



Mastering Post Entry Value Challenges in Reconciliation

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• **2025 ATCC Conference** •

Customs Valuation Hierarchy

1. Transaction Value – price actually paid or payable (PAPP) plus certain additions
2. Transaction Value of Identical or Similar Merchandise - based on the transaction value of previously imported merchandise
3. Deductive Value - selling price in the US less certain post-importation costs
4. Computed Value - Foreign supplier cost information for materials, processing, profit, general expenses, and U.S. assists and packing costs
5. Value if Other Values Cannot Be Determined or Used (Fallback Method) - methodology derived from one of the first four methods with the rules being reasonably adjusted



Post Entry Value Adjustment Examples

Transaction Value: Supplemental Payments

- Tooling, Die, Mold, and Equipment
- Related Party Transfer Price Adjustments
- Non-Recurring Engineering or Design Fees
- Set-up, Testing, and Expediting Charges

Transaction Value: SCRAPP Additions

- Selling Commissions
- Royalties
- Assists
- Packing
- Proceeds



Post Entry Value Adjustments Examples

Computed Value: Maquiladora

- Invoiced/Declared Value is generally based on standard cost.
- Payment is not generally tied to import transactions.
- Annually a Cost Submission is prepared to determine actual costs.
- Declared value for merchandise further processed at the maquiladora needs to be adjusted from standard to actual.

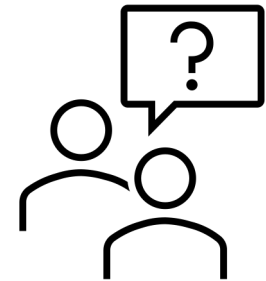
Deductive Value:

- Deductive value starts with U.S. selling price, so final value is not known at the time of import.
- Declared value needs to be adjusted to final deductive value on an entry-by-entry basis.



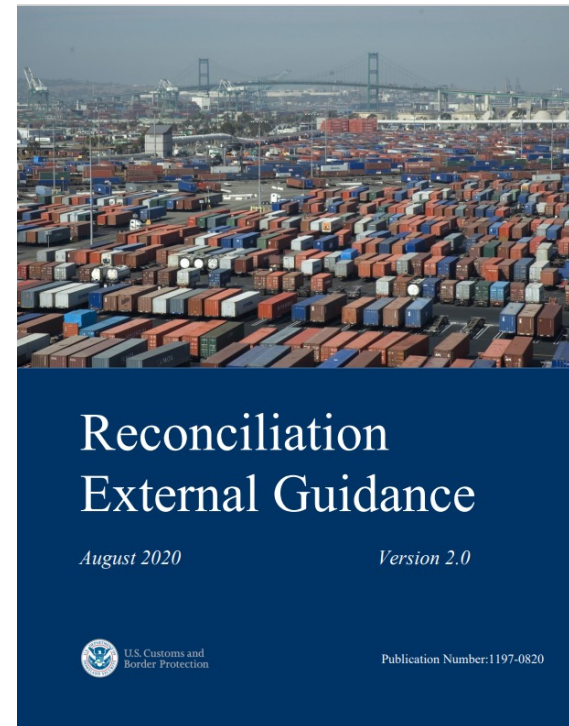
Why Do We Need Reconciliation?

- Importers have a legal obligation to provide correct and accurate information at the time of entry filing – 19 U.S.C. § 1485(a)(2)&(3)
- Importers are required to exercise Reasonable Care to complete the entry – 19 U.S.C. § 1484
- Reconciliation allows an importer to revise certain elements of an entry summary, that were indeterminable at time of entry.
 - ✓ Value
 - ✓ HTS 9802 Value
 - ✓ Classification (limited circumstances)
 - ✓ USMCA/FTA
- Reconciliation flagging identifies estimated information (i.e. value)
- All “flagged” entries, except for the FTA flag, must be reconciled to avoid penalties even if no changes are necessary.

