



PROFESSIONAL ASSOCIATION  
*of Exporters and Importers*



# A Seminar/Webinar On Assist Valuation What Every Import Professional Needs to Know Thursday, September 20, 2018

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# Discussion Topics

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- ❖ What is an Assist?
- ❖ What is the difference between Assists and Supplemental Payments?
- ❖ Legal precedent for Assists – What is and what isn't?
- ❖ Different apportionment methods for reporting Assists to Customs
- ❖ Upward and downward adjustments of assist valuation
- ❖ How to identify Assists and Supplemental Payments incurred by your company
- ❖ Best practices in identifying Assists and Supplemental Payments and reporting them

# Valuation Resources



## ❖ Key Resources

- Customs Informed Compliance Publications
  - <http://www.cbp.gov/trade/rulings/informed-compliance-publications>
  - Customs Value
  - **Customs Valuation Encyclopedia (1980 - 2015)**
  - Determining the Acceptability of Transaction Value for Related Party Transactions
  - Bona Fide Sales & Sales for Exportation to the United States
  - Proper Deductions for Freight & Other Costs
  - Buying & Selling Commissions
  - Reasonable Care

DECISIONS >> INFORMED COMPLIANCE PUBLICATIONS

### Informed Compliance Publications

CBP has a number of Informed Compliance Publications (ICPs) in the "What Every Member of the Trade Community Should Know About: ..." series. As of the date of this posting, the subjects listed are available for reading or downloading. The first date shown is the original publication date. The subsequent dates, if any, show the revisions.

Additionally, CBP publishes several [Directives and Handbooks](#), which provide guidance to the public on a variety of trade-related matters.

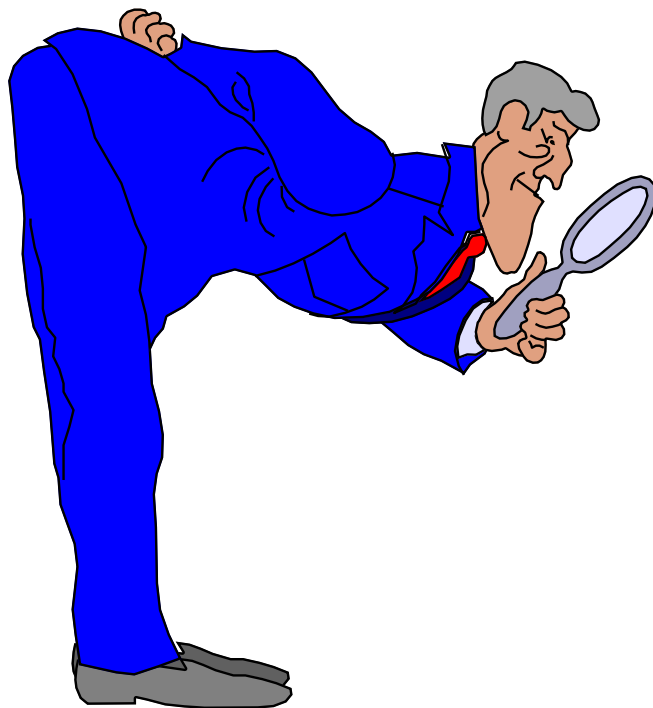
**Available ICP downloads:**

- [ABC's of Prior Disclosure](#)
- [Colored Bubble Glass \(and Other Special Types of Glassware\)](#)
- [Country of Origin of Knit to Shape Apparel Products](#)
- [Customs Administrative Enforcement Process: Fines, Penalties, Forfeitures and Liquidated Damages](#)
- [Customs Brokers](#)
- [Customs Value](#)
- [Customs Valuation Encyclopedia \(1980 - 2015\)](#)
- [Cutlery of Headings 8211 Through 8215 of the Harmonized Tariff Schedule of the United States](#)

