercial invoices all that is used? |
The process of classifying involves research from multiple levels.

Customs and Border Protection (CBP) has provided rules and references to guide those attempting to classify.

### Harmonized Tariff Schedule of the United States
- [https://hts.usitc.gov/current](https://hts.usitc.gov/current)

### Customs Rulings Online Search System (CROSS)
- [https://rulings.cbp.gov/](https://rulings.cbp.gov/)

### Explanatory Notes Publications
- Printed copies can be found in each office or [Compliance@mallorygroup.com](mailto:Compliance@mallorygroup.com) can be emailed requesting relevant sections of the Explanatory Notes.

### Informed Compliance Publications
Additional resources required to properly classify are:

- **Dictionaries**
  - Provide definitions of terms that may be unfamiliar to the classifier.

- **Product Reference Material and/or Catalogs**
  - Product catalogs including product data, drawings and/or literature giving in-depth descriptions of the product being classified.

- **Samples**
  - If possible being able to see and touch an actual item to be classified is very beneficial.

- **HTSUS Database / Log**
  - Record of all products previously classified and the justification for arriving to the classification.
The beginning of the HTSUS contains a section titled: General Notes; General Rules of Interpretation; General Statistical Notes.

The General Rules of Interpretation provides guidelines for maneuvering through the classification process.

Additional guiding principles are found in each of the Section and/or Chapter Notes.
Harmonized Tariff Schedule of the United States

The HTSUS lists items in Logical Progression:

- There are 22 Sections - Which include a total of 99 Chapters.
- Goods are logically arranged so they appear in headings beginning with the most basic substances, and ending with more advanced manufactured goods.
- Each section groups together like items and within that section are chapters that going into more details of those grouped topics. The book is designed to flow from section to section covering all things in a logical order (i.e. logical progression).
The first column, Heading and Subheadings column contains the first 8 digits of the HTSUS number.

- The first two digits represent the chapter number
- The first four digits represent the heading
- The first six digits represent the international subdivision ALL countries that have adopted the Harmonized Tariff system have the same HTS to the first 6 digits.

The second column titled Stat. Suffix will complete the U.S. 10 digit hts number.

<table>
<thead>
<tr>
<th>Heading/Subheading</th>
<th>Stat. Suffix</th>
<th>Article Description</th>
<th>Unit of Quantity</th>
<th>Rates of Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>0101</td>
<td></td>
<td>Live horses, asses, mules and hinnies: Horses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0101.21.00</td>
<td></td>
<td>Purebred breeding animals:</td>
<td>No.</td>
<td>Free</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Males:</td>
<td>No.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Females:</td>
<td></td>
<td></td>
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<tr>
<td>10</td>
<td></td>
<td>Free</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>Free</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
HTSUS Columns

Third Column
- Consists of the description of the articles contained in the headings and subheadings.

Fourth Column
- Contains the units of quantity required to be reported when filing the entry summary.

Fifth Column
- Contains the duty rate applied to all WCO countries.

Sixth Column
- Special sub-column contains duty rates for special tariff treatment programs such as GSP and NAFTA.
- If a product is eligible for special treatment under more than one program, the lowest rate of duty provided by any one program will be used for calculation of duty.

Seventh Column
- Column 2 duty rates are the highest duty rates imposed on products imported from specifically designated countries as found in GN 3(b).

<table>
<thead>
<tr>
<th>Heading/Subheading</th>
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<th>Article Description</th>
<th>Unit of Quantity</th>
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</tr>
</thead>
<tbody>
<tr>
<td>0101</td>
<td>0101.21.00</td>
<td>Live horses, asses, mules and hinnies: Horses: Purebred breeding animals: Males: Females:</td>
<td>No. No. No.</td>
<td>Free Free Free</td>
</tr>
</tbody>
</table>
After Chapter 99, you will find statistical annexes and alphabetical index. For purposes of basic classification, your focus should be on the alphabetical index.

