

Appendix B

Importing into the United States

IMPORTANT QUESTIONS

Section 1: Entry of Goods

1. Do I need a license to import goods into the United States?
2. What products are prohibited from importation?
3. What factor should be considered before importation?
4. What are the specific requirements of a commercial invoice when clearing goods from customs?
5. What do you consider before importing goods through mail?
6. What is consumption entry?
7. What is a formal entry and how do I file it?
8. What is general order merchandise?
9. Is Puerto Rico considered part of the customs territory of the United States?
10. Do the following items require an entry during importation?
 - i. Articles exported from space within the purview of the Tariff Act of 1930
 - ii. Domestic animals driven across a neighboring country by owner for temporary pasturage and brought back within thirty days
 - iii. Exported articles that are undeliverable (within forty-five days) and that are within the custody of the carrier or foreign customs service
 - iv. Personal goods purchased while overseas
11. What are some of the eligibility requirements for participation in the ABI program?
12. What is required of importers who are habitually late in paying bills to U.S. Customs?
13. Are there taxes or fees required to import goods into the United States other than customs duties?

14. Can a foreign company export to the United States without an importer of record in the United States?
15. If goods arrive to the port of Miami, can they be cleared at the port of Dallas (if the importer requires it)?

Section 2: Customs Bonds

1. When is a customs bond required?
2. How do you obtain a customs bond?
3. What are the two types of bonds?
4. What are some of the ways in which a bond to ensure the exportation of merchandise may be cancelled?
5. Can a bond rider be used to terminate the bond?
6. What charges are supposed to be paid first on merchandise remaining in a bonded warehouse beyond the specified time?
7. What type of bond is used to indemnify the United States for detention of copyrighted material?

Section 3: Quotas, Marking Requirements, and Trade Agreements

1. What is the difference between absolute and tariff quota?
2. Do most goods from NAFTA countries enter duty free into the United States?
3. What countries are not eligible to normal trade relations (NTR) or most-favored-nation (MFN) duty rates?
4. What is a nonqualifying operation under NAFTA?
5. What happens to imports that are not properly marked?
6. A shipment of beef valued at \$5,000.00 is subject to a tariff quota. At the time of importation, a high tariff rate is in effect but a lower rate is soon expected. How can an importer take advantage of the lower rate?
7. When imported merchandise exceeds a tariff quota, the importer may not commingle the merchandise and classification with nonquota class goods. True or false?
8. What is the rate of duty on imports from GSP eligible countries?
9. A claim for preferential treatment under NAFTA may be filed within one year from the date of importation of the goods. True or false?
10. What is origin criteria for textiles and apparel products under NAFTA?

Section 4: Value

1. What is value and what value is used for customs purposes?
2. What are the secondary bases of value if the transaction value cannot be used?

3. In establishing transaction value, what is to be included in the price?
4. What is an assist?
5. What should be excluded from transaction value?
6. A U.S. produce wholesaler imports avocados from Mexico on consignment. A few days after importation, the wholesaler sells the avocados (for \$0.25 per avocado) to retailers and receives a 2 percent commission from Mexican sellers. Customs has sufficient information to appraise the merchandise. What is the basis of appraisal for the merchandise?
7. The manufacturer received from the importer, free of charge, design work produced in the United States and 5,000 U.S. originating modules to be incorporated into the production of 5,000 computer monitors. The costs are as follows: cost of acquiring design work: \$10,000; cost of transportation to place of production: \$100.00; cost of acquiring modules: \$75 each; cost of transportation of modules: \$5,250.00. What is the transaction value of the shipment of the monitors with a per-unit price of \$50 FOB?
8. What is “identical merchandise”?

Section 5: Broker Compliance and Other Areas

1. Is a power of attorney required when a broker is acting as the importer of record?
2. When is a multiple country declaration required?
3. What rate of currency exchange should be used when foreign currency is converted?
4.
 - i. What are the penalties for conducting customs business without a license?
 - ii. What are the penalties against any broker who continuously makes the same errors on a particular type of entry, and
 - iii. What are the penalties against any broker who does not have a working knowledge of customs operation to render valuable service?
5. What information should be on a bill of lading?
6. Is the commercial invoice required at the time of shipment?
7. How does the duty drawback claim work?
8. Are there laws governing labeling requirements for certain products?
9. Does an importer who sells merchandise to another company that exports it qualify for a duty drawback?
10. Under the following conditions, does the firm indicated qualify for a rejected merchandise drawback claim?

