

Overview

# Tariff Classification Basics

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# Tariff Classification Basics

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Product classification is an internationally shared process among all trading countries. In the U.S., products are classified according to the [Harmonized Tariff Schedule](#) of the U.S. (HTSUS). When entering goods into the U.S., the HTSUS-designated 10-digit HTS code is required and used to determine the applicable duty rate. The HTS is declared by the importer and used to assess tariffs, determine eligible free trade agreements, generate trade statistics, and monitor quota or controlled goods.

U.S. Customs and Border Protection (CBP) requires an importer of record, among other responsibilities, to exercise [reasonable care](#) to determine the classification of a good, pay the correct duties, and appropriately avail itself of duty saving opportunities like free trade agreements, China tariff exclusions, and other duties. Failing to meet the reasonable care standard exposes an importer to potentially high penalties under [19 U.S.C. 1592](#) and can subject an importer to detention or seizure of goods.

This article provides a basic overview of the complex process of classification, practice tips on meeting the reasonable care standard, how to effectively classify goods imported into the U.S., and additional resources to assist in the classification process.

**Practice Tip:** Importers often misclassify their products, partly because the HTS system is complex, and partly because some importers mistakenly believe the duty to correctly classify goods lies solely with their customs broker. Misclassification is a key rationale for CBP enforcement.

## HTSUS

The HTSUS is divided into 22 sections, with commodities arranged primarily according to usage and economic activity. Within these sections are [99 chapters](#) arranged according to levels of processing, with primary commodities—such as food products and animals—classified in the earlier chapters and more technically complex products—such as automobiles, machinery—classified later.

**Practice Tip:** Experts use the following resources to help determine the correct HTS:

- HTSUS
- Explanatory Notes (EN)
- General Notes
- [General Rules of Interpretation \(GRI\)](#)
- Customs Rulings Online Search Systems such CROSS or CBP Binding Rulings

Understanding the HTS's specific structure is the first step to learning how to classify goods. All countries under the WCO have adopted the Harmonized Tariff system and have the same HTS up to the first 6 digits. The structure of the HTS is read from left to right and is structured as follows:

- **First Two digits:** chapter
- **First Four Digits:** heading
- **First Eight Digits:** subheading
- **Last Two Digits:** statistical suffix

[Harmonized Tariff Schedule of the United States Basic Revision 12 \(2021\)](#)

## HTSUS & Structure

The International Trade Commission (ITC) issues the HTSUS annually. The HTSUS is 10-digit import classification system that is specific to the U.S. The first six digits of the 10-digit code encompass the [World Customs Organization's \(WCO\)](#) uniform classification system known as the Harmonized System (HS)—a system shared among more than 200 countries, covering 98% of world trade, and including more than 5000 commodity groups. The last four digits of the HTSUS are assigned by the ITC and specific to the U.S. The following graphic illustrates the structure of the HTS. The U.S. has not adopted the 14-digit code for additional measures.

### HTSUS Structure

The HTSUS is broken down as follows within the first column:

- **First Two Digits:** chapter
- **First Four digits:** heading
- **First Six Digits:** international subheading.
- **First Eight Digits:** complete subheading
- **Last Two Digits:** statistical suffix

### Harmonized Tariff Schedule of the United States Basic Revision 5 (2021)

HTS Columns				
Article Description	Units of quantity	Rates of Duty		
		1		2
		General	Special	
Describes the articles contained in the headings and subheadings.	Contains the units of quantity required to be reported when entering goods into the U.S.	Duty rate applied to all WCO countries	Sub-column contains duty rates for special tariff treatment programs such as Generalized System of Preferences (GSP) and the U.S.-Mexico-Canada Agreement (USMCA).	Column 2 duty rates are the highest duty rates imposed on products imported from specifically designated countries. Found in <a href="#">GN 3(b)</a> and reserved for Cuba and North Korea.

