



JOHN DEERE

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The Honorable Phil Crane
Chairman,
Subcommittee on Trade
Committee on Ways & Means
U.S. House of Representatives
Washington, D.C. 20515

Re: H.R. 3944, to provide duty-free treatment for certain tractor body parts suitable for agricultural use.

Dear Mr. Chairman:

Deere & Company ("Deere") appreciates this opportunity to comment on H.R. 3944, a bill to provide duty-free treatment for certain tractor body parts suitable for agricultural use. Deere is a worldwide leader in the manufacture, distribution and financing of a full line of agricultural equipment, as well as construction and forestry equipment, commercial and consumer equipment, and other technological products and services. Deere believes the tariff changes provided in H.R. 3944 are necessary and strongly supports the bill's enactment.

H.R. 3944 would correct a recent classification ruling by the U.S. Customs Service denying duty-free treatment of certain parts of agricultural tractors that is provided for virtually all other tractor parts. This ruling is having and will continue to have an adverse effect on Deere's U.S. operations. Deere supports the new tariff headings proposed in H.R. 3944 to rectify the current misclassification.

The current Harmonized Tariff schedule includes headings for agricultural tractors (8701.90.10), tractor bodies (8707.90.10), chassis (8706.00.30), and numerous other components (brakes, wheels, struts, etc.) that are "suitable for agricultural use" (8708). All these items have a duty-free tariff. In addition, another heading covers agricultural tractor parts not otherwise specified in the tariff, also at the duty-free rate (8708.99.24). This treatment is consistent with the longstanding principle under the U.S. Harmonized Tariff Code that all agricultural equipment and parts should receive duty-free treatment.

An anomaly currently exists, however, with regard to the classification of tractor body parts such as body stampings and parts with structural supports (i.e., hoods, grilles, rear fender shells, outer roofs and headliners) that are suitable for agricultural use. Currently, there is no separate heading for tractor body parts. Because these parts are parts of bodies, the Customs Service has assigned them to another heading

covering body parts of “motor vehicles” (8708.29.20), notwithstanding their use in agricultural tractors. The applicable tariff for body parts of motor vehicles is 2.5 percent.

The illogical result of the current classification is that imported tractors, assembled tractor bodies, and unspecified tractor parts may enter the U.S. duty-free, while unassembled tractor body parts are subject to the 2.5 percent duty applicable to body parts of motor vehicles. The Customs Service has described this as an “oversight” in the tariff schedule.

Deere manufactures approximately 85 different models of agricultural tractors in factories in the U.S. and around the world, many with interchangeable parts. In addition, Deere imports a variety of parts and accessories for exclusive use on U.S.-made John Deere tractors. At present, the volume of imported tractor body parts is relatively low and their use is primarily as service and repair parts by John Deere dealers across the U.S. However, Deere anticipates that imports of these body parts will increase as it expands the U.S. production of certain John Deere tractor models, and the corresponding demand for imported body parts for assembly in its U.S. plants rises also. The current 2.5 percent duty on tractor body parts impacts not only Deere, but independent John Deere dealers across the U.S. who rely on imported parts to service equipment, and their U.S. farmer customers.

Deere strongly supports the timely enactment of H.R. 3944 to amend the U.S. Harmonized Tariff Schedule to provide a new duty-free classification for tractor body parts, so that these items are treated the same way as other tractor parts, assembled tractor bodies and imports of tractors suitable for agricultural use. Should you have any questions about Deere’s views, please contact John Rauber, (202) 223-4817, in Deere’s Government Affairs office.

Sincerely,

Thomas K. Jarrett
Director of Taxes

cc: The Hon. Jim Nussle