**QUICK LINKS: F LEGAL DECISIONS**

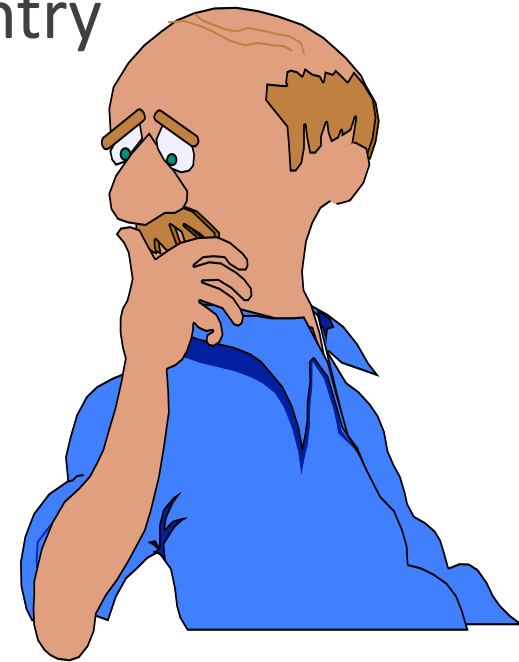
- [Regulations and Numbers](#)
- [Customs Bulletin](#)
- [Customs Ruling System \(CROS\)](#)

# The “Reasonable Care” Requirement



The value law (19 U.S.C. 1484) requires importers to use “reasonable care” when providing Customs at the time of entry with information regarding:

- Classification
- Value/ Appraisement
- Rate of duty
- Admissibility



# Importance of Correct Customs Values



## ❖ Obligation to Report The Correct Value

- All invoices for imported merchandise are required to set forth . . . "the purchase price of each item . . . ." *19 U.S.C. § 1481(a)(5)*.
- An importer making an entry . . . must file a **declaration** under oath stating . . . "the prices set forth in the invoice are true . . . [and that] all other statements in the invoice . . . or in the entry itself, are true and correct . . ." *19 U.S.C. § 1485(a)(2) & (3)*.

# Statutory Additions to Transaction Value



- ❖ Transaction value includes certain **statutory additions** if not otherwise included in the price:
  - packing costs
  - selling commissions
  - **assists**
  - royalty or license fees paid as a condition of importation
  - Proceeds of a subsequent resale, disposition, or use



# Understanding Assists

## ❖ Question:

- Which of the following is considered an **assist** and should be included in the entered value of headphones?
  - A. The cost of engineering plans produced in Las Vegas, Nevada for a headphone to be produced in China?
  - B. The cost of wiring purchased at full price by the foreign producer of headphones in Shenzhen, China.
  - C. The cost of copier paper supplied free of charge by the U.S. importer to the foreign producer of headphones in Shenzhen, China, for wedding invitations.
  - D. Tooling to produce plastic earpiece components supplied free of charge by a U.S. importer to the foreign producer of headphones in Shenzhen, China.
  - E. The cost of computer training classes supplied free of charge by a U.S. importer to the foreign producer of headphones for use in training employees how to track time worked and leave.

# Additions to Value: Assists



## ❖ 19 U.S.C. 1401a(b)(1) states:

The transaction value of imported merchandise is the price actually paid or payable for the merchandise . . . plus amounts equal to . . . the value, apportioned as appropriate, of any assist . . .

## ❖ Assists are defined (19 U.S.C. 1401a(h)) as:

- ✓ (i) Materials, components, parts, and similar items incorporated in the imported merchandise.
- ✓ (ii) Tools, dies, molds, and similar items used in the production of the imported merchandise.
- ✓ (iii) Merchandise consumed in the production of the imported merchandise.
- ✓ (iv) Engineering, development, artwork, design work, plans and sketches that are undertaken elsewhere than in the United States and are necessary for the production of the imported merchandise.



# Additions to Value: Assists

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- ❖ To be treated as an "assist" the article or design must be:
  - Supplied directly or **indirectly** by the buyer
  - Provided free of charge or at reduced cost
  - Used in connection with the production or sale for export to the United States of the merchandise
  - Materials that are consumed during the production of the article for export to the United States



# Test Equipment

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- ❖ Test equipment provided free of charge to the foreign manufacturer by the U.S. importer will constitute an assist if the equipment is:
  - Used for testing during the production process and
  - Testing is essential to the production of the product. **544508, dated June 19, 1990.**
  - **HQ H023814 2-Jun-08** Testing Equipment ICT fixtures are dutiable assists even though the PCBA's can be produced without testing, if or when testing is performed it is part of the production process



