
HOT TOPICS Archives

March, 2000 Edition

Reconciliation: An Overview

Reconciliation is the exclusive means to reconcile entries and allows post-summary revisions to certain elements of these entries, excluding admissibility, that are not fully known at the time of the entry. The prototype was implemented in approximately October 1998 and is a key feature of the Customs Modernization Act.

What does this mean to the importing community? It allows an importer, using reasonable care, to identify specific elements of a single entry or block of entries ("blanket" reconciliation) and to provide the best estimates available at the time of importation with the understanding the final and accurate information will be 'reconciled' at a later date. Reconciliation is an entry and like an entry will be liquidated with a bill or refund, as appropriate. Value, HTS9802, NAFTA and Classification issues are all reconcilable under consumption, quota/visa (excluding classification) and limited Foreign Trade Zone entry types.

Reconciliation is available in all ports to all importers who maintain a valid continuous transaction bond and file their entries via ABI; however, a rider to the existing bond is needed to extend the bond conditions to cover reconciliation. To secure the necessary rider, please contact your local Roanoke Trade Services office.

Additional information is also available on the U.S. Customs Service web site at www.customs.gov/recon

Article contributed by Dennis Gates, Regional Vice President and Marcos Vargas, Bond Manager Roanoke Trade Services, Inc. New York, NY

Customs Announces Entry Revision Project

During mid December of 1999, the U.S. Customs Service announced a new initiative entitled the Entry Revision Project (ERP). The objective of ERP is to streamline the customs commercial process make it more compatible with the business practices of the corporate world of the 21st century. Customs is seeking input from various elements of the international trade community regarding the overall concept of ERP. Ideally, Customs would like to reach a consensus with the trade community on the major objectives and features of ERP prior to seeking legislative modifications and, of perhaps equal importance, before entering into the design phase of the Automated Commercial Environment (ACE). Up to this point in time, Customs has been unable to obtain the funding necessary to proceed with ACE, a complete redesign of its data processing capabilities. Customs believes ACE is necessary to handle the increasing complexity of its mission and the burgeoning volume of imports. Both Customs and private sector groups have been lobbying strenuously (although, to date, unsuccessfully) to persuade Congress to provide

ACE funding. Customs is convinced that agreement on the processes embraced by ERP will contribute to the successful design of ACE.

The primary objectives of ERP can be summarized as follows:

- The customs commercial process would move from a transaction-based environment to an account-based environment. Customs and many members of the importing community would like to do away with the current system that requires an entry-by-entry accounting of duties assessed, duties paid, and quantities imported. Preliminary reporting of activity with periodic updates and an ability to "net out" variations is attractive to both Customs and importers.
- Importers considered to be "low risk" by Customs would be eligible to obtain release of their goods upon the electronic submission of minimal data. Higher risk importers would be required to employ more traditional methods to secure release of goods.
- As a part of the account-based concept, Customs suggests separating the duty collection exercise from the import-declaration process by means of a "credit card" approach to collections. Under the described "Money Management System" (MMS), duty assessments and payments would be posted to a monthly statement, which an importer could pay in whole or in part, much in the same way a consumer handles his or her credit card accounts.
- Customs proposes to replace the concept of liquidation with the concept of "finality of declaration." After an importer is provided an adequate period of time in which to report all relevant data on its imports, Customs is given an adequate period of time to consider the correctness of the data reported and assert necessary changes. The importer's "corrective period" could be as long as one year and the Customs "review period" could be as long as three years.

No one can predict exactly what the customs commercial process will look like after its revision is complete. What is certain is that there will be changes that will impact importers and customs brokers, as well as the sureties serving them. Of particular concern will be the issue of finality of duty assessment. Importers and sureties will, as the revisions evolve and are implemented, need to carefully evaluate how fundamental changes to the process and new points of reference for the running of applicable statutes limiting the time for initiating actions will affect them. Brokers will want to consider how their role in the process will need to be adjusted to protect their interests and preserve their valuable contribution to the customs commercial process.

A complete copy of the proposal is available at Customs' web site (<http://www.customs.ustreas.gov/news/fed-reg/notices/project.pdf>) or, if you prefer, contact Dave Jordan at djordan@roanoketrade.com for a copy of the file. You will need ADOBE's *Acrobat Reader* to view the file. (The *Acrobat Reader* is available free of charge from many sites on the worldwide web.)