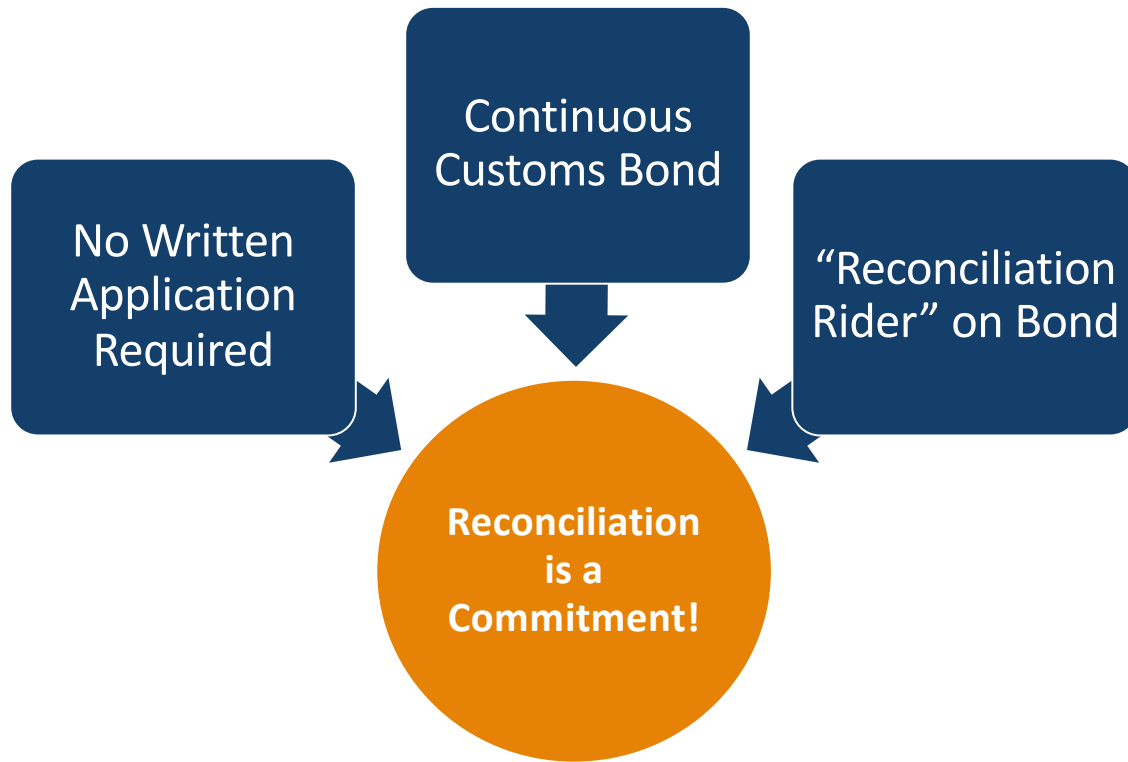


ACE Reconciliation Program

- Customs Reconciliation Guide:
<https://www.cbp.gov/document/guides/ace-reconciliation-external-guidance>
- FTA – 12 months from date of importation to file reconciliation
- All Other – 21 months from date of entry summary to file reconciliation
- Reconciliation entry is type “09”
- The following entry types are eligible for reconciliation:
 - ✓ Type 01 – Formal Consumption Entry
 - ✓ Type 02 – Quota/Visa Consumption Entry
 - ✓ Type 06 – Foreign Trade Zone Consumption Entry
 - **Type 03 – AD/CVD IS NOT ELIGIBLE**



Participating in ACE Reconciliation



Types of Reconciliations

Entry-by-Entry

- Adjustments allocated to individual underlying entry lines
- Importer must file entry-by-entry if they are requesting a refund of duties/fees
- Detailed reconciliation data available through ACE reports

Aggregate

- Consolidates all entries covered in the Reconciliation
- Only requires a list of all underlying entries and not the revenue adjustment broken down by entry
- Drawback is not available for additional amounts paid on an aggregate reconciliation