The general duty rates column lists the duty rate for those countries who the U.S. has normal trade relations with. The special duty rate column applies to products from countries that have a preferential tariff program with the U.S.—gaining benefits such as free or lower rates than the general duty rate. Examples of preferential tariff programs include the USMCA or The Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA). If the imports are from countries not eligible for either general or special rates, Column 2 duty rates apply.

**Practice Tip:** If a product is eligible for preferential treatment under more than one preferential tariff program, the lowest rate of duty provided by any one program will be used for the calculation of duty. The blue subscript next to the general duty rate of free, lists other statistical reporting numbers, such as the secondary HTS for

China tariffs. When assessing duty rates for the classified products, the HTSs listed in blue subscript and the actual HTS to calculate duties owed to CBP must be used.

## Classifying a Product Under the HTSUS

To identify the most appropriate HTS for an imported good, start with a review of the HTSUS chapters, then headings, and subheadings. Simultaneously, consult [CROSS](#) for applicable CBP binding rulings, GRIs, and Explanatory Notes.

**Practice Tip:** First search the HTSUS online database for the applicable HTS and click the hyperlinked last two digits to automatically review all CBP Cross Rulings issued for that classification.

**Practice Tip:** Importantly, CBP binding rulings are only applicable to the company that obtained the ruling for the specific facts and circumstances. Other importers may rely on such rulings to show reasonable care was used to determine the classification of an imported good. An importer should perform its own research, document the research, and then obtain its own CBP binding ruling. The binding ruling process is a free service provided by CBP and classification alone typically takes 30 days.

### General Rules of Interpretation

Product classifications must be supported by a GRI, legal and binding rules used to determine classification. The GRI consists of six international rules that apply to all nations participating in the HS. The GRI one to four must be applied in sequential order, while GRI 5 and 6 are used based on the circumstances. The following chart defines each GRI:

GRI	Description
GRI 1	<p><b>GRI 1 Classification.</b> Classification determined according to terms of the heading and relative sections or chapter notes, unless subject to the other GRIs.</p> <p><b>Practice Tip:</b> If a heading specifically describes a product, then the product is classified in that heading. The remaining GRIs do not have to be evaluated because GRI one to four must be applied in sequential order and the classification was found using GRI. If a product is not specifically provided for, then GRIs 2-6 must be evaluated to correctly determine the HTSUS. For example, live horses are specifically provided for in heading 0101 so live horses will be classified in that heading according to GRI 1.</p>
GRI 2a	<p><b>GRI 2a Classification.</b> 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. Any reference to a heading shall also include a reference to whether that article complete or finished—or failing to be classified as complete or finished by virtue of this rule—entered unassembled or disassembled.</p> <p>Essential character is determined based on the nature of the material or component, its bulk, quality, weight, value, or by the role of a constituent material in relation to the use of the goods.</p> <p><b>Practice Tip:</b> Even if the article is imported incomplete or unfinished, if the article has the essential character of the final product, the article will be classified as a complete article (e.g., unpainted figures). Articles shipped complete but unassembled are classified as if the article were shipped complete (e.g., an unassembled bicycle).</p>
GRI 2b	<p><b>GRI 2b Classification.</b> 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.</p> <p><b>Practice Tip:</b> A final article composed of various materials that can be classified under one heading will be classified under that one heading (e.g., a wooden framed oil painted canvas would be classified as a painting). However, if the final product is classifiable under two or more headings, then the article must be classified by GRI 3s principles.</p>

