

## DUTY TREATMENT OF CERTAIN PREVIOUSLY EXPORTED AIRCRAFT

DECEMBER 16 (legislative day, DECEMBER 15), 1970.—Ordered to be printed

Mr. LONG, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany H.R. 17068]

The Committee on Finance, to which was referred the bill (H.R. 17068) to amend the Tariff Schedules of the United States to provide for a partial exemption from duty for certain transportation vehicles manufactured or produced in the United States with the use of foreign components imported under temporary importation bond, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

#### EXPLANATION OF COMMITTEE AMENDMENT

The committee amendment would provide that upon the exportation of jet aircraft engines that have been overhauled or rebuilt in the United States with the use of imported merchandise, there shall be refunded the duties which have been paid on the imported merchandise. The amendment is intended to preserve the competitive position of the U.S. aircraft engine overhaul industry. The amendment is prospective and no past refunds are involved.

#### PURPOSE

The purpose of H.R. 17068, as reported by the committee, is to amend the Tariff Schedules of the United States (TSUS) to provide for a partial exemption from duty thereunder for returned American aircraft which were manufactured in the United States with the use of foreign articles which had been admitted duty free under bond. Under the bill as reported, the returned American aircraft would, in general, be subject to a duty equal to the amount of duty which would have been payable on the foreign articles had they not been entered free of duty under bond.

## GENERAL STATEMENT

Under present customs practice articles produced in the United States with the use of foreign articles imported under bond are excluded from entry under the provisions of item 804.00 as "American goods returned." However, articles produced in the United States with the use of foreign articles and exported with the benefit of drawback may be imported under item 804.00 as "American goods returned" upon repayment of the drawback.

The committee is informed that in the manufacture of aircraft in the United States, it is fairly common practice to use some materials from abroad. Export sales of aircraft produced in the United States are significant, and normally, the duty paid on the foreign articles used in the manufacture of such aircraft is subject to the drawback procedure under which 99 percent of the duty is refunded upon export of the completed aircraft. In some instances, foreign articles for aircraft are entered under tariff item 864.05 free of duty under bond. Such temporary duty-free entry arrangement is apparently preferred by some manufacturers since no large amount of capital is committed to duty payment for the period between the original entry of the foreign component and the drawback of the duty upon exportation of the aircraft.

Over the years both provisions, i.e., drawback and temporary importation bond, have been used with respect to eliminating the cost of U.S. duty on foreign articles used in the domestic manufacture of aircraft which are subsequently sold abroad. Competition in the sales of new aircraft in world markets is rising. Your committee is informed that very often the "trade-in" allowance for old aircraft is an important factor in obtaining contracts for sales of new aircraft abroad. Under these circumstances the dutiable status of the old aircraft being "traded in" and returned to the United States also becomes important.

The committee is of the opinion that in view of the growing importance of the "trade-in" of aircraft to sales of aircraft abroad, it is important to provide similar customs treatment to aircraft produced in the United States which are sold abroad and returned whether the drawback or temporary importation bond procedure was used with respect to foreign components. H.R. 17068 would provide such customs treatment for aircraft. It would also make certain technical amendments in the provisions of item 804.00 for the sake of clarity. These changes reflect existing customs practices.

## CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

## TARIFF ACT OF 1930

## TITLE I—TARIFF SCHEDULES OF THE UNITED STATES

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## SCHEDULE 8.—SPECIAL CLASSIFICATION PROVISIONS

## PART 1.—ARTICLES EXPORTED AND RETURNED

Item	Articles	Rates of duty	
		1	2
	<p>PART 1.—ARTICLES EXPORTED AND RETURNED</p> <p>SUBPART A.—ARTICLES NOT ADVANCED OR IMPROVED ABROAD</p> <p><i>Subpart A headnotes:</i></p> <p>1. The items in this subpart (except [item 804.800] items 704.10 and 804.20) shall not apply to any article—</p> <p>(a) exported with benefit of drawback;</p> <p>(b) of a kind with respect to the importation of which an internal-revenue tax is imposed at the time such article is entered, unless such article was subject to an internal-revenue tax imposed upon production or importation at the time of its exportation from the United States and it shall be proved that such tax was paid before exportation and was not refunded; or</p> <p>(c) manufactured or produced in the United States in a customs bonded warehouse or under item 864.05 and exported under any provision of law.</p> <p>2. For the purposes of [item 804.00] items 804.10 and 804.20</p> <p>(a) when because of the destruction of customs records or for other cause it is impracticable so establish whether drawback was allowed, or the amount allowed, on a returned article, there shall be assessed thereon an amount of duty equal to the estimated drawback and internal-revenue tax which would be allowable or refundable if the imported merchandise used in the manufacture or production of the returned article were dutiable or taxable at the rate applicable to such merchandise on the date of entry, but in no case more than the duty and tax that would apply if the article were wholly of foreign origin;</p> <p><i>Articles previously exported from the United States which—except for headnote 1 of this subpart—would qualify for free entry under one of the foregoing items and are not otherwise free of duty:</i></p> <p><i>Aircraft exported from the United States with benefit of drawback or item 864.05</i>-----</p>		
804.10		<p><i>A duty equal to the duty upon the importation of like articles not previously exported, but in no case in excess of the sum of (a) any customs drawback proved to have been allowed upon such exportation, and (b) the duty which would have been payable on any articles used in the manufacture or production of such aircraft had they not been entered and exported under item 864.05.</i></p>	<p><i>A duty equal to the duty upon the importation of like articles not previously exported, but in no case in excess of the sum of (a) any customs drawback proved to have been allowed upon such exportation, and (b) the duty which would have been payable on any articles used in the manufacture or production of such aircraft had they not been entered and exported under item 864.05.</i></p>