Aggregate No-Change

- Can only be used if no reportable data elements are being changed



Entry Data Needed for Reconciliation

- Obtain List of Flagged Entries
 - ✓ ACE ES-003 Entry Summary Line Details Report
 - ACE ES Reports Should Provide Current Data for PSC and Protest Activity
 - ✓ ACE ES-501 Recon No-Files
 - Use in conjunction with ES-003 Flagging Information
- Fee Details
 - ✓ Standard ES-003 Report Has Columns for MPF and HMF Only
 - ✓ Other Fees: Use Line Fee Acctg Class/Code and Line Fee Amt
 - ✓ Modified Report Provides Record for Each Fee



Entry Data Needed for Reconciliation

➤ Example of Modified ES-003 With Fee Details

Entry Summary Number	Entry Summary Line Number	Line Tariff Goods Value Amount	Line Tariff Duty Amount	Total Estimated Fee Amount	Line Fee Amount	Line Fee Accounting Class	Line Fee Accounting Class Code
00012345678	1	\$2.00	\$0.03	\$698.66	\$0.01	MERCHANDISE PROCESSING FEE	499
00012345678	2	\$660.00	\$27.72	\$698.66	\$0.83	HARBOR MAINTENANCE FEE COLLECTIONS-FORMAL ENTRY IMPORTS	501
00012345678	2	\$660.00	\$27.72	\$698.66	\$2.29	MERCHANDISE PROCESSING FEE	499
00012345678	3	\$7.00	\$0.74	\$698.66	\$0.01	COTTON IMPORTS ASSESSMENTS	056
00012345678	3	\$7.00	\$0.74	\$698.66	\$0.01	HARBOR MAINTENANCE FEE COLLECTIONS-FORMAL ENTRY IMPORTS	501
00012345678	3	\$7.00	\$0.74	\$698.66	\$0.02	MERCHANDISE PROCESSING FEE	499

Entry Data Challenges

➤ Section Duty Adjustments

- ✓ May need to combine both HTS 1 and HTS 2 Information by entry line
- ✓ Make sure you accurately capture value and duty amounts for each HTS

➤ Rejected Entries

- ✓ May Not Show on ES-501 Recon No Files report
- ✓ ES-004 Rejected and Cancelled Entry Summaries
- ✓ Example:
 - Import Date: December 19, 2023
 - Rejected: July 26, 2024
 - Unable to Reconcile: September 25, 2024
 - Final Resolution: November 8, 2024
- ✓ If missed would lead to liquidated damages



Value Adjustment Data Needed for Reconciliation

- Example Value Adjustments by Category:
 - Royalty Amounts Paid per Agreement
 - Foreign Engineering Payments
 - Transfer Price Adjustments for Each Related Party
 - Calculated Computed Value Variance
 - Final Deductive Value for Each Entry
- Data Parameters for Proper Apportionment
 - Product Numbers
 - Supplier Names
 - Tariff Numbers
 - Country of Origin
 - List of Products Processed in Mexico



Apportionment of Assists

- Apportionment will be made in a reasonable manner appropriate to the circumstances and in accordance with generally accepted accounting principles (19 C.F.R. § 152.103(e)). Total value may be apportioned over:
1. The first shipment,
 2. The number of units produced up to the time of the first shipment,
 3. The entire anticipated production, or
 4. **Other methods of apportionment in accordance with Generally Accepted Accounting Principles.**

Apportionment Methodology Rulings

HQ H231836 (Issued 6/19/14)

- Importer used a “cost factor” to apportion design assists to all imports.
- Because 99% of the imported goods were “primarily duty free,” CBP stated that “...we do not have the issue of distributing the assist over different dutiable values.”
- CBP held that the use of the cost factor on an entry-by-entry basis or under CBP’s Reconciliation program was an acceptable method of declaring the design assists.

H264394 (Issued 5/22/15)

- Importer had payments for tooling and R&D
- Importer proposed identifying all payments to foreign vendors over the previous quarter that were related to imported merchandise and apportioning the costs of the assist, including freight costs, pro-rata to the total value of goods entered under each HTSUS subheading from that vendor for the previous quarter.
- CBP noted that since most of the articles were eligible for duty-free treatment, there was less concern about avoiding paying duties on the assists on subsequent entries and approved the methodology.



