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Exporters urged to hold off using 2007 tariff codes

U.S. exports could be delayed because of government problems incorporating the recent changes to the tariff classification codes in its information technology systems.

Shippers filing export declarations with the 2007 tariff classification numbers through the U.S. Census Bureau's Automated Export System are receiving fatal errors, according to trade compliance experts.

Census and industry professionals are urging exporters not to convert to the 2007 tariff until after U.S. Customs and Border Protection and the Census Bureau fix the problem.

"If exporters use the 2007 HTS, they won't be able to export. We're talking billions in dollars of products that won't be able to ship, potentially billions more in lost contracts/sales," said Beth Peterson, president of Beth Peterson Enterprises.

On Feb. 3 the updated U.S. harmonized tariff schedule (HTS), which is managed by the International Trade Commission, went into effect. The amendments incorporate the most significant changes in several years to the World Customs Organization's six-digit nomenclature for classifying goods, as well as U.S.-specific changes out to eight and 10 digits and related rules. The changes affect thousands of goods, especially electronics, high-tech and manufacturing products. Actual tariffs will not change in most cases, but importers and exporters will need to use the new codes on customs documents to get approval for their shipments to move onward.

Businesses have been scrambling to update their trade databases and reclassify their products to properly enter goods into the United States. CBP announced a 17-day grace period during which it will not issue penalties for importers that use 2006 instead of 2007 product codes.

The Census Bureau manages export codes, which are called Schedule B instead of HTS.

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The WCO's Harmonized System serves as the basis for Schedule B numbers reported on shipper's export declarations, including electronic versions filed through the Automated Export System.

On Monday, Census issued a broadcast stating that it encountered problems updating the AES system with the new product codes and that reporting a 2007 number will result in a fatal error.

Census said it hopes to implement the 2007 tariff schedule changes by Monday. Exporters who have already updated their databases and cannot revert back to the 2006 codes should use the <http://www.aesdirect.gov> site to serve as a backup.

There is no information on the CBP and Census Web sites about the situation.

"It's imperative that both Customs and Census communicate to the import/export community on how to best manage the tariff conversion to ensure that legitimate trade is not impacted – unfortunately, this information is already a couple of days overdue," Peterson said.

Meanwhile, Census has not yet announced any grace period.

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