# Value Question: Assist Valuation

- ❖ A used mold was provided free of charge to a Korean manufacturer by the U.S. importer. The used mold cost originally cost the importer \$100,000 but the importer used the mold and depreciated \$25,000 prior to sending it to Korea. The importer paid freight cost of \$1,000 and the Korean manufacturer paid \$ 500 import duty for the mold. Because of its poor condition, the Korean manufacturer had it repaired for \$2,500 and billed the U.S. importer.
- ❖ What is the total value of the assist?
  - a) \$75,000
  - b) \$76,000
  - c) \$77,500
  - d) \$78,500
  - e) \$79,000

# Adjustments To Assist Value



- ❖ If the tools, dies, molds, or similar item has been **used previously** by the buyer, regardless of whether it had been acquired or produced by him, the original cost of acquisition or production will be adjusted downward to reflect its use before its value can be determined. HQ W548667, October 5, 2005
- ❖ **Repairs or modifications** to an assist will increase its value

# Assist Answer

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100,000.00	Purchase Price
-25,000	Depreciation
75,000.00	
1,000.00	Freight over
2,500	Mold Repair
78,500.00	Assist value



# General Purpose Equipment

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- ❖ General purpose equipment supplied by a buyer free or at a reduced charge is an assist. **542122, dated Sep. 4, 1980 (TAA No. 4).**
- ❖ Air conditioning equipment, power transformers, telephone switching equipment, emergency generators, and other equipment **not used in the production of imported goods, are not assists.** **542302, dated Feb. 27, 1981 (TAA No. 18); 542762, dated Jan. 14, 1983; 544261, dated Feb. 28, 1989; 544421, dated Apr. 3, 1990; 544480, dated Sep. 21, 1990.**



# Valuing Assists (19 CFR 152.103(d))

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## ❖ How do we value an assist?

- Cost of acquisition if acquired by the buyer from an unrelated seller.
- Cost of production (including R & D) if the assist was produced by the buyer.
- The value of the assist must include transportation costs to the place of production.
- The cost of procuring an assist, i.e., receiving inspection and warehouse costs are not part of the value of an assist.

## ❖ HQ 548568, dated 10/19/2004

- Cost of production of an assist is to include the value of any license or royalty fee payments made for the design, manufacturing, or process rights to manufacture or produce the article
- Would include any NRE or related expenses, such as masks or tooling charges

# Apportioning the Value of Assists



- ❖ If the entire anticipated production using the assist is for exportation to the United States, the total value may be apportioned over:
  1. The first shipment, if the importer wishes to pay duty on the entire value at once
  2. The number of units produced up to the time of the first shipment, or
  3. The entire anticipated production.
  4. Some other accepted method by CBP
- If the anticipated production is only partially for exportation to the United States, or if the assist is used in several countries, the method of apportionment will depend upon the documentation submitted by the importer. Section 152.103(e)
- Good Apportionment Ruling allowing assist values to be reported monthly. H190269 (2014)





# Assist Yielding Rule

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- ❖ The value of waste, scrape, or defective components or materials that are assists must be “yielded” into the value of the value of the components or materials actually used.
  - Example: takes 105 components to make 100 finished units
  - The assist value is = value of 105 components / 100 finished units
  
- ❖ The value of “unused” components or materials is not yielded



# Apportioning the Value of Assists

- ❖ Customs has authority under 19 CFR 152.103(3)(1) to accept or reject a proposed apportionment method.
- ❖ “...there must be a connection between the apportionment method selected and the imported articles ...”
- ❖ HQ 545031, June 30, 1993 and HQ H231836, June 19, 2014
  - “Proposed apportionment method is unreasonable if it is based solely on the estimated useful life of the assist.”
  - There must be a link between “the proposed apportionment method and the imported merchandise.”
  - The problem with the lack of connection between the proposed apportionment and the imported toys becomes apparent when the fact is examined that the class life of the molds usually is longer than the demand for the toys.
  - The plan to apportion the value of the assists over the longer 3 1/2 year estimated useful life of the molds means that much of the value of the assists will never be apportioned to the imported toys, and therefore will not be dutiable.

# Apportioning the Value of Assists: Example



- ❖ Capital Manufacturing Equipment Purchase \$60,000
- ❖ Standard (non-accelerated depreciation schedule) – 5 years
- ❖ Annual depreciation = \$ 12,000 per year
- ❖ Send to Supplier to use in manufacturing product #123 -- free of charge
- ❖ What is “entire anticipated production” of product # 123?
- ❖ Let’s say it is three years
- ❖ Three x’s \$ 12,000 = \$36,000 | **\$ 24,000 in depreciation not accounted for.**
- ❖ There is a lack of connection between the proposed apportionment and the imported articles because the class life of the equipment is longer than the import period of the product and the value of the assist is not fully accounted for.