Limitations on Apportionment Methodologies

HQ H311213 (Internal Advice Issued 2/10/21)

- ✓ Importer used a “tooling factor” that apportioned tooling to all suppliers whether they utilized tooling or not.
- ✓ Importer asserted duty impact was de minimis, but CBP specifically stated, “...although the importer claims that a majority of its imports are duty-free, the remaining products by value are dutiable and the importer paid more than \$10.2 million in duties, fees, and AD/CVD in 2019 to CBP.”
- ✓ CBP ruled that the proposed method of apportioning assists was not reasonable.

HQ H317569 (Issued 4/28/21)

- ✓ Reconsideration of Ruling HQ H311213
- ✓ In the reconsideration, CBP reaffirmed the original ruling and stated, “...your client should be able to track its tooling assists to suppliers in other countries”.



Limitations on Apportionment Methodologies

HQ H326069 (Issued 1/24/23)

- Importer used a tooling allocation methodology where the apportionment methodology did not apply the tooling assist to the product line or part level it was used to produce and did not account for the country of origin.
- CBP cited ruling H031244 (Issued 4/10/09)
 - CBP allowed a somewhat similar apportionment methodology related to AGOA imports.
 - However, CBP stated, “Back in 2009, there were no section 232 and section 301 duties,” essentially implying the ruling wasn’t relevant to the importer’s circumstances.
- CBP ruled that “the proposed tooling allocation is not reasonable” and that “The importer should be able to apportion each tooling assist to the product line or part level in which it is used.”



Apportionment Takeaways

CBP considers duty impact when determining if apportionment methods are reasonable and acceptable.



Apportion at the most specific level available.

Specific Entry Line

Product Level

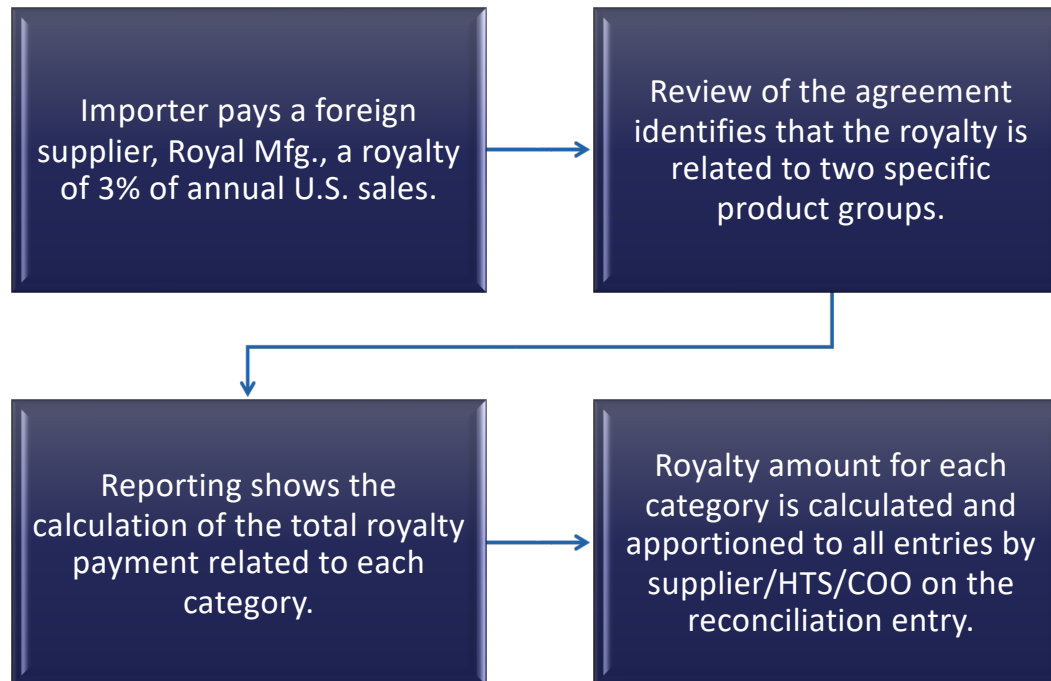
Supplier, COO, and
HTS Combination

COO and HTS
Combination

Other Options May
be Acceptable
Case by Case Basis



Case Study – Dutiable Royalties



Royalty Case Study – Apportionment

➤ Royal Mfg. Product Group 1

- HTS 7615.10.5020
- Country of Origin - China
- Royalty Amount - \$1,600,000
- Entered Value of Imports from Royal Mfg Under HTS 7615.10.5020 and COO China= \$16,000,000
- Calculated Value Increase of 10%
(1,600,000/16,000,000 = 10%)

