

Deductions to Declared Value for US Made Packaging Materials

Based on a review of various rulings, US-made packing materials *appear to* be deductible from the value of imported goods.

To ensure proper handling by US Customs brokers, these materials must be clearly line-itemized on invoices, which must also clearly state the country of origin for both the fruit/produce and the packing materials.

Here's a consolidated analysis of a few relevant rulings, including a summary of the key points:

Consolidated Analysis of Rulings on US Packing Materials

This document summarizes key Customs rulings regarding US-made packing materials used in international trade, particularly when these materials are returned to the US, sometimes containing goods like fresh produce.

Core Principle: Separate Classification and Valuation

The fundamental principle is the *separate* classification and valuation of US-made packing materials from the goods they contain. This applies regardless of whether the packing materials are essential for the sale or security of the goods, and whether the containers are one-time use or reusable.

Key Points & Supporting Rulings:

- 1. US-Made Packing Materials (9801.00.10):** US-made packing materials (boxes, crates, pallets, security tags, cups) exported and returned to the US are typically classified under HTSUS 9801.00.10. This classification is *separate* from the goods they contain. *HQ 733351, HQ H145539, HQ H028000*
- 2. Reusable Containers (9803.00.50 - IITs):** Reusable containers (barrels, pallets) that qualify as Instruments of International Traffic (IITs) are classified separately under 9803.00.50. IIT status requires reusability and use in international transport. *HQ 548257*
- 3. Valuation:**
 - **9801.00.10:** The value of US-made packing materials under 9801.00.10 *includes* international freight costs from the US to the foreign packing location. *W547387*
 - **9803.00.50 (IITs):** The value of reusable containers classified as IITs under 9803.00.50 is *not* included in the valuation of the imported goods. *HQ 548257*
 - **General Principle:** Separately classified items are separately appraised.
- 4. Country of Origin Marking (9801.00.10):** A US-made box exported, filled with foreign goods, and returned generally *does not* need to be marked with the contents' country of origin. However, if the box has a US address (e.g., boxmaker's certificate) *and* the contents' foreign country of origin, that marking

must be near the US address and in comparable lettering. *HQ 733351* This prevents confusion about the *container's* origin.

5. **"Improvement in Condition" (9801.00.10):** US-made packing materials must be returned "without being advanced in value or improved in condition." Processes affecting the *contents* (filling, sealing, heat-treating fruit) do *not* improve the *containers'* condition. The container's "commercial sense" must not change. *HQ H145539*
6. **GRI 3 and GRI 5:** General Rules of Interpretation (GRI) 3 (multiple headings) does *not* apply to Chapter 98 (including 9801.00.10). GRI 5(b) (packing materials) is considered, but it doesn't preclude separate classification and duty-free treatment of US-origin containers. *HQ H145539*
7. **Sterilization:** Sterilization (heat treatment) of *contents* does *not* change the eligibility of US-made *containers* for duty-free return under 9801.00.10. *HQ H145539*
8. **Deposits for Reusable Containers:** Deposits for reusable containers (IITs) are separate from the goods' price and are *not* in the transaction value. *HQ 548257*
9. **Security Tags:** US-made security tags on imported merchandise are packing costs, but as US-made goods, they are classified under 9801.00.10, and their value is *not* in the imported merchandise's valuation. *HQ H028000*
10. **Accuracy of Information:** Importers must provide consistent and accurate information on the value and origin of packing materials. Inconsistencies invite closer Customs scrutiny. *HQ H028000*

Summary: These rulings provide a clear framework for US-made packing materials' tariff treatment. Separate classification and valuation are key, ensuring these materials' value is not improperly included in the imported goods' valuation. Specific rules apply to reusable IITs. Origin, condition, and proper reporting are crucial for compliance.

In certain circumstances the "packing material" is considered an assist when provided by the importer to the supplier free of charge and should be included in the transaction value, itemized as mentioned and classified separately. Failing to itemize assists – boxes, pallets, and other materials provided free charge - can have repercussions leading to intense audits, penalties and criminal charges.

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