



## The Specialist in Electronic Component Distribution

August 3, 2018

Re: Section 301 Import Tariffs

Dear Valued Customer,

On July 6, as mandated by the U.S. Trade Representative under Section 301, a 25% tariff was imposed on a subset of electronic components manufactured in China and imported into the United States. TTI made the decision to delay billing customers for these new tariffs until the details were complete and the impact could be better understood – since July 6 TTI has absorbed all Section 301-related tariffs incurred.

The complexity of the situation is overwhelming and changing on a daily basis. Suppliers are struggling with a fair and equitable method to assess the tariffs without disclosing proprietary pricing formulas. Most suppliers have opted to mitigate the effect of the tariff by charging TTI as a separate line item on the invoice based on our current purchase price, not the supplier's import cost. Those charges range from 15% to 25% – again, on our purchase price. Other suppliers have elected to assess the tariff by increasing the TTI purchase price. And we have suppliers who have neither identified the components impacted nor how they will pass through the tariff.

### **TTI WILL DELAY BILLING SECTION 301 TARIFFS UNTIL FURTHER NOTICE**

Due to these continuing uncertainties – until further notice, TTI will continue to delay the billing of Section 301 tariff charges to our customers. TTI will pay assessed tariffs due on products imported from China during this period and, in doing so, will shield our customers from incurring or paying tariffs on shipments until an implementation date is determined and at such time, will provide a 30-day notice prior to the implementation date.

### **TTI'S MASSIVE INVENTORY HELPS DELAY SECTION 301 TARIFFS**

You will surely wonder how TTI can afford to absorb a 25% tariff since you know us to be a fair and reasonable partner. The good news for us all is that the parts subject to the Section 301 tariffs account for 8%-10% of the components that we sell. It is also important to note that TTI's value proposition is built on having inventory in stock to support your business. This strategy means we typically have more than 90-days of estimated usage on hand, so much of the current inventory of Section 301 impacted parts were purchased before the tariffs were assessed. In short, TTI's world-class inventory allows us to delay billing for the Section 301 tariffs for the time being.

**THERE ARE NO SECTION 301 TARIFFS FOR CUSTOMERS IN MEXICO AND CANADA**

Another important note, TTI will not charge tariffs on products delivered outside of the United States. The TTI warehouse in Fort Worth, Texas is certified a foreign-trade zone (FTZ). Foreign trade zones, supervised by U.S. Customs and Border Protection, are considered outside the customs territory of the U.S. for the purposes of duty payment. Duty payment on the foreign merchandise is not required until it enters the United States for domestic consumption therefore any product delivered to Mexico or Canada from this facility will pass through without any duty. Additionally, TTI has seven proximity warehouses in Mexico that are exempt from the Section 301 tariffs as long as the product is delivered in Mexico.

**BILLING PROCESS UPON IMPLEMENTATION**

Once a date is determined, our plan is to create a separate line item for the tariff charge as opposed to raising prices at the part number level. Our approach for billing customers will be to accumulate the tariff over a defined period and provide a standalone invoice for the tariff charges. The exception will be for parts that suppliers have chosen to increase the piece part price, in which case we will have no choice but to pass these increases along in the purchase price. We believe separating the tariff will reduce the supply chain impact and have the least disruptive effect from accounting and business process perspectives. The exact format of the tariff invoice is still under design, but it is our goal to be able to provide sufficient detail in the invoice to satisfy the requirements of our broad spectrum of customers.

Our primary objective is to minimize supply chain disruption and to support your requirements at the highest levels. We hope that our decision to delay billing of the Section 301 tariffs will give our customers more time to prepare, and give all of us, including our suppliers, more time to fully understand the details.

For the latest updates please visit our Section 301 China Tariff Resource page at:  
<https://www.ttiinc.com/content/ttiinc/en/about/section-301-tariff-information.html>

Sincerely,

*Don Akery*

President TTI Americas