➤ Royal Mfg. Product Group 2

- HTS 3924.10.4000
- Country of Origin - China
- Engineering Cost - \$600,000
- Entered Value of Imports from Royal Mfg Under HTS 3924.10.4000 and COO China - \$3,000,000
- Calculated Value Increase of 20%
(600,000/3,000,000 = 20%)



Royalty Entry Line Apportionment

Supplier	COO	HTS	Entered Value	Value Adjustment	Value Increase	Duty Rate	Section 301 Duty Rate	Duty Impact of Value Adjustment
Royal Mfg	CN	7615.10.5020	\$6,500,000	10%	\$650,000	3.10%	7.50%	\$68,900.00
Royal Mfg	CN	7615.10.5020	\$4,750,000	10%	\$475,000	3.10%	7.50%	\$50,350.00
Royal Mfg	CN	7615.10.5020	\$3,600,000	10%	\$360,000	3.10%	7.50%	\$38,160.00
ABC Mfg	TW	7615.10.5020	\$673,000	0%	\$0	3.10%	0.00%	\$0.00
Royal Mfg	CN	3924.10.4000	\$960,000	20%	\$192,000	6.50%	0.00%	\$12,480.00
Royal Mfg	CN	7326.90.8688	\$190,000	0%	\$0	2.90%	0.00%	\$0.00
Royal Mfg	CN	7615.10.5020	\$1,150,000	10%	\$115,000	3.10%	7.50%	\$12,190.00
Royal Mfg	CN	3924.10.4000	\$875,000	20%	\$175,000	6.50%	0.00%	\$11,375.00
Royal Mfg	CN	3924.10.4000	\$1,165,000	20%	\$233,000	6.50%	0.00%	\$15,145.00
Totals			\$19,863,000		\$2,200,000			\$208,600.00



Case Study – Engineering Assists

Importer makes payments to a foreign design center in India related to technical specifications and product design drawings, which are necessary for production (category iv assist).

India team records total billing at a part number level.

Importer gets annual report of engineering payments by part number.

The part number is then run against SAP to identify the supplier and the classification database to identify the HTS number.

Engineering payments are consolidated at the HTS/supplier level and apportioned to all entries by supplier/HTS on the reconciliation entry.

Engineering Assists Case Study – Apportionment

➤ Supplier ABC

- HTS 7326.90.8688
- Engineering Cost - \$12,000
- Entered Value of Imports for Supplier ABC Under HTS 7326.90.8688 - \$150,000
- Calculated Value Increase of 8%
(12,000/150,000 = 8%)

➤ Supplier JFM

- HTS 8414.80.1605
- Engineering Cost - \$50,000
- Entered Value of Imports for Supplier JFM Under HTS 8414.80.1605 - \$2,500,000
- Calculated Value Increase of 2%
(50,000/2,500,000 = 2%)