**Annex A**

**Annex B**
International Standard Country Codes.

**Annex C**
Schedule D, Customs District and Port Codes

**Alphabetical Index**
Found at the very end of the HTSUS, is provided for ease of reference only. This section lists various articles found in the tariff in alphabetical order, and provides a starting place for classification.

### Harmonized Tariff Schedule of the United States (2014)
Annotated for Statistical Reporting Purposes

**ALPHABETICAL INDEX**

- ABACA FIBERS.......................................................... 5305.21-29
- ABRASIVE POWDER on a base of textile material, paper, paperboard or other materials.......................................................... 6805.10-30
- ABRASIVE WHEELS.................................................. 6804.22
- ABRASIVES natural.................................................. 2513.21-29
- ABSOLUTES essential oil.......................................... 3301
- AC GENERATORS.................................................... 8501.81-64, 8502.11-30
- AC MOTORS............................................................. 8501.10-20, 8501.40-53
- ACRYLONITRILE-BUTADIENE RUBBER (NBR)
  un compounded...................................................... 4002.51-69
  ACRYLONITRILE-BUTADIENE-STYRENE (ABS) COPOLYMERS in primary forms...................................................... 3903.30
  ADDITIVES prepared, for cements, mortars or concretes...................................................... 3923.40
  prepared, for mineral oils............................................. 3811.11-50
- ADDRESS BOOKS of paper or paperboard.......................... 4620.10
- ADDRESS PLATE EMBOSSGING MACHINES......................... 8472.20
- ADDRESS PLATES......................................................
General Rules of Interpretation (GRI)

The GRI are the rules, legal and binding, used to determine classification.

The GRI consists of 6 international rules that apply to all nations participating in the Harmonized System.
- The first four (4) must be used in sequential order.
- The last two (2) are applied as the situation warrants.

The U.S adds 4 additional GRIs that may be used in classification.

Each item / every classification must be supported by the GRIs
GRI 1

GRI 1 states that the table of contents, alphabetical index and titles of sections, chapters and subchapters are provided for ease of reference only.

For legal purposes, classification will be determined according to:

- The terms of the headings;
- Any relative section or chapter notes;
- Unless subject to the other GRI.

This means if a heading specifically describes a product, the product is classified there. Example: Screws are specifically provided for, so that is where they are classified.

If a product is not specifically provided for by one of the headings and/or any relative section or chapter notes, then move onto GRIs 2-6.
GRI 2 (a)

GRI 2 is split into parts a and b.

GRI 2a states that any reference in a heading to an article will be taken to include a reference to that article incomplete or unfinished, provided that, as entered, the incomplete or unfinished article. It will also include a reference to that article completed or finished (or failing to be classified as a complete or finished article by virtue of the rule), entered unassembled or disassembled.

There are two parts to consider:

- **Incomplete or unfinished goods**
  
  If the article has the essential character though incomplete/unfinished, the article will be classified as complete.

- **Unassembled or disassembled products**
  
  Articles shipped complete but unassembled are still classified if the article were shipped complete.
GRI 2b

GRI 2b states that any reference in a heading to a material or substance will be taken to include a reference to mixtures or combinations of that material or substance with other material or substances.

This means that if an article is made up of different materials, but can be classified under 1 heading, that it is classified under that heading.

Glass mirror with wooden frame – Stays classified with glass mirrors even though there is some wood material framing the glass mirror.

**But** if the article is made up of different materials and could possibly fall under two or more headings, the article must be classified by GRI 3s principles.

Spoons made of equal parts plastic and stainless steel must go to **GRI 3** for classification.
GRI 3 is split into three parts, a, b, and c.

GRI 3a states that the heading which provides the most specific description will be preferred to headings providing a more general description.

A product can fall under two or more headings, with one heading giving a more definitive description of the item. Example:

- Hair clippers could be considered electromechanical tools for working in the hand or they could go under Shavers, hair clippers, and hair removing appliances. Use the description in the headings that is more specific to select the correct classification.

Products labeled “parts of” should be classified under more specific heading if available.

