



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE

PORT OF CHICAGO PIPELINE

NO. 97-27

September 23, 1997

TO : Customhouse Brokers, Importers and Others Concerned

SUBJECT: Guidelines for the Classification of Recorded Media or Software

In order to raise the level of awareness among the brokerage community as well as compliance for shipments of recorded media or software classified under *Harmonized Tariff Schedule of the United States* (HTSUS) heading 8524, the Port of Chicago is issuing guidelines for the classification of merchandise under this provision.

8524: Records, tapes, and other recorded media for sound or other similarly recorded phenomena, including matrices and masters for the production of records, but excluding products of Chapter 37

Heading 8524 is perhaps one of the most challenging to classify merchandise. When considering classification under 8524, the Port of Chicago recommends first verifying with the importer or manufacturer that the media or software is actually recorded. Media or software that is unrecorded or blank must be classified under 8523 ("Prepared unrecorded media for sound recording or similar recording of other phenomena, other than products of Chapter 37"). Formatted software (floppy diskettes, for example) which contains no data is classified under 8523. Formatted blank floppy diskette software is not considered recorded; formatted diskettes which contain computer data or data programming are classified under 8524.

Once it is clear that this is indeed recorded media or software, a careful examination of the various subheadings under 8524 can begin. This can often prove to be a confusing assignment. Several members of the trade and brokerage communities have inquired and requested assistance as to how to determine a correct classification under the 8524 heading as well as to compute the specific rate of duty formula. These concerns, questions and requests are understandable.

Not always easy to identify recorded media or software subheadings and compute duty owed

When attempting to classify a shipment of audio compact discs, it is natural to look for a subheading which states "audio compact discs." No such description can be found under 8524. This is also true for video laser discs, CD-ROMs, digital video discs and floppy diskettes.

To make matters more challenging, all subheadings under 8524 (except one) possess a specific rate of duty which computes duty based on a formula per square or linear meters of the recording surface.

Classifying audio compact discs or “Discs for laser reading systems: For reproducing sound only”

The challenges of correct classification of recorded media or software, as well as computation of a formula to determine the specific rate of duty based on square or linear meters of recorded surfaces, are evident, but obtaining a solution to each becomes far less formidable once one becomes familiar with the language of the HTSUS and mathematic formula equivalents for recorded surfaces.

<p>RECORDED AUDIO COMPACT DISCS (CDs) 8524.32.0000</p> <hr/> <p><i>Formula:</i></p> <p>100 CDs x .0086 square meters per disc* <u>.86 square meters (not a whole number -- round to nearest)</u></p> <p>1 square meter (rounded up) x .039 cents per square meter <u>\$.039 or .04 cents duty owed</u></p> <p><small>*Note: The number of audio CDs will always be multiplied by .0086 in order to compute the number of square meters. This is the standard formula.</small></p>
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Figure 1

the formula is actually fairly simple once an individual becomes familiar with it (see figure 1).

If 100 audio compact discs are imported, multiply 100 by .0086 (square meters) which equals .86 square meters (the number of audio compact discs will always be multiplied by .0086 in order to compute the number of square meters). Remember to round the number of square meters (in this example, .86) to the nearest whole number (in this example, 1 square meter). To compute the duty owed, multiply 1 (number of square meters) by .039 (rate of duty) which equals .039 or .04. Therefore, the amount of duty owed upon importation of 100 audio compact discs would be \$.04 or four cents.

Other “Discs for laser reading systems” such as CD-ROM software, video laser discs and digital video discs

What other recorded media or software merchandise might also be classified under the “Discs for laser reading systems” subheading?

Since “discs” were identified in the subheading title, it becomes apparent that video cassette recordings, audio cassette tapes, and computer tape are not classified here. Instead, video laser discs, CD-ROMs (which are discs), and digital video discs can be found under “Discs for laser reading systems.” But how is each classified and the duty computed? Carefully read the three subheadings that fall under “Discs for laser reading systems”: -- “For reproducing phenomena other than sound or image,” “For reproducing sound only,” and “Other.”

For example, an audio compact disc can also be identified as a disc for a “laser reading system.” Classification can be determined by choosing the most appropriate of the three subheadings that fall below “Discs for laser reading systems.” The three subheadings are “For reproducing phenomena other than sound or image,” “For reproducing sound only,” and “Other.” Since an audio compact disc is for “reproducing sound only,” the correct classification is 8524.32.