Engineering Assists Entry Line Apportionment

Supplier	HTS	Entered Value	Value Adjustment	Value Increase	Revised Value	Duty Rate	Duty Impact of Value Adjustment
ABC	7326.90.8688	\$52,000	8%	\$4,160	\$56,160	2.9%	\$120.64
JFM	8414.80.1605	\$875,000	2%	\$17,500	\$892,500	0.0%	\$0.00
JFM	8414.80.1605	\$556,000	2%	\$11,120	\$567,120	0.0%	\$0.00
JFM	8414.80.1605	\$673,000	2%	\$13,460	\$686,460	0.0%	\$0.00
ABC	7326.90.8688	\$48,000	8%	\$3,840	\$51,840	2.9%	\$111.36
XYZ	7326.90.8688	\$329,000	0%	\$0	\$329,000	2.9%	\$0.00
ABC	7326.90.8688	\$50,000	8%	\$4,000	\$54,000	2.9%	\$116.00
JFM	7326.90.8688	\$37,500	0%	\$0	\$37,500	2.9%	\$0.00
JFM	8414.80.1605	\$396,000	2%	\$7,920	\$403,920	0.0%	\$0.00
Totals		\$3,016,500		\$62,000	\$3,078,500		\$348.00

Case Study - Transfer Price Adjustment

- Importer XYZ imports pumps and pump parts from its related parent KFS in Germany.
- Importer XYZ has a transfer pricing agreement with KFS:
- The importer XYZ also has a transfer pricing study with KFS that identifies an appropriate operating profit margin range of 10 – 15% for sales of complete machines and 8 – 12% for sales of parts.
- The parent company calculates transfer price adjustments separately for complete pumps and parts.
- Transfer price adjustments with KFS are apportioned to all applicable related party imports from KFS.



Transfer Price Adjustment Case Study – Apportionment

- **Supplier KFS**
- Complete Pumps
- HTS 8413.30.9060
- Transfer Price Adjustment – Increase of \$23,100,000
- Entered Value of Imports from KFS Under HTS 8413.30.9060 - \$210,000,000
- Calculated Value Increase of 11%
(23,100,000/210,000,000 = 11%)

- **Supplier KFS**
- Pump parts
- HTS – All Other
- Transfer Price Adjustment – Reduction of \$3,000,000
- Entered Value of Imports from KFS Under All Other HTS - \$60,000,000
- Calculated Value Decrease of 5%
(-3,000,000/60,000,000 = -5%)



Transfer Price Entry Line Apportionment Excerpt

Supplier	HTS	Entered Value	Value Increase	Value Adjustment	Revised Value	Duty Rate	Duty Impact of Value Adjustment
KFS	8413.30.9060	\$129,000	11%	\$14,190	\$143,190	2.5%	\$354.75
KFS	8413.91.9010	\$64,000	-5%	-\$3,200	\$60,800	0.0%	\$0.00
KFS	8413.30.9060	\$78,000	11%	\$8,580	\$86,580	2.5%	\$214.5
JFM	4016.93.5010	\$18,000	0%	\$0	\$18,000	2.5%	\$0.00
KFS	8413.30.9060	\$212,000	11%	\$23,320	\$235,320	2.5%	\$583.00
KFS	7326.90.8688	\$27,000	-5%	-\$1,350	\$25,650	2.9%	-\$39.15
KFS	8413.91.9010	\$50,000	-5%	-\$2,500	\$47,500	0.0%	\$0.00
ABC	8413.30.9060	\$73,000	0%	\$0	\$73,000	2.5%	\$0.00
KFS	8413.91.9010	\$47,000	-5%	-\$2,350	\$44,650	0.0%	\$0.00



Computed Value – Case Study



Importer JK imports tow behind air compressors (HTS 8414.40.0000) from its maquiladora PCI in Mexico.



Imports are properly appraised under computed value.



All imports from PCI are flagged for reconciliation.



Fully manufactured air compressors at PCI are properly claimed as eligible for USMCA, while returned unused parts are not eligible and are not subject to a computed value.



Compliance worked with accounting to prepare a cost submission resulting in a 4.23% value variance.



