



JOHN DEERE

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Thomas K. Jarrett

Vice President
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8 August 2006

The Honorable Charles Grassley
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Re: S. 3147, to clarify the article description and rate of duty for certain tractor body parts.

Dear Senator Grassley and Senator Baucus:

Deere & Company ("Deere") appreciates this opportunity to comment on S. 3147, a bill to provide separate tariff categories for certain tractor body parts suitable for agricultural use. Deere is a worldwide leader in the manufacture, distribution and financing of a full line of agricultural equipment, as well as construction and forestry equipment, commercial and consumer equipment, and other technological products and services. Deere believes the tariff changes provided in S. 3147 are necessary and strongly supports the bill's enactment.

S. 3147 would complete the effort made by the Congress through the 2004 Miscellaneous Tariff Classification legislation to provide for the duty-free treatment of certain parts of agricultural tractors that is currently provided for virtually all other tractor parts. This is an anomaly that denies such duty free treatment to all tractor body parts, which has had an adverse effect on Deere's U.S. operations. Deere supports the proposed changes in S. 3147 to rectify the ongoing inconsistency.

The effect of S. 3147 would be to establish a new heading under "Parts and Accessories of the motor vehicles of headings 8701 to 8705" that distinguishes certain parts of bodies used for agricultural purposes from those used for motor vehicles, and provides for their duty-free treatment.

The Harmonized Tariff schedule today includes headings for agricultural tractors (8701.90.10), tractor bodies (8707.90.10), chassis (8706.00.30), and numerous other components (brakes, wheels, struts, etc.) that are "suitable for agricultural use" (8708). All these items have a duty-free tariff. In 2004, the Congress added a subheading for body stampings, consistent with the longstanding principle under the U.S. Harmonized Tariff Code that all agricultural equipment and parts should receive duty-free treatment.

However, absent the changes proposed in S. 3147, certain tractor body parts not explicitly provided for by the schedule will continue to be misclassified as parts of motor vehicles and subject to duties of 2.5 percent. The illogical result of this continued misclassification is that today, imported tractors, assembled tractor bodies, unspecified tractor parts and some tractor body parts may enter the U.S. duty-free, yet other tractor body parts are subject to the 2.5 percent duty that applies to body parts of motor vehicles.

Deere manufactures approximately 85 different models of agricultural tractors in factories in the U.S. and around the world, many with interchangeable parts. In addition, Deere imports a variety of parts and accessories for exclusive use on U.S.-made John Deere tractors. At present, the volume of imported tractor body parts is relatively low and their use is primarily as service and repair parts by John Deere dealers across the U.S. However, Deere anticipates that imports of these body parts will increase as it expands the U.S. production of certain John Deere tractor models, and the corresponding demand for imported body parts for assembly in its U.S. plants rises also. The remaining 2.5 percent duty on tractor body parts impacts not only Deere, but independent John Deere dealers across the U.S. who rely on imported parts to service equipment, and their U.S. farmer customers.

Deere strongly supports the timely enactment of S. 3147 to amend the U.S. Harmonized Tariff Schedule to provide a new duty-free classification for tractor body parts, so that these items are treated the same way as other tractor parts, assembled tractor bodies and imports of tractors suitable for agricultural use. Should you have any questions about Deere's views, please contact John Rauber, (202) 423-2273, in Deere's Public Affairs Worldwide office.

Sincerely,


Thomas K. Jarrett
Vice President, Taxes

cc: The Hon. Saxby Chambliss