- While Ball Bearings are parts, there is a specific place for ball bearings in the HTS. Do not use a “parts of” hts# when the “part” is provided for by a more specific heading.

For Mixtures, composite goods, and sets put up for retail sale where a more specific description is not clear, consult GRI 3 b.
GRI 3b states that:

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>• A composition of two or more substances that are not chemically combined with each other and are capable of being separated.</td>
<td>• Components or materials that attach to make one item. Components may be separable provided that these components adapt to one another and are mutually complementary.</td>
<td>• Goods have at least 2 different articles that are classifiable under different Headings. They are packaged together for retail sale to meet a particular need or carry out a specific activity. Sets must be suitable for sale directly to users without repackaging.</td>
</tr>
</tbody>
</table>

Which cannot be classified by reference to 3a, will be classified as if they consist of the material or component which gives them their essential character.

Essential Character is determined by:

- Nature of the material or component
- Bulk, Quality, Weight, Value
- Role of the material or component in relation to the other goods

TR/20/06 Rev.1 (04/14/17)
GRI 3c states that when goods cannot be classified by reference to 3a or 3b, they will be classified under the heading which occurs last in numerical order among those classifications which equally merit consideration.

Example: Mixture of oats and barley in equal quantities. Neither oats nor the barley stand out as the essential character of the mixture.

Barley is classified under heading 1003

Oats are classified under heading 1004

Following GRI 3c, the mixture of barley and oats gets classified under oats because the hts for oats comes after the hts for barley.
GRI 4 is used only if all other preceding GRI’s have been exhausted. The rules state that goods which cannot be classified in accordance with the above rules will be classified under the heading appropriate to the goods to which they are akin, or according to their “kinship”.

Kinship is determined by:

- Description
- Character
- Purpose or intended use
- Designation
- Production process
- Nature of the goods

This rule is usually used for new products, as it allows the brokers and importers to compare common factors between a heading and new product for which there is not yet a heading.

Simply put, goods that cannot be classified by Rules 1, 2, or 3 will be classified using articles that are similar in nature to the article being classified.
GRI 5a states that:

Those cases and 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, will be classified with their imported merchandise.

- If clearing an entry of camera’s, and each camera comes with a case designed for long term use, the case is classified with the cameras, and not under a separate hts#.  
- Example: 12 camera’s shipped in 12 camera cases will be classified as 12 cameras.

If the essential character of the good is the case or container, thee the classification of the case or container will be independent of the item.

- Camera bag without camera is classified as a camera bag.  
- Golf Club bag without clubs will be classified with sports bags but not with sports equipment.
Packing material and packing containers entered with the goods therein will be classified with the goods if they are of a kind normally used for packing such goods.

This provision does not apply when packing material or packing containers are clearly suitable for repetitive use.
GRI 6 states after the proper heading is found, GRI 1-5 applies to the subheadings.

Simply put, GRI 6 means that you have to compare apples to apples and oranges to oranges, but not apples to oranges.
Additional U.S. Rules

A tariff classification controlled by use (other than actual use) is to be determined in accordance with the use in the U.S. at or immediately prior to, the date of importation of goods of that class or kind to which the imported goods belong, and the controlling use is the principal use.

A tariff classification controlled by the actual use to which the imported goods are put in the U.S. is satisfied only if such use is intended at the time of importation, the goods are so used, and proof of the use is furnished within three years after the date the goods are entered.

A provision for parts of an article covers products solely or principally used as a part of such articles, but a provision for “parts” or “parts and accessories” will not prevail over a specific provision for such a part or accessory.

The principles of Section XI regarding mixtures of two or more textile materials will apply to the classification of goods in any provision in which textile material is named.
Section and Chapter Notes

Both include a list of items included/excluded from the chapters.
Both provide definitions of terms used throughout the section and/or chapter.
Watch for Additional US Notes and Statistical Notes!