Value Increase of 4.23% applied to all entry lines under 8414.40.0000 from PCI



Broker Reconciliation Filing Requirements

Data requirements vary widely depending on Broker's software

- Some templates are very limited – 5 data points
- Some templates are very extensive – 25+ data points

Grouping of entries varies by Broker

- Some require increase, decrease, and no-change entries filed separately
- Some require entries filed by other brokers to be filed separately

Treatment of MPF varies

- Some systems automatically adjust for min/max
- Some systems require the proration of the MPF min/max to entry lines

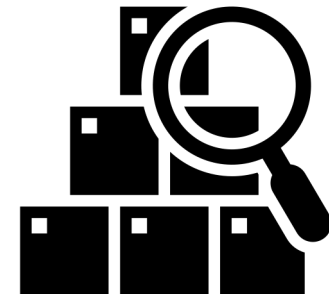
Calculating Interest

- Some systems automatically calculate interest
- Some systems require manual interest calculations. CBP guidance: <https://www.cbp.gov/trade/entry-summary/reconciliation/technical-information/interest-calculation>



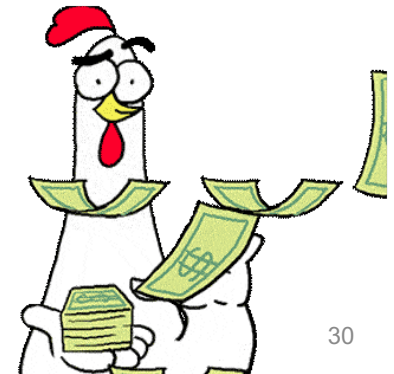
Interpreting Mismatch Codes

- ACE CATAIR Reconciliation Error Dictionary
 - ✓ <https://www.cbp.gov/document/technical-documentation/ace-catair-reconciliation-error-dictionary>
- 159 – ASSOC ES IMPORTER MIS-MATCH
 - ✓ IOR for identified entry doesn't match the IOR for the 1st entry
- 202 – UNDRLYG ES LINE DOES NOT MATCH ROLL UP
 - ✓ Mismatch in the HTS, COO, or SPI
- 242 – ASSOC ES BOND PERIOD MIS-MATCH
 - ✓ Bond for the identified entry does not match the 1st first entry



Reconciliation Penalties

- No-File within 21 months
 - ✓ Penalty amount is the lesser of the value of all flagged entries due during the calendar month, or the value of the bond.
 - ✓ Mitigated Option 1 amount (\$100-\$500) offered when all flagged entries covered on the liquidated damages claim are properly reconciled.
- Late File
 - ✓ Penalty amount is greater of double the duties, fees, taxes, and interest due on the entire reconciliation or \$1,000.
 - ✓ Option 1 (\$100-\$500) depending on the number of entries late.
- Liquidated Damages will not be issued against entries flagged for FTA



Other Reconciliation Tips

- Information unavailable by deadline
 - ✓ File a No-Change reconciliation with best available data
 - ✓ Send a written request to extend liquidation to CEE or Port of Entry
 - ✓ If extension denied discuss prior disclosure option with counsel
- Open Protests or PSCs on Flagged Entries
 - ✓ File no-change & request extension
 - ✓ File separate reconciliation covering just those entries
 - May affect liquidation of the reconciliation entry
- Duties, fees, and interest must be paid at the time of reconciliation entry filing.
 - ✓ Consider accruals if large amounts will be owed with reconciliation
 - ✓ Initial payments by cash, check, or ACH
 - ✓ Any additional payments only paid by check
- Other compliance issues may prevent accurate value reconciliation.



ACE Reconciliation Reports

ES-503 – Reconciliation Entry Summaries

- Type 09 entry details including liquidation and late filing status

ES-504 – Associated Entry Summaries

- Underlying entry details including duty, fees, and interest

ES-505 – Reconciliation Entry Summary Amounts

- Type 09 summary of original and reconciled duty, fees, and interest

ES-506 – Reconciliation Line Item Transmitted Data

- Underlying entry line details including original value, duty, and fees

ES-507 – Reconciliation Line Item HTS Details

- Underlying tariff sequence line details including HTS, value, and duty



Summary of Advice

- Value adjustments should be apportioned to the most specific level feasible.
- CBP considers duty implications when determining if apportionment methodologies are reasonable.
- If you have imports from a maquiladora in Mexico, you most likely need to be in reconciliation.
- Revisit value adjustment determinations if new tariffs are implemented.
- Flagged entries must be reconciled!
- Reconciliation mechanics can get really complicated. Don't be afraid to ask for help.



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