

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: August 28, 2006]²

Bill No. and sponsor: S. 2974 (Mr. Johnny Isakson of Georgia).

Proponent name, location: The Home Depot, Atlanta, GA.

Other bills on product (109th Congress only): S. 2973, S. 2975.

Nature of bill: Temporary duty suspension bill through December 31, 2009.

Retroactive effect: None.

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

Wrapped molding of medium density fiberboard, measuring not over 1.2 m in length, the foregoing not described in other provisions of this subchapter (provided for in subheading 4411.29.90).

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:

The subject wrapped molding products are made with a substrate of medium density fiberboard (MDF).³ Molding is usually a relatively narrow, shaped strip of wood with a uniform cross-section through its length, used as decorative trim in residences or other structures often for the purpose of hiding gaps and joints between walls, floors, windows and ceilings.⁴ Such molding is made on a molder and fits the HTS definition of standard wood molding. (See chapter 44, additional U.S. note 1(b).) Information provided by legal counsel for the proponent of these bills indicates that its wrapped molding imports are typically baseboard, quarter round, and transition moldings intended to be used in conjunction with installations of laminate or wood flooring.

MDF molding (4411) is more cost efficient with respect to fiber utilization than solid wood or finger-jointed molding (4409) and is increasing its market share in the U.S. market.⁵ Because appearance is a key performance factor, molding made from MDF is typically intended for the painted molding market, but it may also be wrapped with plastic, paper, or foil coverings of various colors and/or printed wood-grain patterns. Wrapped molding is made with a profile wrapper, which laminates a printed covering on substrate molding. The substrate molding enters the profile wrapper where, under heat, an adhesive is applied and the wrap is pressed against the substrate by dozens of small wheels. The process is essentially the same for different wrapper materials (e.g., plastic, paper, or foil) and for different

¹ Industry analyst preparing report: Fred Forstall (202-205-3443); Tariff Affairs contact: Jan Summers (202-205-2605).

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

³ MDF is made by compressing particles of wood fiber and resin in a hot press to densities ranging from 31 to 60 pounds per cubic foot.

⁴ Evans, David S. ed., *Terms of the Trade*, 4th ed., (Eugene, OR: Random Lengths Publications, 2000), p. 219.

⁵ Telephone interview with William Parsons, East Coast Molding, May 16, 2005.

substrates (e.g., MDF, finger-jointed, solid wood). Floor molding (e.g., T moldings and stair nosing) is specifically made to mate with laminate and wood floors and may be covered with a paper foil that has an aluminum oxide continuous pressure laminate on it for wear resistance.

According to Census Bureau data, 2002 shipments of all wood molding were approximately \$2 billion.⁶ In 2005, Canada, Chile, and China were the top three suppliers to the U.S. market for all goods of HTS subheading 4411.29.90 and collectively supplied 93 percent of U.S. imports. U.S. imports of this product currently enter the United States at a normal trade relations (“NTR”) rate of 3.9 percent. Imports from Canada and Chile, which are eligible enter the United States free of duty under free trade agreements, accounted for 90 percent of total U.S. imports.

Estimated effect on customs revenue:

Because the proponent firm did not provide separate import data or estimates for the subject product, and because we cannot ascertain with accuracy the portion of the dutiable value of imports under the pertinent subheading that would comprise this product, official government statistics for the entire tariff subheading may overstate imports and revenue loss. Imports of “standard molding” are now (as of 2006) separately reported under statistical reporting number 4411.29.9010, but the precise types of goods being entered under this provision by importers is not yet known. The year-to-date (January-June) dutiable value of imports under this nonlegal reporting category is approximately \$3 million, while the dutiable value of imports during that period for the entire tariff subheading was over \$12 million.

HTS subheading: 4411.29.90					
	2006	2007	2008	2009	2010
Col. 1-General rate of duty	3.9%	3.9%	3.9%	3.9%	3.9%
Estimated value <i>dutiable</i> imports	\$25,500,000	\$33,600,000	\$44,400,000	\$58,500,000	\$77,200,000
Customs revenue loss 1/	\$994,500	\$1,310,400	\$1,731,600	\$2,281,500	\$3,010,800

1/ Reflecting the continued strong performance of the U.S. housing market, total U.S. imports classified in HTS subheading 4411.29.90 grew at a compound annual growth rate of 18 percent during 2001-2005. However, the value of dutiable U.S. imports grew much more rapidly (32 percent) during 2001-2005 and year-to-date in 2006 is 93 percent higher than in 2005. The 2006 estimates of dutiable imports and revenue loss shown above reflect the observed YTD increase (93 percent), but increases in subsequent years reflect the lower 5-year average increase (32 percent). The duties collected for HTS subheading 4411.29.90 totaled \$754,000 in 2005.

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

⁶ *Other Millwork (Including Flooring): 2002*, U.S. Census Bureau, EC02-311-321918, September 2004.

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)		
The Home Depot (Proponent) Mr. Zachary W. Paulsen, 202-626-5921	06/14/2006	No	No	No
Contact Lumber Company Mr. Jim Snodgrass, 503-228-7361	06/20/2006	Yes	Yes	Yes
Zamma Corporation Mr. Peter L. Spielman, 540-672-5200	06/21/2006	Yes	Yes	Yes
Wood Moulding & Millwork Producers Assn. Ms. Kellie Schroeder, 530-661-9591	06/28/2006	Yes	Yes	Yes

Technical comments:⁷

It is suggested that the article description be modified as shown on page 1; this language presumes that S. 2975 is also being enacted. The HTS uses metric units of measurement in product descriptions and data collection; further, some terms in the draft language were difficult to interpret and could cause confusion in entry and reporting for customs purposes.

We note that the product coverage of the proposed headings in S. 2974 and S. 2975 as drafted appears to overlap in terms of the units of measure and criteria specified, which is inconsistent with the underlying tariff classification principle that a particular class of goods should be described by only one tariff rate line. The Home Depot (THD) is unable to provide additional descriptive details or distinct import estimates for the products covered by the three bills under consideration, and the proposed article descriptions now presented in the two bills are ambiguous. The distinction proposed in S. 2975 (the bill would cover “floor molding” but exclude “standard molding”— terms not defined in the HTS) is not meaningful and may be incorrect. Thus, because the length specification for S. 2975 overlaps with S. 2974, the two descriptions are not mutually exclusive. However, it would not be helpful to limit this bill to “standard” molding, unless that term is legally defined in a clear and administrable way. We have suggested language to help avoid the overlap in coverage, but it would seem preferable to collapse these two bills to cover all such molding not over 4 feet in length in one chapter 99 heading.

⁷ 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.

109TH CONGRESS
2D SESSION

S. 2974

To suspend temporarily the duty on certain laminate wood molding measuring less than 4-feet in length.

IN THE SENATE OF THE UNITED STATES

MAY 23, 2006

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

A BILL

To suspend temporarily the duty on certain laminate wood molding measuring less than 4-feet in length.

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 LAMINATE WOOD MOLDING MEAS-**
4 **URING LESS THAN 4-FEET IN LENGTH.**

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:

“	9902.44.11	Certain laminate wood molding measuring less than 4-feet in length (provided for in subheading 4411.29.90)	Free	No change	No change	On or before 12/31/2009	”.
---	------------	--	------	-----------	-----------	-------------------------	----

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.

○