

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 111th Congress¹**

[Date approved: March 5, 2010]²

Bill No. and sponsor: S. 2042 (Mr. Robert Menendez of New Jersey).

Proponent name,³ location: Schweitzer-Mauduit International, Inc., Alpharetta, GA.

Other bills on product (111th Congress only): None

Nature of bill: Temporary duty suspension through December 31, 2011.

Retroactive effect: None

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

Reconstituted tobacco (provided for in subheading 2403.91.47), presented in the form of irregular strips or diamond shapes, certified by the importer (1) to contain 50 percent or more by weight of United States-origin tobacco content, and (2) to have been manufactured in a paper-making type process, the foregoing excluding “products of Canada, Israel or Mexico” under the terms of additional U.S. note 5(b)(i) to chapter 24.

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:

Reconstituted tobacco, which is used in the manufacture of cigarettes, is a paper-like sheet manufactured from tobacco byproducts. It is made from pieces, stems, and dust recovered from the processing of leaf tobacco, including the stemming and redrying process.

The subject product is covered by a tariff-rate quota (TRQ), set forth in the HTS in subheadings 2403.91.45 (the “in-quota” or below-trigger-level provision for quantities imported under the terms of additional U.S. note 5 to chapter 24) and 2403.91.47, which this bill would affect. The general duty rate under the in-quota subheading is 19.9¢ per kilogram, applicable to imports from the countries accorded individual allocations in the above note or from a group listed as “other countries or areas.” The TRQ in-quota quantities listed in the note apply in the aggregate to goods imported under nine HTS subheadings. The general duty rate of 350 percent ad valorem under HTS subheading 2403.91.47 is an over-quota duty rate for shipments in excess of the limits set forth in the note and has effectively operated to prevent imports; there were no imports under the over-TRQ provision during 1998-2008. Under this duty suspension, the proponent intends to import this product from its manufacturing facility in France and a planned manufacturing facility in the Philippines.

¹ Industry analyst preparing report: George S. 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/tariff_affairs/congress_reports/.

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

Estimated effect on customs revenue for the subject product classifiable in HTS subheading 2403.91.47:

	2010	2011	2012	2013	2014
Col. 1-General rate of duty	350%	350%	350%	350%	350%
Estimated value <i>dutiable</i> imports ^a	\$4,560,000	\$5,700,000	\$47,500,000	\$95,000,000	\$95,000,000
Customs revenue loss	\$15,960,000	\$19,950,000	\$166,250,000	\$332,500,000	\$332,500,000

a/ Dutiable import estimates were based on industry information (volume estimates) and official U.S. Government statistics (per unit import values). No imports have entered under this over-quota tariff line during the past 10 years.

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)		
Schweitzer-Mauduit International, Inc. (Proponent) John W. Rumely, Jr., General Counsel/Secretary, 770-569-4278	11/17/2009	Yes	Yes	No
Philip Morris USA Bob Arents, 804-274-2008	11/17/2009	Yes	Yes	Yes
R.J. Reynolds Tobacco Co. Brennan Dawson, 336-741-7336	11/17/2009	Yes	No	No
North Carolina Farm Bureau Peter Daniel 919-788-1017	12/1/2009	No	No	No
Tobacco Growers Association of North Carolina Graham Boyd, 919-614-0099	12/1/2009	No	No	No
Burley Tobacco Growers Cooperative Association Brian Furnish, brian@burleytobacco.com	12/1/2009	No	No	No

Technical comments:⁴

To the extent CBP would consider “homogenized” tobacco as a different product from “reconstituted” tobacco, CBP would need to distinguish between the two for purposes of this duty suspension, because it would apply to a residual or “basket” tariff provision covering the two products, a distinction it would not otherwise be required to make.

⁴ 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.

111TH CONGRESS
1ST SESSION

S. 2042

To suspend temporarily the duty on certain reconstituted tobacco.

IN THE SENATE OF THE UNITED STATES

OCTOBER 29, 2009

Mr. MENENDEZ introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To suspend temporarily the duty on certain reconstituted tobacco.

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 RECONSTITUTED TOBACCO.**

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

“	9902.01.00	‘Reconstituted’ tobacco (provided for in subheading 2403.91.47), presented in the form of irregular strips or diamond shapes, certified by the importer (1) to contain 50 percent or more by weight of United States-origin tobacco content, and (2) to have been manufactured in a paper-making type process, the foregoing excluding ‘products of Canada, Israel or Mexico’ under the terms of Additional U.S. Note 5(b)(i) to chapter 24	Free	No change	No change	On or before 12/31/2011	”.
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1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) applies to goods entered, or withdrawn from
 3 warehouse for consumption, on or after the 15th day after
 4 the date of the enactment of this Act.

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