## SCHEDULE 8.—SPECIAL CLASSIFICATION PROVISIONS—Continued

## PART 1.—ARTICLES EXPORTED AND RETURNED—Continued

Item	Articles	Rates of duty	
		1	2
804.20	<p>SUBPART A.—ARTICLES NOT ADVANCED OR IMPROVED ABROAD—Continued</p> <p><i>Other, except articles excluded by headnote 1(c) of this subpart.</i></p>	<p><i>A duty (in lieu of any other duty or tax) equal to the sum of any duty and internal-revenue tax imposed upon the importation of like articles not previously exported, but in no case in excess of the sum of (a) any customs drawback proved to have been allowed upon such exportation of the article, and (b) any internal-revenue tax imposed, at the time such article is entered, upon the importation of like articles not previously exported.</i></p>	<p><i>A duty (in lieu of any other duty or tax) equal to the sum of any duty and internal-revenue tax imposed upon the importation of like articles not previously exported, but in no case in excess of the sum of (a) any customs drawback proved to have been allowed upon such exportation of the article, and (b) any internal-revenue tax imposed, at the time such article is entered, upon the importation of like articles not previously exported.</i></p>
804.00	<p>(b) tobacco products and cigarette papers and tubes classifiable under such item may be released from customs custody, without payment of that part of duty attributable to the internal-revenue tax, for return to internal-revenue bond as provided by section 5704(e) of the Internal Revenue Code of 1954; and</p> <p>(c) in order to facilitate the ascertainment and collection of the duty provided for, the Secretary of the Treasury is authorized to ascertain and specify the amounts of duty equal to drawback or internal-revenue tax which shall be applied to articles or classes or kinds of articles, and to exempt from the assessment of duty articles or classes or kinds of articles with respect to which the collection of such duty involves expense and inconvenience to the Government which is disproportionate to the probable amount of such duty.</p>	<p><i>A duty (in lieu of any other duty or tax) equal to the sum of any duty and internal-revenue tax imposed upon the importation of like articles not previously exported, but in no case in excess of the sum of any customs drawback proved to have been allowed upon such exportation of the article and any internal-revenue tax imposed, at the time such article is entered, upon the importation of like articles not previously exported.</i></p>	<p><i>A duty (in lieu of any other duty or tax) equal to the sum of any duty and internal-revenue tax imposed upon the importation of like articles not previously exported, but in no case in excess of the sum of any customs drawback proved to have been allowed upon such exportation of the article and any internal-revenue tax imposed, at the time such article is entered, upon the importation of like articles not previously exported.</i></p>
804.00	<p>Articles previously exported from the United States which are exempted from free entry under any of the foregoing items by headnote 1 of this subpart and are not otherwise free of duty-----</p>	<p><i>A duty (in lieu of any other duty or tax) equal to the sum of any duty and internal-revenue tax imposed upon the importation of like articles not previously exported, but in no case in excess of the sum of any customs drawback proved to have been allowed upon such exportation of the article and any internal-revenue tax imposed, at the time such article is entered, upon the importation of like articles not previously exported.</i></p>	<p><i>A duty (in lieu of any other duty or tax) equal to the sum of any duty and internal-revenue tax imposed upon the importation of like articles not previously exported, but in no case in excess of the sum of any customs drawback proved to have been allowed upon such exportation of the article and any internal-revenue tax imposed, at the time such article is entered, upon the importation of like articles not previously exported.</i></p>

## TITLE III—SPECIAL PROVISIONS

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**SEC. 313. DRAWBACKS AND REFUNDS.**

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(h) *Upon the exportation of jet aircraft engines that have been overhauled, repaired, rebuilt, or reconditioned in the United States with the use of imported merchandise, including parts, there shall be refunded, upon satisfactory proof that such imported merchandise has been so used, the duties which have been paid thereon, in amounts not less than \$100.*

(h) No drawback shall be allowed under the provisions of this section unless the completed article is exported within five years after importation of the imported merchandise.

(i) Allowance of the privileges provided for in this section shall be subject to compliance with such rules and regulations as the Secretary of the Treasury shall prescribe, which may include, but need not be limited to, the fixing of a time limit within which drawback entries or entries for refund under any of the provisions of this section or section 1309 (b) of this Act shall be filed and completed, and the designation of the person to whom any refund or payment of drawback shall be made.

(j) Any drawback of duties that may be authorized under the provisions of this Act shall be paid from the customs receipts of Puerto Rico, if the duties were originally paid into the Treasury of Puerto Rico.