- i. A Miami firm imports 200 pounds of shrimp for its national network of seafood restaurants. When it opened the boxes, it found that it was 200 pounds of pork.
- ii. An importer of oranges finds thirty crates of unordered vegetables.
- iii. A company in New York imports twenty cases of Argentine wine. There was a strike at the port and the wine was not unloaded for a few days. When the importer picked up the wines, they were frozen.

ANSWERS

Section 1: Entry of Goods

1. *Do I need a license to import goods into the United States?* No. However, for certain items such as food products, plant, animal and dairy products, prescription medications, etc., you may require a license or permit from various government agencies.
2. *What products are prohibited from importation?* Certain narcotics, drug paraphernalia, counterfeit articles, obscene and immoral articles, as well as merchandise produced by convicts or through forced labor.
3. *What factor should be considered before importation?* It is important to verify whether an item is subject to quotas and other restrictions or permits, reduced rates of duty, marking of country of origin as well as exclusive rights due to ownership of intellectual property rights by certain companies.
4. *What are the specific requirements of a commercial invoice when clearing goods from customs?* Description of the item, quantity, value (in foreign currency and U.S. dollars), country of origin, place of purchase, name and address of seller, and consignee.
5. *What do you consider before importing goods through mail?* Whether the item be legally sent through the U.S. Postal Service, whether the value is less than \$2,000.00 (since items valued at over \$2,000.00 require a formal entry), whether the item is subject to restrictions.
6. *What is consumption entry?* This is the most common type of entry and imported goods are intended for use in the United States or directly go into the commerce of the United States without any time or use restrictions. It may be formal or informal.
7. *What is a formal entry and how do I file it?* A formal entry is used for merchandise valued at over \$2,000 and is supported by a surety bond to ensure payment of duties and compliance with customs regulations. The major difference between formal and informal entries is the

bond requirement and liquidation process. As regards filing a formal entry, (1) identify the port of entry, relevant product classification, and tariff rate; (2) find out if the products are subject to any special requirements (or if there are any special forms that apply) such as quota, visa, FDA, NAFTA, or GSP; (3) ask the limit of liability for a customs bond. No more than a week before the expected arrival of the merchandise at the port or no later than ten days after arrival, fill out the appropriate forms (Form 5106,7501 etc.), purchase a customs bond and submit to customs along with invoice, packing list, shipping documents, and a cheque. After processing, the merchandise may be subject for release or examination before release. The entry will be liquidated one year after release of merchandise. Until then, the bond or cash will be held as surety.

8. *What is general order merchandise?* Merchandise shall be considered general order merchandise when it is taken into the custody of the port director and deposited in the public stores or a general order warehouse at the risk and expense of the consignee for any of the following reasons: entry is not made within the time provided by customs regulations, entry is incomplete due to failure to pay the estimated duties, entry cannot be made for want of proper documents or other reasons, merchandise is not correctly invoiced. The general order expires six months from the date of importation. Such merchandise may be exported without examination or appraisement if the merchandise is delivered to the exporting carrier within six months from the date of importation. This merchandise may be entered within six months from date of importation for immediate transportation to any port of entry designated by the consignee. After six months from the date of importation, entry for immediate transportation is allowed.
9. *Is Puerto Rico considered part of the customs territory of the United States?* Yes
10. *Do the following items require an entry during importation?*
 - i. *Articles exported from space within the purview of the Tariff Act of 1930.* No
 - ii. *Domestic animals driven across a neighboring country by owner for temporary pasturage and brought back after thirty days.* Yes
 - iii. *Exported articles that are undeliverable (within forty-five days) and that are within the custody of the carrier or foreign customs service.* No
 - iv. *Personal goods purchased while overseas.* Yes. Entries must be filed on a timely basis to avoid paying fees to the carrier and the bonded warehouse. Personal importations are generally cleared informally, that is, no bond is required. No duty is assessed if the goods