# Depreciation Of Assists: Treatment of Tools, Molds and Equipment vs. Materials



- ❖ 543233, dated Aug. 9, 1984
  - If a mold which is supplied free of charge to the foreign manufacturer is depreciated to zero on the books of the importer in a manner consistent with generally accepted accounting principles,
  - the value of the assist will be limited to the cost incurred in transporting the assist to the place of production.
- ❖ 542356, dated Apr. 13, 1981 (TAA No. 24); 542477, dated July 27, 1981
  - In determining the value of fabric furnished without charge to an unrelated assembler, the cost of acquisition to the importer (from an unrelated party) must be used, not the depreciated cost as reflected on the importer's books.



# Depreciation Of Assists

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## ❖ 542302, dated Feb. 27, 1981 (TAA No. 18)

- Machinery may be apportioned on a yearly basis at the depreciated cost as reflected on the books of the importer, assuming the depreciation is determined in accordance with generally accepted accounting principles.

## ❖ 544243, dated Oct. 24, 1988; 544256, dated Nov. 15, 1988

- If in accordance with generally accepted accounting principles, the value of an assist provided to the seller is fully depreciated according to the importer's records, then the value of the assist is limited to the cost of transporting the assist to the place of production.



# Depreciation Of Assists

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## ❖ HQ 543450, dated June 25, 1985:

- While the value of fully depreciated assists is limited to transportation costs to the foreign plant, capital assets which are permitted to be expensed by GAAP are not necessarily assets with a zero book value for Customs valuation purposes.
- Such assets require the determination as to what, if any, book value remains if being depreciated over their useful lives.



# Services Provided Abroad

## ❖ 1401a(h) (A) (iv)

- Engineering, development, artwork, design work, and plans and sketches that are **undertaken elsewhere than in the United States** and are necessary for the production of the imported merchandise.
- ❖ (B) No service or work to which subparagraph (A)(iv) applies shall be treated as an assist for purposes of this section if such service or work:
  - Is performed by an individual who is **domiciled within the United States**;
  - Is performed by that individual while he is **acting as an employee or agent of the buyer** of the imported merchandise; and
  - Is **incidental** to other engineering, development, artwork, design work, or plans or sketches that are undertaken within the United States.

# Services Provide Abroad— When is Work “Incidental” ?



## ❖ HQ 548540, July 28, 2004 (Nordstrom / Faconnable Ruling)

- Held that U.S. employees of US company working at foreign manufacturing location and providing technical design services are providing an assist
  - The technical designer does not create the design.
  - The technical designer becomes involved once an order has been placed.
  - After the pattern has been created, the technical designer looks at the pre-production pattern to test fit and conducts points of measurement to determine if it meets all design specifications.
  - Technical Design Manager—Manage a team of technical designers of which three are U.S. nationals and one is a French national.
  - CBP concludes that the duties of these positions are integrally involved in the production of the imported merchandise.



# Services Provide Abroad— When is Work “Incidental” ?



## ❖ In HQ 546054 (October 23, 1996)

- Following “services” were held part of the development of the imported merchandise and necessary for the production of the imported merchandise:
  - Review technical development issues and technical problems that the manufacturers have in complying with design and development requests of the importer;
  - Confirm the specifications agreed to between the importer and the manufacturers;
  - Evaluate trial samples at each stage of trial production, and work with the manufacturers and the importer when necessary;
  - Evaluate the final sample of the merchandise to be produced by the manufacturers;
  - Attend the manufacturers' trial mass production run to determine if the goods were made in conformity with the agreed upon design.



# Quality Control Services

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- ❖ Quality control services do not generally constitute an assist within the meaning of the value law as set forth in 19 U.S.C. 402(h). See 546511 (April 15, 1999).
- ❖ Quality control that involves production-related design and intimate involvement in the nature of the goods produced may be dutiable either as part of the price actually paid or payable or as an assist. (HQ 547006 ) (April 28, 1998).