<p><b>GRI 3a</b></p>	<p><b>GRI 3 Applicability.</b> GRI 3 applies when a good can be classified in multiple headings and is classified as if the good consisted of the material or component which gives them their essential character (the nature of the material or component, its bulk, quality, weight, or value, or by the role of a constituent material in relation to the use of the goods).</p> <p><b>GRI 3a Classification.</b> The heading which provides the most specific description will be preferred to headings providing a more general description.</p> <p><b>Practice Tip:</b> A product falling under two or more headings, should be classified under the heading with a more specific description of the good. Use the heading description to identify the more definitive and correct classification. If available, parts should be classified under a more specific heading than a general parts classification. Review GRI 3b for mixtures, composite goods, and sets put up for retail sale when the specific description is unclear.</p>
<p><b>GRI 3b</b></p>	<p><b>GRI 3b Classification.</b> Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, that 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. The following provides relevant definitions:</p> <ul style="list-style-type: none"> <li>• <b>Mixtures.</b> A composition of two or more substances that are not chemically combined with each other and are capable of being separated.</li> <li>• <b>Composite goods.</b> 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.</li> <li>• <b>Goods put up in sets for retail sale.</b> Goods have at least two 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.</li> </ul>
<p><b>GRI 3c</b></p>	<p><b>GRI 3c Classification.</b> 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.</p> <p>For example, a belt made of plastic (chapter 39) and woven textile fabric (chapter 62), in which neither component provides the essential character of the belt. The belt will be classified under Chapter 62.</p>
<p><b>GRI 4</b></p>	<p><b>GRI 4 Classification.</b> GRI 4 is strictly used when GRI 1-3 are inapplicable. The rule states that goods that cannot be classified in accordance with the above rules (GRI 1 to 3) they will be classified under the heading appropriate to the goods to which they are akin. In other words, classify the product using articles that are similar in nature to the article being classified.</p> <p>To determine kinship, consider the following factors: description, character, purpose or intended use, designation, production process, and nature of the goods.</p> <p><b>Practice Tip:</b> This rule is usually used for new products that have no applicable heading. Almost all goods fall within GRIs 1 to 3; this rule should be rarely used.</p>
<p><b>GR 5a</b></p>	<p><b>GRI 5a Classification.</b> Those cases and containers—e.g., 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, will be classified with their imported merchandise.</p>

	<p>This means the case will be classified under the HTS for the article in the case which is the essential character of the good (e.g., a camera is imported in its specially designed protective camera cases, the case will be classified as a camera).</p> <p>If the essential character of the good is the case or container, then the classification of the case or container will be separate from the classification of the product it contains.</p>
<b>GR5b</b>	<p><b>GRI 5b Classification.</b> 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. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.</p>
<b>GRI 6</b>	<p><b>GRI 6 Classification.</b> 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, <i>mutatis mutandis</i> (making due alteration for detail) 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 and chapter notes also apply unless the context otherwise requires.</p> <p>GRI 6 classification of goods must be comparable—apples to apples and oranges to oranges, but not apples to oranges.</p> <p><b>Practice Tip:</b> To apply this rule, identify the proper heading, GRI 1 to 5 are reapplied to the subheadings and same HTS digit level. Goods are to be classified at equal subheading levels by following these steps:</p> <ul style="list-style-type: none"> <li>• Compare heading to heading</li> <li>• Compare subheadings within the same heading</li> <li>• Section, chapter, and subchapter notes may apply to subheading levels</li> </ul>

### Other Classification Tools

The following are other references that should be consulted when classifying a product:

**Section & Chapter Notes.** Section notes apply to all chapters within the section. Chapter notes apply to all headings in the chapter. These note the list of items included/excluded from the chapters, definitions, and terms.

**General & Statistical Notes.** General notes provide 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.

**Explanatory Notes Publications.** The [explanatory notes](#) constitute the official interpretation of the HS at the international level. The EN offers more detail to Section and Chapter Notes.

As such, they apply at the 4-digit (heading) level and the 6-digit (subheading) level. Although not legally binding, the Explanatory Notes should be consulted for guidance and considered as persuasive authority in interpreting the Harmonized System.

