



The Bottom Line

JANUARY 2021 | VOL. 68

DUTY EXEMPTION PROGRAMS THAT EXPIRED JANUARY 1

Summary

January 1, 2021 saw the expiration of several programs which offered protections from standard or punitive duties based on product or country of origin.

Background

The Generalized System of Preferences (GSP) is the oldest U.S. trade preference program and was established by the Trade Act of 1974. GSP effectively promotes the economic development of countries by eliminating duties on thousands of products when imported from one of 119 designated beneficiary countries and territories.

The Miscellaneous Tariff Bill (MTB) is a legislation that temporarily reduces or suspends customs duties on products not produced in the U.S. Typically, companies importing the products request the duty reductions or suspensions by submitting a petition for each concerned product.

At the direction of the President, the U.S. Trade Representative (USTR) imposed additional duties on products of China (Sect. 301) to obtain the elimination of the unfair and damaging acts, policies, and practices identified in this investigation. The USTR established a process by which U.S. stakeholders could request the exclusion of products subject to this action. Since December 28, 2018, the USTR has granted over 2,200 product-specific exclusions across the four Section 301 tariff actions. With the expirations of these exclusions, entries of those goods are subject to the applicable additional Section 301 duties.

Current Status

Legal authorization for the GSP program expired on December 31, 2020. As a result, U.S. imports entering the United States that were eligible for duty-free treatment under GSP up to that date are now subject to regular, Normal Trade Relations (MFN) rates of duty. These rates are shown in the U.S. tariff schedule under the column with the heading "General."

GSP authorization has expired on several previous occasions, most recently in 2017. In the past, when Congress acted to extend the program, duty-free treatment was applied retroactively to GSP eligible products that were imported during the lapse period, allowing importers to seek refunds of duties paid. However, it is not known whether any future action on GSP will be made retroactive.

Effective January 1, 2021 duty reductions under the Miscellaneous Tariff Bill (MTB) expired. Additionally, Congress has not indicated when it might consider a new MTB bill. As a result of the MTB expiring, over 1,600 products will immediately face increased tariffs and over 2,500 products will be prevented from receiving anticipated duty reductions even though those products were recommended for tariff relief when the International Trade Commission submitted its final MTB report to the House Ways and Means Committee and Senate Finance Committee on August 10, 2020.

The USTR has granted extensions on the Section 301 tariff exemptions for certain COVID-19 related products. The USTR notice states that, in light of the rising spread and ongoing efforts to combat COVID-19, the USTR has determined that maintaining or re-imposing additional duties on certain products subject to the action is not appropriate and that the application of additional duties to these products could impact U.S. preparedness to address COVID-19. The notice covers 99 products and are effective January 1, 2021, through March 31, 2021. The remainder of the exemptions have expired, leaving imports subject to additional duties of 7.5% to 25%.

Impact

Importers are facing additional duty burdens beginning this week. While no measures are currently underway to renew any of these programs, importers should be eligible for retroactive refunds should GSP be reauthorized. No equivalent option would be available for the beneficiaries of duty reductions under the MTB, should it be renewed.

RESOURCES:

[GSP Expiration 2020](#) (Office of the USTR)

[GSP Special Tariff Status to Expire](#) (International Trade Insights)

[Miscellaneous Tariff Bill](#) (International Trade Administration)