

RESOURCES • TEXAS GLOBAL SERVICES

What is an HS Code and How Does It Affect Your Tariffs?

Your Harmonized System Code determines what tariffs you pay, what you owe — and the code used is up to you.

“Customs can come after you years later for errors on this. We research these codes and find the best classification for your cargo — because getting it wrong is not a mistake that goes away.”

— Diana Stinson, President, Texas Global Services • 22 years in the freight industry

If you are importing or exporting goods internationally, two things determine how much you pay at the border: your HS code and the tariff rate attached to it. Most importers focus on the tariff — the percentage — without fully understanding that the code is what triggers this. Get the code wrong and you may be paying the wrong rate, under-declaring your duties, or exposing your company to customs coming after you even years later.

What is an HS Code?

HS stands for Harmonized System and it is a standardized code for all items shipped. Every single product has an HS Code designated by the World Customs Organization — the WCO. I get a lot of these requests. Even though the shipper is liable for using the correct HS Code, we assist in researching this so you can make an informed decision.

This is a massive list of goods and they all have a 6-digit code. These codes determine your tariffs and let the carriers know what cargo you're bringing onto their vessel. These six digits are globally recognized and the same at every trading port.



How Your HS Code Determines Your Tariff

Every HS code carries a tariff rate — a percentage applied to the declared value of your goods at the time of import. Under normal circumstances that rate is published and predictable. The problem is that circumstances have not been normal.

Section 301 tariffs, applied to goods from China, are layered on top of standard rates for thousands of product categories. A product with a standard 5% duty rate may carry an additional 25% Section 301 tariff, depending on its HS code and country of origin. The difference between two closely related codes can be the difference between a 5% rate and a 30% rate on the same type of product.

This is not theoretical. We have clients who have had to hire attorneys and fight tariff classifications after the fact. The disputes are expensive, time-consuming, and not always resolved in the importer's favor. The better investment is getting the classification right before the shipment moves.

IMPORTANT — STATUTE OF LIMITATIONS

U.S. Customs and Border Protection has up to five years from the date of importation to audit your entries and demand unpaid duties. An HS code error made today can result in a bill — plus interest and penalties — years from now.

If you have been classifying goods yourself without professional review, it is worth having a licensed customs broker or experienced freight forwarder audit your recent entries before Customs does it for you.

Who Actually Pays the Tariff?

This is one of the most misunderstood aspects of trade policy. Tariffs are not paid by the exporting country. They are not paid by the foreign manufacturer. Nor do they even have the ability to pay them. They are paid by the importer of record — the U.S. company or individual who brings the goods into the country.

Using a customs broker is standard practice — messing this up will cost you an unknown amount. Several of our customers have had to hire attorneys and fight tariffs. This has been hard on everyone in the shipping industry and very costly.

I have produced reports for my customers regarding tariff refunds using my in-house records AI. It is a service we provide and it is a solid resource for clients. Choosing a forwarder that has grown with technology is very important. This type of service was not possible just a short time ago and it is a crucial component today.

Who pays U.S. tariffs?

The U.S. importer of record. Not the foreign country, not the manufacturer, not the carrier. You.

Who files the entry?

Your customs broker, on your behalf. Errors in entry filing carry serious financial and legal consequences. The HS Code used is ultimately up to the importer.

The exemption reality

Not all importers are subject to the same tariff treatment. Certain industries — including some technology companies, pharmaceutical manufacturers, and energy companies — have received product-specific exclusions from Section 301 tariffs. These exclusions are applied at the HS code level. A misclassified product may miss an exclusion it qualifies for, resulting in overpayment.

For most importers — manufacturers, distributors, oilfield equipment companies, industrial goods importers — there are no broad exemptions. The tariff applies, the HS code determines the rate, and the importer pays.

How Texas Global Services Handles HS Code Research

HS code classification is not guesswork, although it appears to be. Truly requires expertise is closer to the truth. We research HS codes for our clients' cargo as part of our service. We can research these and find the best codes for your cargo and your options to make an informed decision.

1

Product analysis

We review the composition, function, and specifications of your cargo to identify the correct chapter and heading under the Harmonized System.

2

HTS cross-reference

We cross-reference the six-digit HS code against the U.S. Harmonized Tariff Schedule to determine the applicable ten-digit HTS code and the duty rate that applies to your specific product.

3

Tariff layer review

We check for additional duty layers — Section 301 tariffs, antidumping and countervailing duties, and any applicable exclusions — so your landed cost estimate reflects the actual amount due at entry.

4

Documentation guidance

We provide the correct code to your customs broker and ensure it is consistently applied across your commercial invoice, packing list, and entry documentation to avoid discrepancies that trigger exams.

A Note on the Current Tariff Environment

Tariff rates have changed more frequently in the past several years than at any point in my career. The infrastructure that supports international trade — the freight forwarders, customs brokers, and logistics

providers who handle this complexity daily — has contracted significantly under this pressure. Companies have closed. Experienced staff have left the industry.

Getting your HS codes right, working with a freight forwarder and licensed customs broker, reviewing your classifications — this is not overly cautious. It is the minimum protection for your business in an environment where the rules are changing and the consequences of errors are very real.



Diana Stinson — President, Texas Global Services

Diana has been arranging international freight through the Port of Houston for over 22 years. Texas Global Services is an FMC-licensed Ocean Transportation Intermediary serving manufacturers, oilfield companies, and importers and exporters across the Gulf Coast region as well as globally. Family-owned and operated since founded by Diana Stinson in 2016 as a Woman Owned Small Business (WOSB).



Leslie Danaher — Global Shipping Specialist, Texas Global Services

Based in Houston, TX, Leslie brings a robust skill set spanning supply chain management, project management, logistics services, and contracts and procurement. An integral part of the Texas Global Services team and a premier freight forwarder in her own right.

Not sure if your HS codes are right?

We research classifications for our clients as part of our service. Talk to Diana or Leslie before your next shipment — getting this right upfront costs far less than fixing it later.

texasglobalservices.com/contact • 832-797-1579