

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 110th Congress¹**

[Date approved: July 22, 2008]²

Bill No. and sponsor: H.R. 5675 (Mr. Kendrick B. Meek of Florida).

Proponent name,³ location: International Premium Cigar & Pipe Retailers Association, Columbus, GA.

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

Nature of bill: Creates a new tariff line for “certified handmade cigars” with no change in duty rates.

Retroactive effect: None.

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

[2402.10 Cigars, cheroots and cigarillos, containing tobacco:]

Each valued 23¢ or over:

2402.10.70 Certified as handmade by the appropriate government official of the country of origin

2402.10.90 Other

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:

A cigar is a small tube of rolled tobacco used for smoking. “Certified handmade cigars” are cigars that are constructed entirely by hand and non-power-driven machinery, as certified by a government official in the country of manufacture.⁴

U.S. cigar imports under current subheading 2402.10.80 (each valued at 23¢ or over) were valued at \$316 million in 2007, representing 80 percent of total U.S. cigar imports. The leading sources of imports were the Dominican Republic (\$190 million), Honduras (\$80 million), and Nicaragua (\$43 million). In 2007, over 90 percent of these imports entered the United States free of duty under the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA).⁵

¹ Industry analyst preparing report: George Serletis (202-205-3315); Tariff Affairs contact: Jan Summers (202-205-2605).

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; however, the sponsor submitted a letter indicating that the disclosure requirement does not apply to this bill (see copy attached).

⁴ International Premium Cigar & Pipe Retailers Association (IPCPR) letter to Commission staff, dated April 25, 2008.

⁵ In prior years these products entered free of duty under the Caribbean Basin Economic Recovery Act (see HTS general note 7).

Estimated effect on customs revenue:

The bill would create a new tariff line to provide separately for “certified handmade cigars” but would not change the existing tariff rates; therefore, there is no customs revenue loss attributable to the bill. There would be some administrative costs associated with enforcing the requirements of the new tariff rate line and verifying the foreign government certifications; these costs would be higher than would exist if the data of interest to the proponents were collected under non-legal statistical reporting numbers of the HTS. On average, over 99 percent of these products enter the United States free of duty under DR-CAFTA and other tariff preference programs.

HTS subheading: 2402.10.80					
	2009	2010	2011	2012	2013
Col. 1-General rate of duty (AVE) 1/	2.57%	2.57%	2.57%	2.57%	2.57%
Estimated value <i>dutiable</i> imports	\$2,293	\$2,293	\$2,293	\$2,293	\$2,293
Customs revenue loss	\$0	\$0	\$0	\$0	\$0

1/ The AVE is the ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available. The AVE duty rate was calculated using dutiable imports and calculated duties under subheading 2402.10.80.

Source of estimated dutiable import data: Official U.S. Government statistics.

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)	
International Premium Cigar & Pipe Retailers Association (Proponent) Joe Rowe, 706-494-1143	05/14/2008	No	Yes	No
Altadis USA Inc. Peter Feller (consultant), 301-263-9425	05/20/2008	No	Yes	Yes
Cigar Association of America Norman Sharp, 202-223-8204	05/16/2008	No	No	Yes

Technical comments:⁶

As drafted, the first new tariff rate line established by the bill (for the handmade cigars) would re-use the existing HTS subheading number for the entire group of cigars valued 23 cents or more. Re-using the number with a different product scope would be confusing and misleading to those who try to examine

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.

trade data for this product grouping. Thus, the tariff number “2402.10.85” should be used in place of “2402.10.80” for the first new tariff subheading. Some additional language should be added to the article description, as shown on page 1, to convey that it is not the importer of record (frequently a hired licensed customs broker) who is providing the certification but an official responsible for ensuring accuracy of labeling.

110TH CONGRESS
2D SESSION

H. R. 5675

To amend the Harmonized Tariff Schedule of the United States to revise the classification of certain cigars.

IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 2008

Mr. MEEK of Florida 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 revise the classification of certain cigars.

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. CERTAIN CIGARS.**

4 (a) IN GENERAL.—Chapter 24 of the Harmonized
5 Tariff Schedule of the United States is amended by strik-
6 ing subheading 2402.10.80 and inserting the following
7 new subheadings and superior text thereto, with such su-
8 perior text having the same degree of indentation as the
9 article description for subheading 2402.10.80 as in effect
10 immediately before the enactment of this Act:

“	2402.10.80	Each valued 23¢ or over: Cigars certified as handmade	57¢/kg + 1.4%	Free (A, AU, BH, CA, CL, E, IL, J, MA, MX, P, SG)	\$9.92/kg + 25%	”.
	2402.10.90	Other	57¢/kg + 1.4%	Free (A, AU, BH, CA, CL, E, IL, J, MA, MX, P, SG)	\$9.92/kg + 25%	

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) applies with respect to goods entered, or
 3 withdrawn from warehouse for consumption, on or after
 4 the 15th day after the date of the enactment of this Act.

○