

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 108th Congress ¹**

[Date approved: August 6, 2004]²

Bill No. and sponsor: H.R. 3517 (Mr. Waxman).

Proponent name, location: Paint Resources International, Santa Monica, CA.

Other bills on product (108th Congress only): None

Nature of bill: Temporary duty suspension through December 31, 2008.

Retroactive effect: None.

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

White-pigmented poly(vinyl acetate) in aqueous solution (provided for in subheading 3209.10.00)

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

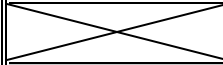
Product information, including uses/applications and source(s) of imports:

According to the proponent, "786" neutral vinyl acetate polymer in aqueous solution is a proprietary colloidal suspension consisting of white particles in a tintable liquid. As such, it is basically a white tintable base paint. When the compatible intermediate blended colorants are added, the liquid solution takes the color that is added but the white particles remain white. This results in a two-color paint in the same container. The mixture is then brush-applied over the absorbent basecoat creating a two-color textured-effect paint finish. Italy is the primary source of U.S. imports of the proponent's product.

¹ Industry analyst preparing report: Cynthia B. Foreso (202-205-3348); Tariff Affairs contact: David Beck (202-205-2603).

² Access to an electronic copy of this memorandum is available at <http://www.usitc.gov/billrpts.htm> Access to a paper copy is available at the Commission's Law Library (202-205-3287) or at the Commission's Main Library (202-205-2630).

Estimated effect on customs revenue:

HTS subheading: 3209.10.00					
	2004	2005	2006	2007	2008
Col. 1-General rate of duty (AVE) <u>1/</u>	5.1%	5.1%	5.1%	5.1%	5.1%
Estimated value <i>dutiable</i> imports	\$66,769,000	\$73,446,000	\$80,791,000	\$88,870,000	\$97,757,000
Customs revenue loss	\$3,405,219	\$3,745,746	\$4,120,341	\$4,532,370	\$4,985,607

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.

Source of estimated dutiable import data: The product description in this bill is general enough that it could apply to all imports in this HTS subheading. Therefore, the revenue loss estimates are calculated from estimates of total imports entering under this rate line item. The estimates for total imports are based on official statistics of the U.S. Department of Commerce and information provided by members of the industry. Revenue losses may be higher if imports increase more than the estimates.

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

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
Paint Resources International	4/27/2004 ¹	No	Yes	No
Fanwood Chemicals Inc	4/27/2004 ¹	No	No	No
National Paint and Coatings Association	5/3/2004 ^{1,2}	No	Yes	No
Color Pigments Manufacturers Association	5/7/2004 ^{1,2}	No	No	No
Air Products and Chemicals, Inc., Chemicals Group, Polymer Chemicals Div.	02/09/04	No	No	No
Kelly-Moore Paint Co.	02/09/04	No	No	No

¹ Contacted multiple times. Date listed is the date of the most recent contact.

² Additional future submissions from members of the trade associations are possible.

Technical comments:³

The staff recommends that the numeric prefix, “786,” be deleted, as it denotes a brand name.

The description of the product in the proposed bill is vague, and the classification of the product in HTS subheading 3905.12.00 appears to be incorrect. That subheading covers aqueous dispersions of poly(vinyl acetate), but precludes the addition of coloring matter. Following discussions with the proponent and other industry experts, it would appear that the product is more properly classifiable in subheading 3209.10.00, as a white pigmented aqueous solution of poly(vinyl acetate). Staff can narrow the article description only to the following degree:

White-pigmented poly(vinyl acetate) in aqueous solution (provided for in subheading 3209.10.00)

That being said, the Bureau of Customs and Border Protection may find such a vague description difficult to administer for purposes of applying a temporary duty suspension.

³ 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.

From: Liz Johnston [ljohnston@paint.org]
Sent: Friday, February 20, 2004 3:56 PM
To: Johnson, Lawrence
Cc: Steve Sides
Subject: Temp Duty Suspension

Dear Larry-

On behalf of NPCA, we wanted to thank the ITC for contacting us as a point of reference for the pending temporary duty legislation regarding two-tone antique paint. Unfortunately, at this time we are not able to make a determination of how this legislation will impact our industry and make a determination on behalf of our entire membership.

I have relayed the attached basic message to our membership.

<<Antique Paint Duty.doc>>

We hope to be of assistance to the ITC with future issues. If you have any additional comments or trade related questions, I will be happy to talk to you.

Thanks,
Liz A. Johnston
Manager Special Projects
National Paint and Coatings Association
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Fax: +1 (202) 462-8549

108TH CONGRESS
1ST SESSION

H. R. 3517

To suspend temporarily the duty on 786 neutral vinyl acetate polymer in aqueous solution.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2003

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

A BILL

To suspend temporarily the duty on 786 neutral vinyl acetate polymer in aqueous solution.

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. 786 NEUTRAL VINYL ACETATE POLYMER IN**
4 **AQUEOUS SOLUTION.**

5 (a) IN GENERAL.—Subchapter II of chapter 99 of
6 the Harmonized Tariff Schedule of the United States is
7 amended by inserting in numerical sequence the following
8 new heading:

“	9902.33.21	786 neutral vinyl acetate polymer in aqueous solution (provided for in subheading 3905.12.00)	Free	No change	No change	On or before 12/31/2008	”.
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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.

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