Examples
- Section XV does not cover furniture. Redirects to Chapter 94 for classification of furniture, mattress supports, lamps and lighting fittings.
- Chapter 94, Note 1 excludes mirrors designed for placing on the floor or ground (7009)
General Notes provides instruction on duty rates, special programs and other information necessary for proper classification and calculation of duty. The HTSUS contains 35 General Notes. Since the HTSUS is subject to change from year to year, the number of General Notes and Statistical Notes may increase.

<table>
<thead>
<tr>
<th>General Note</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Note 1</td>
<td>Tariff Treatment of Imported Goods and of Vessel Equipments, Parts and Repairs</td>
</tr>
<tr>
<td>General Note 2</td>
<td>Customs Territory of the United States</td>
</tr>
<tr>
<td>General Note 3</td>
<td>Rates of Duty</td>
</tr>
<tr>
<td>General Note 4</td>
<td>Products of Countries Designated Beneficiary Developing Countries for Purposes of the Generalized System of Preferences (GSP)</td>
</tr>
<tr>
<td>General Note 5</td>
<td>Automotive Products and Motor Vehicles Eligible for Special Tariff Treatment</td>
</tr>
<tr>
<td>General Note 6</td>
<td>Articles Eligible for Duty-Free Treatment Pursuant to the Agreement on Trade in Civil Aircraft</td>
</tr>
<tr>
<td>General Note 7</td>
<td>Products of Countries Designated as Beneficiary Countries for Purposes of the Caribbean Basin Economic Recovery Act (CBERA)</td>
</tr>
<tr>
<td>General Note 8</td>
<td>United States-Israel Free Trade Area Implementation Act of 1985</td>
</tr>
<tr>
<td>General Note 9</td>
<td>United States-Canada Free-Trade Agreement (suspended)</td>
</tr>
<tr>
<td>General Note 10</td>
<td>Products of the Freely Associated States</td>
</tr>
<tr>
<td>General Note 11</td>
<td>Products of Countries Designated as Beneficiary Countries for Purposes of the Andean Trade Preference Act (ATPA)</td>
</tr>
<tr>
<td>General Note 12</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>General Note 13</td>
<td>Pharmaceutical Products</td>
</tr>
<tr>
<td>General Note 14</td>
<td>Intermediate Chemicals for Dyts</td>
</tr>
<tr>
<td>General Note 15</td>
<td>Exclusions</td>
</tr>
<tr>
<td>General Note 16</td>
<td>Products of Countries Designated as Beneficiary Countries under the African Growth and Opportunity Act (AGOA)</td>
</tr>
<tr>
<td>General Note 17</td>
<td>Products of Countries Designated as Beneficiary Countries under the United States-Caribbean Basin Trade Partnership Act of 2000</td>
</tr>
<tr>
<td>General Note 18</td>
<td>United States-Jordan Free Trade Area Implementation Act</td>
</tr>
<tr>
<td>General Notes 19-24</td>
<td>Transferred and designated as subdivisions (e) through (j), respectively, of general note 3 to the tariff schedule</td>
</tr>
<tr>
<td>General Note 25</td>
<td>United States-Singapore Free Trade Agreement</td>
</tr>
<tr>
<td>General Note 26</td>
<td>United States-Chile Free Trade Agreement</td>
</tr>
<tr>
<td>General Note 27</td>
<td>United States-Morocco Free Trade Agreement Implementation Act</td>
</tr>
<tr>
<td>General Note 28</td>
<td>United States-Australia Free Trade Agreement Implementation Act</td>
</tr>
<tr>
<td>General Note 29</td>
<td>Dominican Republic-Central America-United States Free Trade Agreement Implementation Act</td>
</tr>
<tr>
<td>General Note 30</td>
<td>United States-Bahrain Free Trade Agreement Implementation Act</td>
</tr>
<tr>
<td>General Note 31</td>
<td>United States-Oman Free Trade Agreement Implementation Act</td>
</tr>
<tr>
<td>General Note 32</td>
<td>United States-Peru Trade Promotion Agreement Implementation Act</td>
</tr>
<tr>
<td>General Note 33</td>
<td>United States-Korea Free Trade Agreement</td>
</tr>
<tr>
<td>General Note 34</td>
<td>United States-Colombia Trade Promotion Agreement</td>
</tr>
<tr>
<td>General Note 35</td>
<td>United States-Panama Trade Promotion Agreement</td>
</tr>
</tbody>
</table>
All General Notes (GN) contain vital information but GN3 contains several items to be highlighted.

