

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 110th Congress**¹

[Date approved: March 27, 2008]²

Bill No. and sponsor: H.R. 4398 (Mr. Dan Burton of Indiana).

Proponent name,³ location: Dow Chemical Company, Midland, MI.

Other bills on product (110th Congress only): None.

Nature of bill: Modification and extension of temporary duty reduction through December 31, 2011.

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

Industrial grade nitrocellulose in powdered forms, whether as granular, fine powder, small flakes, chips, or other solid forms, with a maximum nitrogen content of 12.2 percent dry weight (CAS No. 9004-70-0) (provided for in subheading 3912.20.00).

Check one: Same as that in bill as introduced.
 Different from that in bill as introduced (see Technical comments section).

Product information, including uses/applications and source(s) of imports:

Nitrocellulose (NC) is a white, free-flowing powder, whether in granular, fine powder, chips, or other solid forms. The product is a highly flammable polyester resin produced by nitrating cellulose with a mixture of nitric and sulfuric acids. NC is made in both industrial and propellant (explosives) grades. This legislation covers only industrial grade nitrocellulose (INC). INC is produced in a wide range of molecular weights, with a nitrogen content of 10.8 to 12.2 percent dry weight, while non-subject propellant grade nitrocellulose contains more than 12.2 percent nitrogen. To prevent fire and explosion, INC is desensitized by blending with 30 percent isopropanol, or 20 percent plasticizer, and sealed in drums or other containers.⁴ INC, regardless of its various powder forms, is used chiefly in solvent-base lacquers for furniture finishes, printing inks, fingernail polish, adhesives, and other applications. In 2007, fifteen countries shipped NC in all forms to the United States. Seven countries accounted for about 95 percent of the value, led by Germany, Taiwan, Brazil, the United Kingdom, Czech Republic, France, and Spain. There is no known production of INC in the United States.⁵

Estimated effect on customs revenue:

¹ Industry analyst preparing report: Ray Cantrell (202-205-3362); Tariff Affairs contact: David Michels (202-205-3440).

² Access to an electronic copy of this memorandum is available at http://www.usitc.gov/tata/hts/other/rel_doc/bill_reports/.

³ The sponsor/proponent did not identify any additional beneficiaries of this bill.

⁴ Non-subject propellant (explosives) grade NC is blended (desensitized) with 30 percent water and sealed in drums.

⁵ Greentree Chemical Technologies closed its INC and propellant grade NC plants at Parlin, NJ, in Nov. 2003. Hercules, Inc., the former owner, has taken over all assets for cleanup and dismantling of the former nitrocellulose production facility.

HTS subheading: 3912.20.00					
	2009	2010	2011	2012	2013
Col. 1-General rate of duty (AVE)	5.2%	5.2%	5.2%	5.2%	5.2%
Estimated value <i>dutiable</i> imports	\$38,193,000	\$38,200,000	\$38,200,000	\$38,200,000	\$38,200,000
Customs revenue loss 1/ 2/	\$1,107,597	\$1,413,400	\$1,413,400	\$1,413,400	\$1,413,400

1/ The estimated customs revenue loss is based on a temporary reduction of the general rate of duty from 5.2 percent ad valorem to 1.5 percent ad valorem, a reduction of 3.7 percentage points.

2/ The estimated customs revenue loss for 2009 is based on the difference between the temporary rate of duty of 4.4 percent ad valorem that would apply under HTS heading 9902.10.23, which expires on December 31, 2009, and 1.5 percent ad valorem, which is the temporary rate of duty that would apply under the bill, a reduction of 2.9 percentage points.

Source of estimated dutiable import data: Commission and official U.S. Government statistics reduced for estimated non-subject propellant grade imports from the Czech Republic, Spain, and France (19 percent of total import value).

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
		(Yes/No)		
Dow Chemical Company (Proponent) Joe Bainor, 989-636-0083 Lisa Schroeter, 202-429-3400 Max Turnipseed, 225-338-0310	02/04/2008	No	No	No
Bayer Corporation Karen Niedermeyer, 412-777-2058	02/08/2008	No	Yes	No
Hercules, Incorporated Jim Davis, 302-594-7006 Israel Floyd, 302-594-5128	02/12/2008	No	No	No
Institute of Makers of Explosives (IME) Cynthia Hilton, 202-266-4319 Christopher Ronay, 202-429-9280	02/15/2008	Yes	Yes	No 1/
McCrossin/Consultant 2/ Ed McCrossin, 302-234-4275	02/07/2008	No	Yes	No
National Paint and Coatings Association Allen Irish, 202-462-6272 David Lloyd, 202-462-6272	02/08/2008	No	No	No

Name of firm/organization	Date contacted	Claim US makes same or competing product(s)?	Submission attached?	Opposition noted?
		(Yes/No)		
St. Marks Powder, Incorporated Steve Faintich, 850-577-2273	02/14/2008	No	No	No

1/ IME does not produce the form of nitrocellulose covered by the bill, so it does not object. On the other hand, IME does advocate expansion of the scope of the bill to cover other forms of nitrocellulose.

2/ Mr. McCrossin was formerly Business Manager for industrial and propellant grade nitrocellulose for Hercules, and General Manager of Greentree Chemical Technologies Nitrocellulose Division, Parlin, NJ.

Technical comments:⁶

The Commission suggests that the current bill be modified by substituting the article description on page 1 of this report for that given in Section 1(a) (1) of the bill, as it reflects a more accurate description of the various forms of nitrocellulose powders commonly imported by the U.S. industry at large for the same general purposes, and further defines the product as industrial grade nitrocellulose, a product containing a maximum nitrogen content of 12.2 percent.

The Commission defers to the U.S. Customs Service for a ruling on whether the provision as modified will be administrable. If the legislation is passed with the article description modified, the provision will exclude propellant grade nitrocellulose from the current duty reduction provision.

Finally, the Commission notes that HTS heading 9902.25.56 also provides a temporary duty reduction for nitrocellulose. Like heading 9902.10.23, heading 9902.25.56 covers all nitrocellulose, temporarily reduces the general rate of duty to 4.4 percent ad valorem, and expires on December 31, 2009.

⁶ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

110TH CONGRESS
1ST SESSION

H. R. 4398

To amend the Harmonized Tariff Schedule of the United States to clarify
and extend the temporary duty reduction on cellulose nitrate.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 11, 2007

Mr. BURTON of Indiana introduced the following bill; which was referred to
the Committee on Ways and Means

A BILL

To amend the Harmonized Tariff Schedule of the United
States to clarify and extend the temporary duty reduc-
tion on cellulose nitrate.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CELLULOSE NITRATE.**

4 (a) IN GENERAL.—Heading 9902.10.23 of the Har-
5 monized Tariff Schedule of the United States (relating to
6 cellulose nitrate) is amended—

7 (1) by striking the text in the article description
8 column and inserting “Cellulose nitrate (in powder
9 form only, excluding collodions) with a nitrogen con-

1 tent of 12.2% by weight or less (CAS No. 9004–70–
2 0) (provided for in subheading 3912.20.00)’’;

3 (2) by striking ‘‘4.4%’’ and inserting ‘‘1.5%’’;

4 and

5 (3) in the effective period column, by striking
6 the date contained therein and inserting ‘‘12/31/
7 2011’’.

8 (b) EFFECTIVE DATE.—The amendments made by
9 subsection (a) apply to goods entered, or withdrawn from
10 warehouse for consumption, on or after the 15th day after
11 the date of the enactment of this Act.

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