The audio compact disc’s specific rate of duty of 3.9 cents per square meter of recording surface seems complex initially. But

Retail prepackaged, non-game software CD-ROMs which do not contain video images and sound capability should be classified under 8524.31.0030/2.6 cents per square meter (“For reproducing phenomena other than sound or image”) since it does not contain sound or image capability. The computation formula is similar to that of audio compact discs (see figure 2).

If the CD-ROM is not game software, does not contain video images and sound capability, and is not sold as retail prepackaged software, then it would be classified under 8524.31.0070/2.6 cents per square meter (see figure 2).

But what if the CD-ROM is, in fact, game software or contains video images and/or sound capability? Then it would be excluded from the “For reproducing phenomena other than sound or image” as well as the “For reproducing sound only” subheadings, and fall under 8524.39 (the “Other” provision). The rates of duty under 8524.39 are unlike virtually all other recorded media or software subheadings: the rates of duty are ad valorem, not specific (see figure 3). This is the major exception among recorded media or software. CD-ROM software which contains video images and/or sound capability created for an automatic data processing machine (computer system) should be classified under 8524.39.4000 with a rate of duty of 2.8 percent ad valorem. In addition, video laser discs, digital video discs and game system CD-ROM (non-computer) software are classified under 8524.39.8000 with a rate of duty of 3.7 percent ad valorem.

DISCS FOR LASER READING SYSTEMS

8524.31.0030 (retail)

8524.31.0070 (non-retail)

CD-ROMs without video images and sound capability (non-game software, non-standard computer software)

Formula:

50 CD-ROMs (*without video images and sound capability*)
 x .0086 square meters per disc*
 .43 square meters (*not a whole number -- round to nearest*)

1 square meter (*rounded up*)
 x .026 cents per square meter
\$.026 or .03 cents duty owed

**Note: The number of CD-ROMs (without video images and sound capability) will always be multiplied by .0086 in order to compute the number of square meters. This is the standard formula.*

Figure 2

OTHER DISCS FOR LASER READING SYSTEMS

8524.39.4000, 8524.39.8000

Standard CD-ROMs for automatic data processing machine (computer) with video images and/or sound capability
 8524.39.4000/2.8% ad valorem

Laser discs, digital video discs, and non-automatic data processing machine (non-computer) game system discs
 8524.39.8000/3.7% ad valorem

Figure 3

Computer data tape or “Magnetic tapes for reproducing phenomena other than sound or image”

Another type of recorded media or software is computer data tape. This tape is identified in the HTSUS as “magnetic tape for reproducing phenomena other than sound or image,” subheading 8524.40.

In order to determine the number of square meters of recording surface, the importer must provide the amount of tape in linear feet so that amount can then be converted into square meters, and from that,

compute the duty owed (see figure 4).

“Other magnetic tapes” such as audio cassette tapes and video cassette recordings

What would be considered “other magnetic tapes?” The subheadings under “other magnetic tapes” describe (in contrast to CD-ROMs, laser discs and digital video discs) specific types of recorded media such as “sound recordings on cassette tapes” (8524.51.3040), also known as audio cassettes. In order to determine the number of square meters of recording surface, the importer needs to provide the number of minutes of each audio cassette (see figure 5).

Another type of magnetic tape is video cassette recordings which are classified under either 8524.52 (“of a width exceeding 4 mm but not exceeding 6.5 mm”) or 8524.53 (“of a width exceeding 6.5 mm”). Standard VHS video cassette tapes are classified under 8524.53.1040 (“of a width not exceeding 16 mm, in cassettes”).

The recording surface of video cassette recordings -- unlike “discs for laser reading systems,”

**RECORDED COMPUTER TAPE
8524.40.0000**

Formula:

1200 feet*	=	4.65 square meters
2400 feet*	=	9.3 square meters
3600 feet*	=	13.95 square meters

If tape is 2400 feet, then 9.3 square meters (*not a whole number -- round to nearest*)

9 square meters (*rounded down*)
x .051 cents per square meter

\$.46 duty owed

**Note: The number of linear feet may not always match 1200, 2400 or 3600. In these cases, we must approximate as closely as possible the number of square meters. For example, 1800 feet would equal approximately 6.98 square meters.*

Figure 4

**RECORDED AUDIO CASSETTE TAPE
8524.51.3040**

Formula:

30 minutes*	=	.27 square meters
60 minutes*	=	.54 square meters
90 minutes*	=	.82 square meters

50 audio cassettes @ 60 mins. each
x .54 square meters

27 square meters

27 square meters (*whole number*)
x .068 cents per square meter

\$1.84 duty owed

**Note: The number of minutes may not always match 30, 60 or 90. In these cases, we must approximate as closely as possible the number of square meters. For example, 120 minutes would equal approximately 1.09 square meters.*

Figure 5

computer tape and audio cassette tapes -- is based on linear meters. In order to determine the number of linear meters, the number of minutes for each video tape must be provided (see figure 6 on the following page).