Types of Duty Rates: There are three types of duty rates:
- Ad valorem, in which the duty is a percentage of the value of the merchandise, is the most commonly used in the HTSUS.
- Specific rate provides for a specified amount of duty per unit.
- Compound rate is a combination of the ad valorem and the specific duty rates.

Column 1 and 2 Rates – Classification tables display these two columns.
- Column 1 is subdivided into 2 sub-columns which represent the general duty rates and the rates for the special duty programs and free trade agreements.
- Column 2 provides duty rates for the countries receiving less favorable rates.

Insular possessions Include: U.S. Virgin Islands, Guam, American Samoa, Wake Island, Midway Islands, Johnston Atoll.
- Most goods are subject to rates of duty in Column 1.
- If the goods are the growth, product or manufacture of any insular possession or of the customs territory of the U.S. or both, and do not contain foreign material valuing more than 70% of their total value and are shipped directly from any insular possession, they are exempt from duty.
Exemptions: Exceptions to GN 1 are found in GN3e. The following items are never subject to entry or duty under the tariff schedule.

- Corpses with coffins and flowers
- Telecommunications transmissions
- Records, diagrams and other data with regard to any business, engineering or exploration operation whether on paper, cards or photographs, blueprints, tapes or other media.
- Articles returned from space
- Articles exported from the U.S. that are returned within 45 days after exportation and have not left the custody of the carrier or foreign customs service.
Comingling goods means the goods have been mixed or mingled together and the quantity and/or value of individual articles is not readily available.

Whenever goods subject to different rates of duty are all those goods will be subject to the highest rate of duty applicable to any of the commingled goods, unless the consignee segregates the goods so that the value for each class of goods is ascertainable.

- Example: A plastic bag containing steel washers (free), nuts (0.1%), bolts (.4%), and screws (6.2%) will be dutiable at the highest rate of the four, which is 6.2% if the value of each article cannot be ascertained.

GN3g Explains abbreviations found throughout the tariff schedule.

The some of the most common abbreviations used in the Harmonized Tariff Schedule:

- **Doz**: Dozens
- **M2**: Square Meters
- **KG**: Kilograms
- **PCS**: Pieces
- **M**: Meter
- **No**: Number
Customs Rulings Online Search System (CROSS) makes CBP rulings accessible for public research.
Simply type in key phrases or HTS#s into the search field and a list of CBP rulings containing said phrase or HTS# will be returned.

Click the hyperlinks to open rulings and make sure cases are read closely, dates are checked and double check CBP hasn’t since revoked the ruling with newer data.

CROSS should be used as a guide but classifications are still made by using GRIs.
Explanatory Notes Publications (EN) offer a little more detail to Section and Chapter Notes found in the HTSUS.

- The details found in EN can help solidify a classification by offering more in-depth Section and Chapter notes.

Whether your office has access to the paper or electronic copies, the data is sorted by Section and Chapter Notes in the same order as the HTSUS.

INTRODUCTION

This publication contains the official text of the Explanatory Notes to the Harmonized Commodity Description and Coding System (Harmonized System), including the text of the Subheading Explanatory Notes indicating the scope and content of certain of the Harmonized System subheadings.

Where a Subheading Explanatory Note is provided this is indicated by the sign (+) after the text of the heading.

The Explanatory Notes to the Harmonized System are published in English and French, the two official languages of the World Customs Organization. They are kept up-to-date by the issue of new pages to replace those affected by the amendments made.
CBP offers additional guidance on many topics, including tariff classification, to assist importers and brokers in understanding their requirements.

https://www.cbp.gov/trade/rulings/informed-compliance-publications
Classification Check list

Confirm accuracy of the invoice description; request additional information, if necessary from buyer or the supplier.