# SUPPLEMENTAL PAYMENTS

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❖ The term "price actually paid or payable" is:

“the **total payment** (whether direct or indirect) . . . for imported merchandise by the buyer to, or for the benefit of, the seller.”

exclusive of any **costs, charges, or expenses incurred for transportation, insurance, and related services incident** to the international shipment of the merchandise

❖ Two issues:

- How do we determine the “total” payment?
- Problems with Development or “**Milestone**” payments
  - HQ W563417, April 19, 2006
  - HQ H137435, January 5, 2012



# Supplemental Payments

- ❖ Longstanding position that payments from the buyer to the foreign manufacturer are **not assists** within the meaning of 402(h)(1)(A) but, rather, the payment is a part of the total price paid.
  - HRL 543376, November 13, 1984, See also HRL 543983, dated December 2, 1987
- ❖ Proration of Supplemental Payment
  - The Customs Regulations do not provide guidelines specifically for the apportionment of direct payments, as they do for assists.
  - If the terms of the sales contract indicate how many units of the merchandise are being purchased, it is possible to pro-rate the price actually paid or payable.
  - If the terms of the sales contract do not specify the number of units purchased, it would not be possible to pro-rate the price actually paid or payable or, consequently, the value of the direct tooling payments contained therein.
  - HQ 544484, January 31, 1989
  - HQ 544381, November 25, 1991.

# Supplemental Payments & the Generra Rule



- There is a presumption that all payments made by a buyer to a seller, or a party related to the seller, are part of the price actually paid or payable for the imported merchandise. (*Generra Sportswear Co. v. U.S.*, 8 CAFC 132 (1990))
- Congress did not intend for Customs to engage in extensive fact-finding to determine whether separate charges, all resulting in payments to the seller in connection with the purchase of imported merchandise, are for the merchandise or for something else.
- The burden of establishing that payments to a seller are unrelated to the imported merchandise rests on the importer. (*Moss Mfg. Co. v. United States*, 896 F. 2d 535, 539 (Fed. Cir. 1990))

# The Generra Rule & Supplemental Payments



- ❖ Importers are often invoiced separately by vendors/suppliers for:
  - Tooling, molds, packaging, and equipment
  - Expedited or “hot lot” manufacturing fees and small lot or small quantity surcharges
  - Production modifications and **Non-reoccurring engineering (NRE)** or separate charges for startup or retooling
  - **Testing costs:** HQ 544508, dated June 19, 1990; 543645, dated Feb. 17, 1987; 542187, dated Nov. 7, 1980 (TAA No. 11).
  - Payments to a seller for mold costs and cutting dies are considered to be part of the price actually paid or payable for the imported merchandise. HQ 544615, dated Sep. 11, 1991
  - Reimbursement for unused materials and components are not a part of the value. 544820, dated Oct. 18, 1991



# Supplemental Payments

- ❖ **All payments** made by a buyer to a seller are presumed to be part of the price actually paid or payable, unless rebutted by evidence which clearly establishes that the payments are unrelated to the imported merchandise. HQ 545526, dated Nov. 30, 1995
- ❖ HQ H242894, dated December 4, 2013
  - Payments for exclusive right to distribute the seller's branded products in the United States are **not** dutiable as part of the transaction value
- ❖ HQ H134595, dated July 31, 2012
  - Tooling payments made by a 3<sup>rd</sup> party to foreign manufacturer are dutiable as part of the transaction value
- ❖ HQ H137435, January 5, 2012
  - Research and development (R&D) payments are not specifically listed under the statutory additions under 19 U.S.C. 1401a(b)(1)(A)-(E), but still need to be included as part of the price actually paid or payable for goods.



# Supplemental Payments

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- **545456, dated Oct. 21, 1994, affd. by 545995, dated Oct. 12, 1995**
  - In addition to the transfer price of merchandise, the buyer sends regular weekly payments to the seller which are used to pay the seller's operating expenses, including labor, overhead and administrative costs.
  - While the amounts in question are related to the imported merchandise, they are not identified with specific shipments.
  - The additional payments constitute part of the price actually paid or payable for the imported merchandise.