- are valued at less than \$200. If the goods are valued at more than \$200, a duty as well as a processing fee will be assessed. Imports that require a permit from other government agencies are subject to a formal entry and the posting of a customs bond.
11. *What are some of the eligibility requirements for participation in the ABI program?* The basic eligibility requirements for participation are: the ability to demonstrate a reputable background and the basic skills for performing entry services; the ability to make a commitment for sending not less than 90 percent of entry/entry summary volume electronically; the ability to satisfactorily complete all of the qualification testing phases as outlined in the program; the ability to maintain operational standards for data quantity and quality; the ability to maintain timely updates.
 12. *What is required of importers who are habitually late in paying bills to U.S. Customs?* The port director notifies the importer to file the entry summary with duties attached before release of merchandise.
 13. *Are there taxes or fees required to import goods into the United States other than customs duties?* Yes. Here are some of them:
 - i. Federal excise tax: importation of alcoholic beverages and tobacco.
 - ii. Merchandise processing fee (MPF): Ad valorem fee of 0.21 percent for formal entries (minimum of \$25.00 and maximum of \$485.00). It is based on value of merchandise being imported, not including duty, freight, and insurance. For informal entries, it ranges from \$5.00 to \$9.00 per shipment.
 - iii. Harbor maintenance fee (HMF): This is for merchandise transported by ship and is 0.125 percent of the value of the cargo. Goods arriving by ship are subject to both MPF and HMF.
 14. *Can a foreign company export to the United States without an importer of record in the United States?* Yes. A resident agent, such as a broker in the state where the port of entry is located can enter goods on behalf of the corporation.
 15. *If goods arrive to the port of Miami, can they be cleared at the port of Dallas (if the importer requires it)?* In general, entry must be filed at the first port of arrival. To clear goods in Dallas, however, an immediate transportation entry (IT) must be filed by a broker, carrier, or importer (i.e., bonded with customs). In Dallas, a consumption or warehouse entry must be filed for clearance from customs.

Section 2: Customs Bonds

1. *When is a customs bond required?* A customs bond is required for imported merchandise valued at over \$2,000.00; goods subject to quota

- or visa restrictions, or other government requirements; transportation of cargo or passengers to the United States or domestic transportation of imported cargo from one state to another; bonded warehouse facilities for imported or exported goods.
2. *How do you obtain a customs bond?* Customs bonds are obtained through a surety licensed by the Treasury department. The list of licensed sureties is available online.
 3. *What are the two major types of customs bonds?* Continuous entry bonds applications are made for multiple transactions while single entry bonds are used to secure the entry of a single customs transaction. Continuous bonds are 10 percent of duties paid for the previous year. Single entry bonds (SEB) are generally in an amount not less than the total entered value plus any taxes and duties. The minimum amount for SEBs is \$100.00.
 4. *What are some of the ways in which a bond to ensure the exportation of merchandise may be cancelled?* Listing of the merchandise on the outward manifest, inspector's certificate of lading, record of clearance of the vessel, production of a foreign landing certificate (when required by the port director).
 5. *Can a bond rider be used to terminate the bond?* No. To be valid, a bond rider must be signed, sealed, witnessed, executed, and filed at the port of approval.
 6. *What charges are supposed to be paid first on merchandise remaining in a bonded warehouse beyond the specified time?* Internal revenue taxes.
 7. *What type of bond is used to indemnify the United States for detention of copyrighted material?* A single entry bond.

Section 3: Quotas, Marking Requirements, and Trade Agreements

1. *What is the difference between absolute and tariff quota?* When absolute quotas are filled, further entries are prohibited during the remainder of the quota period. While some quotas are allocated to specific foreign countries, others are global. If the quota is exceeded by quota entries, the commodity is released on a pro rata basis. Tariff quotas allow a certain amount of a commodity to be entered at a reduced tariff during the quota period. Quantities entered in excess of the quota for the period are subject to higher duty rates.
2. *Do most goods from NAFTA countries enter duty free into the United States?* Yes. However, proof of certificate of origin and/or country of origin marking on the goods is required. The manufacturer or seller of the goods should provide the importer with such document.

3. *What countries are not eligible to normal trade relations (NTR) or most-favored-nation (MFN) duty rates?* Cuba and North Korea.
4. *What is a nonqualifying operation under NAFTA?* Dismantling.
5. *What happens to imports that are not properly marked?* The goods are seized or penalty issued.
6. *A shipment of beef valued at \$5,000.00 is subject to a tariff quota. At the time of importation, a high tariff rate is in effect but a lower rate is soon expected. How can an importer take advantage of the lower rate?*
A warehouse entry (type 21) can be filed and when the lower rate is effective, the merchandise can be withdrawn (type 32) and low duty paid.
7. *When imported merchandise exceeds a tariff quota, the importer may not commingle the merchandise and classification with nonquota class goods.* True.
8. *What is the rate of duty on imports from GSP eligible countries?*
Zero.
9. *A claim for preferential treatment under NAFTA may be filed within one year from the date of importation of the goods.* True.
10. *What is origin criteria for textiles and apparel products under NAFTA?*
To be eligible for duty-free treatment, the yarn forward-rule states that the yarn used to form the fabric must originate in a NAFTA country.