Refer to brochures, catalogs, product datasheets, or other reference books such as encyclopedias.

Select potential chapters in HTSUS using Chapter Titles and Appendix.

Compare the headings within the applicable sections of the HTS.

Read Chapter and Section Notes; apply exclusions and Inclusions.

Consult the GRI’s.

Read the Explanatory Notes for the relevant headings.

Check Rulings for “like” or “similar” goods.

Consult Internal and/or external experts.

- Often the buyers are able to provide necessary details about the products they purchase. For some products, engineers are helpful.

Review and/or Request CBP rulings.

- A binding ruling is a written request from an importer, broker, or other interested party. Note: Binding Rulings are only binding to the party that issued the ruling.

Select the HTSUS Number

- Choose the proper heading, subheading, and ultimately the 10-digit HTSUS number.
Application of Classification Process

During the pre-clearance process of data entry, use the commercial documents to apply the classification process as follows:

- **Determine the Duty Rate and applicability of special duty programs.**
  - To determine the duty rate you need country of origin, then check to see if the country is subject to any special duty programs or other duty free treatment.

- **Rate the commercial entry documents (invoice, packing list, and supporting documents).**
  - Notate: HTSUS number, rate of duty, detailed descriptions, country of origins, etc. and number the documents.
  - Confirm the party providing the information and document when it was provided.
  - All of these documents must be in eDocs.

- **Spare Parts listed on invoices must have a breakdown of items along with values of each.**
  - If the spare parts meet the requirements as parts of a particular item, then they may be classified as such.
  - If the items are general use parts or parts specifically provided for, they must be classified for what they are.

- **Determine if merchandise requires additional information or documents for other government agencies.**
Product Databases

Entering classification information into a database provides consistency and allows future classification decisions on similar or identical products to be researched easier.

Save products into database using Item or Sku #s with a detailed description of the product.

- Attach supporting documentation into eDocs of the product code for ease of maintaining data.
- Supporting documentation and/or importer confirmations must be saved to eDocs for all classifications entered into the system.
- It is important that brokers and importers be able to provide information as to how a classification was determined.

Importers with classifications databases should provide the data to their broker.

- Databases received in excel may be uploaded to the system by Entupdateorg@mallorygroup.com.

Product Databases can be built to save as little or as detailed of data available.

- Examples AD/CVD applicability, case numbers, ADD non-reimbursement ID#s, PGA, quantities, shipping units, dimensions, and weights to name a few elements that can be saved to a product code.

Classifications provided by another broker must be checked and verified by our staff.

- Do not assume the information provided is correct.
Common Classification Mistakes

Neglecting to review rulings on similar or identical articles
Failure to review classifications periodically
Relying solely on broker to classify goods
Choosing HTS by duty rate (highest or lowest)
Classifying “parts of”
Assigning classification responsibilities to untrained individuals
Failure to thoroughly read Chapter and Section Notes
Relying solely on rulings to determine classifications
Ignoring punctuation in Headings
Disregarding GRI’s

CAUTION
Don’t make these mistakes
As evidenced by the previous slides, the process of classifying goods can be a tedious process and requires time and research to arrive at the correct HTS number for any one product.

In addition to providing correct HTS# and duty rates, any number of Partnering Government Agencies could be involved with imported merchandise requiring documentation, permits, or specific sets of instructions to bring in certain commodities. Before a Mallory import team member takes on the challenge of these tasks for any of our clients, please refer the client to our sister company, M-Pact Solutions.

There will be fees for their services but involving M-Pact Solutions will ensure our clients receive the best research possible, lowering the risk of CBP surprises at the time of importation. This also allows our operation teams to continuing providing our clients with the best Freight Forwarding, NVOCC, and/or Brokerage services possible.

Website:  http://www.m-pactsolutions.com/

Email: Concierge@m-pactsolutions.com
Questions?

Contact Compliance@mallorygroup.com