

Importing 101 – United States

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This guide is for fair trade organizations that have a desire to import goods into the US. Once you have gone through the preliminary steps to start your import business (determining what product to sell, conducting market analysis, creating company mission, and others), consult this guide for an outline of how to import products in the United States. Please note that every product has specific criteria, rules, and regulations. Therefore, you will need to consult the resources listed throughout this document for the specific criteria for your business and product. This document is merely a general overview to guide you through the basics of the importing process.

- **Locate Supplier(s)**

For fair trade importers, locating producer partners is the most important step. If you have not yet found fair trade suppliers, try consulting the International Fair Trade Association directory (www.ifat.org) or ask the Fair Trade Federation (www.fairtradefederation.org) to recommend specific products or producer groups.

- **Determine Method of Transport**

Please note that there are different import processes and quotas for importation via boat, air, and mail. You need to determine the best mode of transport for your specific items. As you decide, take the following factors into consideration: customer deadlines, your budget, producer's production time, the shelf life of items, and environmental concerns.

- **Determine Port of Entry**

Your port of entry is the place where your items can lawfully enter the country. Consult www.portcodes.com for a list of US ports. Customs brokers¹ should be available at each port to assist you. When your goods arrive at port, they must be entered² by the purchaser/owner (you) or licensed customs broker. We encourage you to arrange a meeting with your customs broker to go through paperwork, determine classification, calculate duties, and other details before the arrival of your first shipment.

- **Determine Licensing and Restrictions**

Licensing for importation varies from country to country, as determined by the US Customs Bureau. Import of most goods from Iran, Iraq, Cuba, Libya, North Korea, Serbia, and Sudan is prohibited. Additionally, special restrictions apply to Zimbabwe, the Democratic Republic of the Congo, Cote d'Ivoire, and Burma. Licensing and restrictions also depend on the type of products you wish to import. The following products require licensing:

- animal and animal products³
- alcoholic beverages
- certain drugs
- firearms and ammunition
- fruits, nuts³
- meat and meat products
- milk, dairy, and cheese products

¹ A customs broker is a professional who will clear your goods through US Customs. They are also responsible for documents, calculation of duties, and communication between you, the importer, and the US government.

² Entry into a country happens after all documents have been filed, duties have been paid, and Customs and Border Patrol has authorized the items for release.

³ Licensing may be required for products made out of animals/animal products, nuts or fruit, shells, or plants/grasses.

- plants and plant products³
- poultry and poultry products
- petroleum and petroleum products
- vegetables
- trademarked items
- The following items must comply with regulations of other agencies as well, such as the Food and Drug Administration (FDA), Bureau of Alcohol, Tobacco, and Firearms, Animal and Plant Inspection Services, US Fish and Wildlife Services, and Consumer Product Safety Commission:
 - art materials
 - cultural property
 - hazardous/toxic/flammable materials
 - alcoholic beverages
 - household appliances
 - some electronics products
 - toys and children's articles

For information on regulations governing your specific product and for the most up to date information, visit the FDA Office of Regulatory Affairs: (www.fda.gov/ora/import/default.htm).

▪ **Determine Classification and Duties**

You can file the import paperwork yourself at the local port office or hire a licensed customs broker to transact business on your behalf (which we recommend given the complexity of handling customs). US Customs paperwork will require an importer number (either your Employer Identification Number or IRS business number). If you do not have one of these numbers, your social security number will suffice.

It is very important to determine the classification number of your merchandise using the Harmonized Tariff Schedule of the United States (HTSUS; www.usitc.gov/tata/hts/). This schedule determines the duty rate of the item, which is tied to classification number. On the HTSUS, you will see three numbers next to each type of product: General Rates apply to countries with which the US has Normal Trade Relations (NTR). Special Rates are for special program countries (free or less than NTR). Column 2 rates are for items which are not eligible for either the NTR or Special Rates.

Determining the classification for your product can be very difficult; a customs broker should be able to help you determine your classification and duty. For other assistance, see the Customs and Border Patrol Customs Rulings Online Search System (<http://rulings.customs.gov/>).

Customs duties are generally assessed as a percentage of the value (“ad valorem”) of the imported goods. For example, green tea has different duty rates for each category: General, Special, and Column 2. Items from countries in the General Category pay 6.4%, while items from countries in the Special categories are free and Column 2 categories pay 20%. Therefore, if you import a container of green tea worth \$1,000 and your product comes from a general country, you will pay \$64; in the special category, you will pay \$0, and from a column 2 country, you will pay \$200. Some articles are also assessed at a specific rate (per piece, liter, kilo, etc) and others at a compound rate of duty⁴. US Customs officials at the point of entry have the final say on into what tariff rate your product fits. All duties must be paid within ten days of arrival at port.

⁴ Compound rate of duty combines both the ad valorem rate and a per piece rate.

- **Determine Formal versus Informal Entry Status**

Informal entry is for items valued \$2,000 or less for consumption⁵. Formal entry is for commercial shipments supported by a surety bond⁶ to ensure payment of duties and compliance with Customs regulations. These bonds can be obtained from an insurance company authorized by US Treasury Department to write Customs Bonds (a surety). Informal versus formal entry must be determined ahead of time to know whether a surety will be required.

- **Prepare All Documents**

All shipments coming into the United States must have:

1. Commercial invoice stating origin of goods, value, currency used, and number of units.
2. Packing list with weight and quantity of all items.
3. Customs Form 3461 – a formal paper request for entry (can be provided by customs broker or online at: www.cbp.gov/xp/cgov/toolbox/forms/)
4. Customs Form 7501 – a receipt form for yourself and US Customs detailing the items being imported, their value, and the duty you will be expected to pay (also can be provided by customs broker or online at: www.cbp.gov/xp/cgov/toolbox/forms/).

These documents can be filed through the Automated Broker Interface (ABI) or the Automated Commercial System (ACS) or a customs broker can take care of these documents for you.

- **Transport Your Items to Their Final Destination**

Once everything is cleared through US Customs and Border Protection, you are free to transport your products to their final destination.

- **Learn More**

1. *Basic Importing into the United States* -- www.customs.gov/xp/cgov/trade/basic_trade/
2. *The Quick and Dirty Guide To Importing* -- www.itintl.com

Based on information from The US International Trade Commission (www.usitc.gov), Informed Trade International (www.itintl.com), and US Customs and Border Protection (www.cbp.gov).

⁵Goods for consumption are defined as imported goods going directly into the commerce of the United States without any time or use restrictions placed on them.

⁶“A bond issued by an entity of behalf of a second party, guaranteeing the second party will fulfill their obligations to a third party. In the event that the obligations are not met, the third party will recover its losses via the bond.” www.investorwords.com