Section 4: Value

1. *What is value and what value is used for customs purposes?* Value is the price paid or payable for goods. It includes selling commissions, assists, royalties, packing, and proceeds. Duty is assessed on the price paid and does not include freight and insurance charges.
2. *What are the secondary bases of value if the transaction value cannot be used?* The secondary bases of value, in order of precedence are: transaction value of identical merchandise, transaction value of similar merchandise, deductive value, computed value.
3. *In establishing transaction value, what is to be included in the price?*
The packing costs incurred by the buyer; any selling commission incurred by the buyer; the value of any assist; any royalty or license fee that the buyer is required to pay as a condition of the sale; and the proceeds, accruing to the seller, of any subsequent resale, disposal, or use of the imported merchandise.
4. *What is an assist?* Items that the buyer of imported merchandise provides directly or indirectly, free of charge or a reduced cost, for use in the production or sale of merchandise for export to the United States

- (tools, dies, molds, engineering, development, artwork, design work etc.)
5. *What should be excluded from transaction value?* The cost, charges etc. for transportation or insurance relating to the shipment of the goods to the United States; costs incurred for constructing, assembling etc. or transportation of the goods after importation; and tariffs and taxes for which the seller is ordinarily liable.
 6. *A U.S. produce wholesaler imports avocados from Mexico on consignment. A few days after importation, the wholesaler sells the avocados (for \$0.25 per avocado) to retailers and receives a 2 percent commission from Mexican sellers. Customs has sufficient information to appraise the merchandise. What is the basis of appraisal for the merchandise?* Deductive value.
 7. *The manufacturer received from the importer, free of charge, design work produced in the United States and 5,000 U.S. originating modules to be incorporated in the production of 5,000 computer monitors. The costs are as follows: cost of acquiring design work: \$10,000; cost of transportation to place of production: \$100.00; cost of acquiring modules: \$75 each; cost of transportation of modules: \$5,250.00. What is the transaction value of the shipment of the monitors with a per-unit price of \$50 FOB? Answer: \$630,250.*
 8. *What is “identical merchandise”?* Identical in all respects to the merchandise being appraised; produced in the same country as the merchandise being appraised; or produced by the same person as the merchandise being appraised.

Section 5: Broker Compliance and Other Areas

1. *Is a power of attorney required when a broker is acting as the importer of record?* No. A CBP power of attorney executed by a partnership is valid for two years.
2. *When is a multiple country declaration required?* Multiple country declaration is required for merchandise that has been subject to manufacturing processes in more than one country.
3. *What rate of currency exchange should be used when foreign currency is converted?* The rate of exchange in effect on the date of exportation.
4.
 - i. *What are the penalties for conducting customs business without a license?* \$10,000 for any one incident.
 - ii. *What are the penalties against any broker who continuously makes the same errors on a particular type of entry?* \$1,000.00

- iii. *What are the penalties against a broker who does not have a working knowledge of customs operation to render valuable service?* \$5,000.00
5. *What information should be on a bill of lading?* Receipt of the goods, contract of carriage, and commitment to deliver the goods at the designated port of destination to the holder of the bill of lading.
6. *Is the commercial invoice required at the time of shipment?* No. It is required at the time of entry.
7. *How does the duty drawback claim work?* Importers can get a refund of duty paid on imports when they are exported or destroyed. Proof of duty payment, export (bill of sale or air waybill) or destruction (witnessed by customs officer) is required. A drawback claim must be made within three years after the date of exportation. A post-importation NAFTA duty refund claim may be filed within one year after the date of importation of the goods.
8. *Are there laws governing labeling requirements for certain products?* Yes. Most textile, wool, and fur products, for example, must have a label or tag disclosing the fiber or fur content, importer, distributor, seller, country of origin, etc.
9. *Does an importer who sells merchandise to another company that exports it qualify for a duty drawback?* No.
10. *Under the following conditions, does the firm qualify for a rejected merchandise drawback claim?*
- i. *A Miami firm imports 200 pounds of shrimp for its national network of seafood restaurants. When it opened the boxes, it found that it was 200 pounds of pork.* Yes.
 - ii. *An importer of oranges finds thirty crates of unordered vegetables.* Yes.
 - iii. *A company in New York imports twenty cases of Argentine wine. There was a strike at the port and the wine was not unloaded for a few days. When the importer picked up the wines, they were frozen.* No.