# Supplemental Payments

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## ❖ Testing Charges & Other Additions

- **Testing costs** are not assists but are dutiable as part of the price actually paid or payable when paid to the seller of the imported merchandise. **542187, dated Nov. 7, 1980 (TAA No. 11); 543645, dated Feb. 17, 1987**
- Testing costs paid to unrelated 3<sup>rd</sup> party
  - With regard to the testing services, we have stated in previous decisions that when testing is performed by independent testers for the benefit of the buyer, not the seller, and is paid for by the buyer, such testing costs are not part of the price actually paid or payable for the merchandise. See HQ H256223, dated August 20, 2014



# Assembly Cost Only Contracts

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- ❖ 152.103(a)(1)(3) Assembled merchandise
  - The price actually paid or payable may represent an amount for the assembly of imported merchandise in which the seller has no interest other than as the assembler.
  - The price actually paid or payable in that case will be calculated by the addition of the value of the components and required adjustments to form the basis for the transaction value.
- ❖ Maquiladora Manufacturing
- ❖ Toll Manufacturing Contracts
- ❖ Components and materials provided to contract assembler by or on behalf of importer are treated as ASSISTS.
- ❖ Components and materials provided by contract assembler or toll manufacturer and charged to importer are SUPPLEMENTAL PAYMENTS.



# Tracking Assists & Supplemental Payments

- ❖ Be a part of approval process to review purchase orders for assist-type products or new suppliers
  - Source records
    - General ledger account tracking
    - Purchasing accounts
  - Capital asset records and accounts (What is a “capital asset? A capital asset is an asset that has a useful life longer than one year and is not intended for sale during the normal course of business.)
  - Expensed assets (Assets with less than one year useful life or less than specific \$ amount (e.g. < \$5,000))
- ❖ Require that shipping /export departments be responsible for reporting shipments to assemblers or manufacturers
  - Create procedures for “export shipping logs” to record and track shipments to suppliers and manufacturers
- ❖ Train purchasing, engineering, etc. as to what assists are and require that they be responsible for reporting on shipments or 3<sup>rd</sup> party purchases going to suppliers and manufacturers

# Tracking Assists & Supplemental Payments



- ❖ Inhouse training is key to identification of assists and supplemental payments
  - Purchasing
  - Engineering, product development and manufacturing groups
  - Finance group
- ❖ Co-develop reporting and tracking logs with quarterly or period reporting requirements to trade compliance
- ❖ Establish period meetings to review activities
- ❖ Get buy-in to attend product development meetings and new sourcing/suppliers

# Reporting Entry Changes: PEAs, PSCs and CBP's Entry Reconciliation Program



## ❖ Post Summary Corrections – “PSC”

- Applied to clerical, classification, and valuation errors, which result in requests for refunds or the submission of additional monies owed prior to liquidation
- Statistical errors greater than \$10,000
- PSCs **replace** PEAs for entries filed in ACE
- PSCs replace original entry in its entirety
- Must be filed by broker(s) or importer with electronic entry capabilities in ACE system
- The PSC cannot be filed within 20 calendar days of the scheduled liquidation date
- CBP will consider the PSC to be the importer's assertion that the entry summary data is correct

# Reporting Entry Changes: PEAs and PSCs

<https://www.cbp.gov/document/guides/post-summary-corrections-user-guide>




## Topic: Post Summary Corrections

What's Inside:	
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### Introduction to Post Summary Corrections

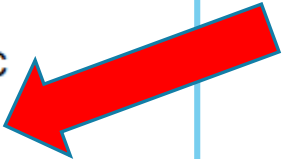
U.S. Customs and Border Protection has deployed enhanced Automated Commercial Environment (ACE) capabilities related to Entry Summary, Accounts and Revenue (ESAR) that will provide new Electronic Data Interchange (EDI) capabilities specific to the Automated Broker Interface (ABI) processing of post summary corrections for entry summaries filed in ACE. The Federal Register Notice announcing this latest release of ACE should be consulted for specific information pertaining to requirements and restrictions for post summary corrections.

## Topic: Post Summary Corrections

- Reconciliation fields such as flagging or unflagging an entry summary are not permitted using PSC.
  - A text explanation and at least one reason code are required for each PSC submission.
  - There are NO limitations to the number of PSCs that can be submitted for any one entry summary as long as the PSC is within the permitted time frame and all other requirements are met.
  - An AD/CVD entry type 03 cannot be changed to another entry type using a PSC.
  - Entry summaries cannot be flagged or un-flagged for reconciliation using a PSC.
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### Post Summary Corrections Criteria

To file a post summary correction for an existing ACE type 01 and 03 entry summary, the original entry summary or previously filed PSC must meet the following criteria:

- The entry summary cannot be liquidated.
  - The entry summary must be fully-paid or revenue free. This means for entry summaries included on a periodic monthly statement, it may be up to 45 days following the entry date before CBP receives payment for the statement.
  - The entry summary must be in "accepted" status and in "CBP control."
  - PSCs must be filed within 270 calendar days of the date of entry. The PSC cannot be filed within 20 calendar days of the scheduled liquidation date.
  - ACE will reject the transmission and the filer must file a protest if the entry summary is less than 21 days from the liquidation date.
  - The entry summary cannot be under CBP review. The filer will receive a message indicating "*PSC not allowed-under CBP Review*" if a PSC is submitted when the entry summary is in CBP review status.
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## Reporting Entry Changes: PEAs and PSCs





# What is Reconciliation?

## ❖ A process that allows importers to

- ✓ file entries using the **best available information** and
- ✓ *electronically "flag" entry data elements that are **estimated***
- ✓ "actual final information" is submitted at a later date via

## ❖ "Reconciliation" Entry (type 09)

- ✓ Can cover one or thousands of previously filed individual entries (only entry types 01-Consumption, 02-Quota/Visa Consumption, 06-FTZ Consumption)
- ✓ If an entry type 06 has AD/CVD merchandise, it cannot be flagged for reconciliation
- ✓ May file **multiple** reconciliations for the period
- ✓ Each underlying entry summary may be covered by up to two separate Reconciliations



# Entry Reconciliation: When to Participate?



## ❖ Common situations requiring Reconciliation

- Standard Cost / Computed Value / Maquiladora operations / Tolling contracts (Shelter Operations)
- Related Party Transfer Pricing Adjustments
- Imports into a Vendor Managed Inventory (VMI) warehouse (value at time of removal changes)
- Assists that are not quantifiable at time of entry (including foreign research, development, design, etc.)
- Supplemental payments to foreign vendors (tooling, mold, equipment, or other)
- Proceeds paid to foreign vendors (e.g. Split Profit Sharing Agreement with 50% of annual net sales remitted to supplier)
- Material acquisition charges or surcharges that are not known at time of entry (spot buy charges, precious metal surcharges based on a market rate [e.g., LME - London Metals Exchange], etc.)
- Product rework or testing charges
- Other post entry price adjustments or any adjustments to the value declared to Customs at time of entry



Trade

Basic Import and Export

ACE and Automated Systems

Getting Started with  
Automated Systems

► Technical  
Documentation

ACE Features

ACE Federal Register  
Notices

Border Interagency Executive  
Council

Programs and Administration

Priority Trade Issues

Rulings and Legal Decisions

Stakeholder Engagement

Trade Facilitation and Trade  
Enforcement Act

## Reconciliation in ACE

Last Updated | February 24, 2018

On **February 24, 2018**, U.S. Customs and Border Protection will deploy Reconciliation capabilities in ACE. The following are the high-level changes for processing Reconciliation in ACE. Please read below for more detailed process information.

### What will stay the same in ACE?

While processing of Reconciliation is new to ACE, several foundational functions will remain the same:

- **Reconcilable Issues** Reconciliation will continue to be filed for value, classification, 9802, and Free Trade Agreement (FTA) issue types.
- **Timeframes** Entries flagged for FTA must be reconciled within 12 months; all other entries flagged for value, classification & 9802 must be reconciled within 21 months.
- **Types of Reconciliations** There are no changes to the types of Reconciliations that may be filed. They are: Change, No-Change, FTA.
- **Filing Methods** Aggregate or Entry-by-Entry.

