



**INCREASED CHINA SECTION 301 TARIFFS  
EFFECTIVE JANUARY 1, 2025  
FTZ ON-HAND INVENTORY  
(December 23, 2024)**

On December 16 the United States Trade Representative published a Federal Register (FR) notice significantly increasing Tariffs on certain China origin merchandise to as much as 50%. 89 Fed. Reg. [101682](#) (Dec. 16, 2024). The FR notice did not clearly address merchandise held in FTZ inventory in Privileged Foreign (PF) status with a China 301 mandated extra Tariff of 25%. Since the Trade Remedy Tariffs were instituted in 2018, there has not been a consistent policy and final action on FTZs and Trade Remedies.

In order to attempt to secure a CBP Headquarters clear determination on the subject, we filed a detailed request on Friday, December 20.

I am pleased to notify our clients that we received the following response this morning from the Director of AD/CVD Policy and Programs Division, who is responsible for Trade Remedies in the Office of Trade at CBP Headquarters:

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Mr. Miller,

Correct, the FR notice does not direct application of the new 9903.91.11 HTS and increased Tariffs to the existing on-hand PF status FTZ inventory prior to January 1, 2025.

Best,

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**From:** Marshall Miller <[mmiller@millerco.com](mailto:mmiller@millerco.com)>

**Sent:** Friday, December 20, 2024 11:31 AM

[...]

We respectfully request your immediate attention to this request, as the Federal Register Notice published on December 16 will become effective January 1. 89 Fed. Reg. [101682](#) (Dec. 16, 2024). An immediate determination is necessary as a significant number of firms utilizing FTZs must understand the impact of the language in the FR Notice. Unfortunately, the Notice is awkwardly worded, imprecise, and does not address the application of the new Chapter 99 Tariffs to the existing Chapter 99 privileged foreign (PF) status on-hand inventory in FTZs.

All Chapter 99 China 301 material that has been admitted into and is currently remaining in inventory in FTZs has been admitted in privileged foreign (PF) status thereby locking in the regular HTS classification and Tariff rate thereunder as well as the 9903 HTS classification with its additional Tariff rate. Section B at the third paragraph of the attached FR Notice refers to future admissions of merchandise on or after January 1, 2025, with a new 9903.91.11 HTS and increased Tariffs of either 25% or 50%. We are requesting confirmation that the FR notice does not

direct application of the new 9903.91.11 HTS and increased Tariffs to the existing on-hand PF status FTZ inventory, at the time said inventory is subject to Customs entry. All on-hand inventory in PF status has its Chapter 99 Tariff locked in as of the date the privilege was elected prior to January 1, 2025, and no additional Tariff can be assessed. This is consistent with the USTR treatment of PF status on-hand merchandise in two prior instances. See 84 Federal Register 21892 (May 15,2019) [21892](#) (May 15, 2019) and 84 Federal Register [26930](#) (June 10, 2019). Please address this question immediately. We are available to further discuss this matter today.

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While we are pleased with this result, it must be held to the particular facts of these circumstances. Clients should not believe that any future Trump Administration Tariff increases can be managed in the same manner. Our consistent client advice has been in the past, in the wide range of historical Trade Remedy actions, to file Customs entry on all on-hand inventory in FTZs in order not to be forced to pay the extra Tariffs when the merchandise is shipped from the FTZ.

Please contact [Marshall Miller](#) to discuss issues/concerns and provide assistance.

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