## Classification Checklist

- Request the HTS from the manufacturer of the good and verify that it is correct using the steps below
- Obtain detailed information about the product subject to classification
- Refer to brochures, catalogs, product datasheets, or other reference books such as encyclopedias to understand the product well

- Review HTSUS sections and chapters
- Compare the headings within the applicable chapter of the HTS
- Read the Chapter and Section Notes
- Consult the GRIs in the correct order
- Read the Explanatory Notes for the relevant headings or subheadings
- Check CROSS for CBP's classification of similar goods
- Consult Internal and/or external experts such as trade lawyers or engineers
- Use a helpful resource from the ITC named [Product Search](#)
- Consult [CBP Informed Compliance Publications](#)
- Request your own CBP Binding Ruling

**Practice Tip:** Once you receive a CBP Binding Ruling, it is binding. It is highly recommended to only request a ruling when you have already performed your research and are advocating for CBP to agree with your assessment. Within your ruling request, you can request an oral discussion of the issues pursuant to [19 C.F.R. § 177.4](#) to provide additional information prior to CBP concluding in the contrary.

Forms of Import Tariffs. CBP uses the HTSUS to determine applicable tariffs upon importation. The following are the various forms of import tariffs:

- **Ad valorem tariffs.** These are the most common import duties calculated as a percentage of the value of the import (price of the good).
- **Specific tariffs.** Import duty specified as a money amount that is levied per unit of imports. These are calculated based on the quantity of an import. These are typically described as a trade barrier intended to restrict imports.
- **Mixed tariffs.** These are expressed as either a specific or an ad valorem rate, depending on which generates the most—or sometimes least—revenue.
- **Compound tariffs.** These are a combination of both specific tariffs and ad valorem tariffs.
- **Tariff-rate quotas.** These duties are made up of a low tariff rate on an initial increment of imports (the within-quota quantity) and a very high tariff rate on imports entering above that initial amount. Once the quota is met all subsequent goods are imposed at a higher rate.

**Practice Tip:** To document an importer's use of reasonable care in classifying its imported goods, it is best to document the classification process used and use a HTS database listing the category or description of the good, the SKU/product code/website link, HTSUS, duty rate, supporting CBP binding ruling, the reviewer—the individual who classified the good—and date of review. Any special notes such as applicable GRI should be listed under a separate column under notes. This database and subsequent revisions should be shared with the customs broker to ensure it is used when filing entries with CBP. The HTS database should be reviewed annually or on an as needed basis.

## 2022 HS Updates

Every five years the WCO conducts a general review of the uniformed HS adopted by its members. These reviews keep the HS current with new technology, visibility into product streams, and emerging global issues. As a member to the WCO, the U.S. adopts the changes into its own HTSUS. Although the seventh edition of HTSUS was scheduled to become effective on [Jan. 1, 2022](#), President Biden issued a [presidential proclamation](#) on December 23, 2021 extending the effective date for the modified HTSUS to January 27, 2022. Even though the HTSUS is often revised numerous times throughout the year, it is highly anticipated that 2022 will impact all industries. In terms of past revisions, [for example, the HTSUS in 2021 had 12 revisions](#), in 2020 there were 28 revisions, and in 2019 there were 20 revisions.

The HS 2022 updates include a total of 351 sets of amendments broken down by sector:

Sector	Changes
Agricultural foods and tobacco	77
Electrical goods and machinery	63
Chemical	58
Wood	31
Base metal	27
Textile	21
Transport sector	22
Other sectors	52
<b>Total</b>	<b>351</b>

Key chapters updated in HS 2022 include:

Chapter	Chapter Name	Headings Added	Headings Deleted	Descriptions Modified
29	Organic chemicals	38	13	17
44	Wood and articles of wood; wood charcoal	32	7	7
84	Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof	29	8	5
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	43	12	3

Examples of novel products with new specific provisions in the HTS include:

- Electrical and electronic waste (e.g. waste)
- Novel tobacco and nicotine-based products
- Unmanned aerial vehicles (UAVs or drones)
- Smartphones

- Multipurpose intermediate assemblies (flat panel display modules).

**Practice Tip:** Even though most classifications are not impacted by the revisions, it is recommended to review the most current version of the HTSUS when determining the HTS.

While determining the correct classification can be complex, the right team and documented processes are essential to establish an importer's use of reasonable care in classifying imported goods into the U.S.