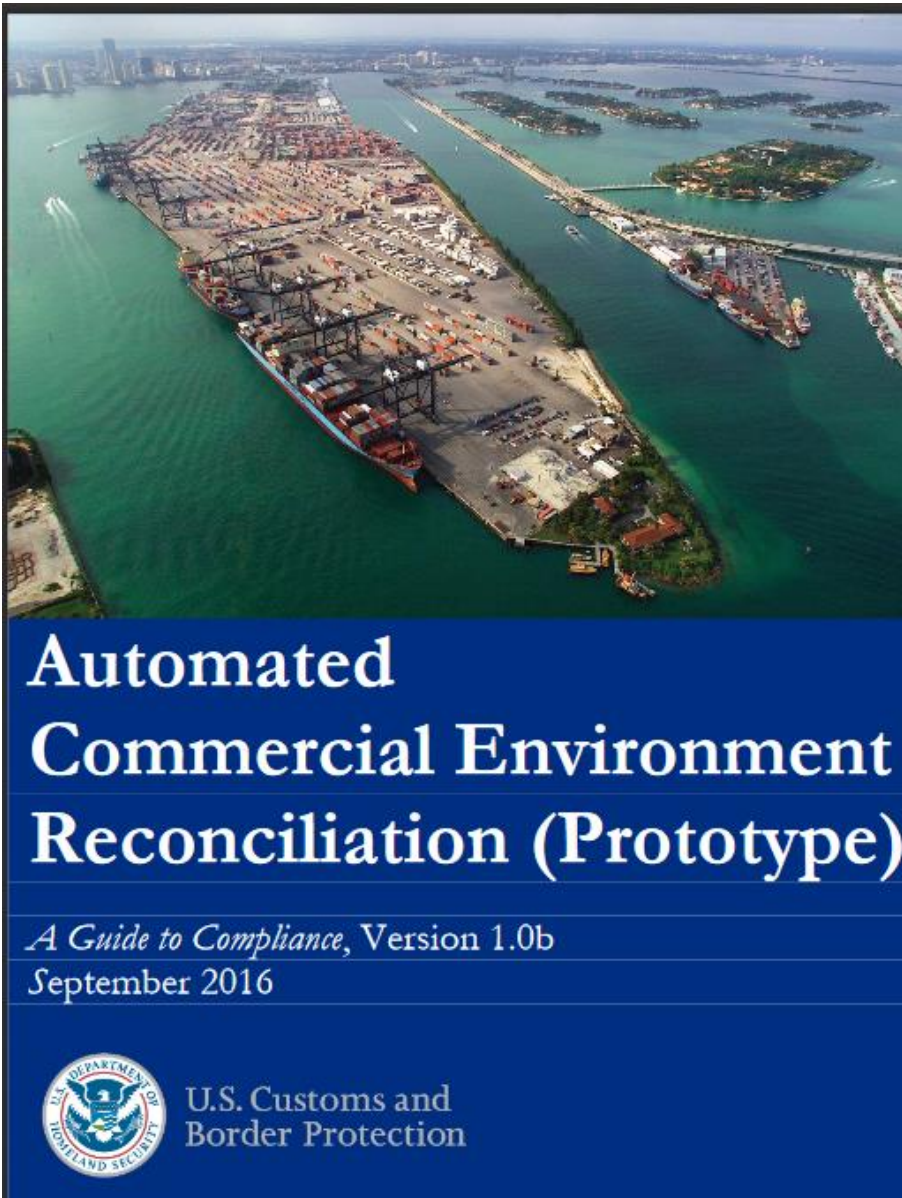
### What will change with Reconciliation in ACE?

#### Reconciliation Processing

- **Expanding from 13 processing ports to all entry ports and worked by the Centers for Excellence and Expertise (Centers) nationwide.** If the importer is assigned to a Center, then that Center will work the Reconciliation. However, if the importer is not assigned to a Center, then the Reconciliation should be transmitted to their local port of entry for routing. Instructions will need to go out to those CBP ports as to how they will handle those entries.

#### Participation Eligibility

- **All participation eligibility indicators for importer of record accounts will default to "Yes."** An application to request participation will no longer be required. In ACE, all importer of record numbers will be flagged as eligible to participate in Reconciliation. If an importer exhibits misconduct, CBP retains the right to revoke participation and set their Reconciliation participation eligibility indicator to "No."
- In addition, the importer is still required to secure and have on file in ACE a Reconciliation Bond Rider.
- The two requirements above will authorize the filer to flag entry summary types 01, 02, & 06.



# Customs Reconciliation Guide



- ❖ The new ACE Reconciliation Handbook was published on CBP.gov on September 1, 2016.
- ❖ The handbook can be found at: [cbp.gov/document/guides/ace-reconciliation-prototype-guide](https://www.cbp.gov/document/guides/ace-reconciliation-prototype-guide).
- ❖ Provides rules and desktop instructions
- ❖ Reconciliation entry is processed and will liquidate just like an entry
- ❖ The following entry types are eligible for reconciliation under this prototype:
  - Entry type 01: Free and dutiable formal consumption entries.
  - Entry type 02: Quota/Visa consumption entries.
  - Entry type 06: Foreign Trade Zone (FTZ) consumption entries
  - NO 03 type entries