Floppy diskette software

Another type of recorded software is the floppy diskette, classified under the 8524.91 subheading “Other: For reproducing phenomena other than sound or image.”

If the floppy diskette is a standard prepackaged software of a kind sold at retail, non-interactive with an automatic data processing machine (computer system), and non-computer game software, then it is classified under 8524.91.0030/2.6 cents per square meter; if this floppy diskette is not retail prepackaged, then classification falls under 8524.91.0070/2.6 cents per square

meter.

A floppy diskette containing computer game software and/or capable of being manipulated or interactive with a computer system should be classified under 8524.99.6000/2.6 cents per square meter.

When determining the amount of duty owed, the importer needs to provide two important details about the floppy diskettes: Is it a five-and-one-quarter inch or three-and-one-half inch diskette, and is it single- or double-sided? The answers to these questions will identify the number of square meters (see figure 7), and therefore, the amount of duty owed.

Other recorded media

There are other various recorded media under 8524 which the trade and brokerage community will need to classify upon importation, although these may not be seen as frequently as the recorded media and software identified above.

Phonograph records are classified under subheading 8524.10 and have an ad valorem rate of duty (2.6 percent).

**STANDARD RECORDED FLOPPY DISK SOFTWARE (Non-interactive with ADP, non-computer game software)
8524.91.0030**

Formula:

5 1/4 disk: .009 sq. mtrs (single-sided)
.018 sq. mtrs (double-sided)
3 1/2 disk: .004 sq. mtrs (single-sided)
.008 sq. mtrs (double-sided)

100 single sided 5 1/4 disks
x .009 square meters per diskette
.9 square meters (not a whole number -- round to nearest)

1 square meter (rounded up)
x .026 cents per square meter
\$.02 duty owed

Figure 7

**RECORDED VHS VIDEO CASSETTE
8524.53.1040**

Formula:

60 minutes each
x 2*
120 linear meters

100 video tapes
x 120 linear meters*
12,000 linear meters

12,000 linear meters
x .0026 cents per linear meter
\$31.20 duty owed

**Note: The number of minutes of the VHS video cassettes will always be multiplied first by 2, and that sum will then be multiplied by the number of VHS video cassettes in order to compute the number of linear meters. For example, if 50 90-minute cassettes were imported, first multiply 90 by 2, which equals 180. Second, multiply the quantity (50) by 180, which equals 9,000 linear meters. This is the standard formula.*

Figure 6

News sound recordings relating to current events are classified under subheading 8524.51.10 and have a free rate of duty.

Master records or metal matrices for use in the production of sound records for export are classified under 8524.99.20 with a free rate of duty.

Duty rates subject to change

The duty rates used are those in effect at the time this Port of Chicago Pipeline was written (Sept. 1997). The duty rates, of course, are subject to change.

Further concerns or questions

If you have any concerns or questions about recorded media or software classified under HTSUS heading 8524, please contact Commodity Team 311 at (312) 353-0678.

Kevin Weeks
Port Director

1997 FORMULA GUIDE FOR DUTY COMPUTATION OF RECORDED MEDIA

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 .86 square meters (*not a whole number -- round to nearest*)

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If tape is 2400 feet, then 9.3 square meters (*not a whole number -- round to nearest*)

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x .051 cents per square meter*

 \$.46 duty owed

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Formula:

30 minutes = .27 square meters
60 minutes = .54 square meters
90 minutes = .82 square meters

50 audio cassettes @ 60 mins. each
X .54 square meters

 27 square meters

27 square meters (*whole number*)
x .068 cents per square meter*

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RECORDED VHS VIDEO CASSETTE 8524.53.1040

Formula:

60 minutes each
x 2

 120 linear meters

100 video tapes
x 120 linear meters

 12,000 linear meters

12,000 linear meters
x .0026 cents per linear meter*

 \$31.20 duty owed

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5 1/4 disk: .009 sq. mtrs (single-sided)
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3 1/2 disk: .004 sq. mtrs (single-sided)
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