

What is a tariff?

A tariff is a tax levied against either a specific good or a group of goods imported from another country. This tax is collected by U.S. Customs. The actual money collected is referred to as a customs duty.

What is the purpose of a tariff?

The reasoning behind most tariffs is to generate revenue for government and/or as a measure to safeguard domestic business from foreign competition.

Is there more than one type of tariff?

Yes, there are two types.

The first type is referred to as an **ad valorem** tariff. This type charges a tax based on a percentage of an imported good's market value. For example, if a South American company imports coffee into the U.S. that is sold for \$10/pound and they pay a 30% ad valorem tariff, they are paying \$3.00/pound. An ad valorem tariff therefore can fluctuate based on the marketing value of import goods.

The second type is referred to as a **specific or unit** tariff. This type charges a fixed tax per unit of an imported good, regardless of the good's market value. Thus, if the South American coffee company pays a specific tariff of \$4.00/pound, it doesn't matter what the company charges retail per pound of coffee, their tariff expense per pound will remain at \$4.00/pound.

What is the potential impact of a tariff?

At the most basic level, the tariffs increase the cost for businesses importing foreign goods. Often, this results in the cost of the tariff being offset by increasing the price of foreign goods for consumers.

What are HTS Codes?

The Harmonized Tariff Schedule (HTS) codes classify and define internationally traded goods. HTS codes typically have 7-10 digits. Any numbers after the 6th digit are to be unique. These codes are set by each country of import.

Why are HTS codes important?

The HTS codes serve to identify the tariff rate of traded products. In addition, they are used in recording and analyzing trade data. In the U.S., the Census Bureau uses the HTS codes to track a large amount of data on all goods imported and exported by the country.