



Automated Commercial Environment Reconciliation (Prototype)

A Guide to Compliance, Version 1.0b
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U.S. Customs and
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ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Table of Contents

A Note on Changes from Version 4.0	3
I. Introduction	4
A. Background	4
B. Overview	7
1. Concept of Reconciliation.....	7
2. Exclusive Means	7
3. Alternatives to Reconciliation	8
a. Withhold Liquidation	8
b. Post Summary Correction (PSC)	8
c. Protests, Administrative Review, Etc. (19 USC 514, 520)	8
d. Prior Disclosure	8
e. Other Individual Entry Adjustments Allowed by Federal Regulations	8
4. Eligibility for Participation	9
II. ACE Reconciliation Process	9
A. Flagging Entry Summaries	10
1. Determining Entry Summary Eligibility.....	10
a. Reconcilable Issues.....	11
b. Non-reconcilable Issues.....	13
2. Submittal of Flagged Underlying Entry Summaries	13
3. Bond Information.....	15
4. Impact on Drawback Claims.....	16
5. Requesting Flagged Entry Reports.....	16
B. Filing Reconciliations	16
1. Types of Reconciliations	16
a. Entry-by-Entry Reconciliation.....	17
b. Aggregate Reconciliation	17
2. Time Frames.....	20
3. NAFTA and Certain Other Eligible FTA Issues	20
4. Liquidated Damages: Late-File and No-File Results.....	22
a. Consolidated No-Files.....	22
b. Liquidated Damages and NAFTA/FTA Reconciliations	22
5. Liquidated Damage Amounts	24
a. Violations.....	24
b. Impact of Liquidated Damages on Bonds	25
6. Flag Combinations	25
7. Multiple Reconciliations.....	25
C. Structure and Submission of Reconciliations	26
1. Header	26
2. Association File	26
3. Line Item Data.....	27
a. No Reconciled Adjustments.....	28
b. Classification Reconciliation Requirements.....	28
c. Statements Required for FTA Reconciliations	29
4. Payment Methodologies and Physical Submission of Reconciliation	29



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

5. Recordkeeping Requirements	29
D. Payments/Refunds.....	30
1. Taxes and Fees	30
2. Determining Interest Due	31
a. Interest Due on Entry-by-Entry Reconciliations	32
b. Interest Due CBP on Aggregate Reconciliations	32
3. Impact on Drawback.....	34
E. Filing Locations	35
F. CBP Acceptance and Processing.....	36
1. Liquidation of Reconciliations	36
a. Extension of Reconciliation Liquidation.....	36
b. Retransmission of Adjusted Reconciliations.....	37
c. Extensions on Continuing Unresolved Classification Issues.....	37
d. Extensions on FTA Reconciliations.....	37
e. Liquidation	38
2. Rejection of Reconciliations	38
III. Appendices.....	39
Appendix A. Definitions	39
Appendix B. Frequently Asked Questions	41



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

A Note on Changes from Version 4.0

Version 1.0 of the Customs and Border Protection (CBP) Automated Commercial Environment (ACE) Reconciliation Prototype Operations Guide updates and amends the September 2004 Version 4.0 of the ACS Reconciliation Prototype. The following changes have been made to the previous document: the filing date for Value, 9802 and Classification has been changed from 15 to 21-months; latent defects cannot be claimed using the Reconciliation prototype. There is additional clarification and expansion of several areas of the text. In order to fully update and improve the guide, we solicited the knowledge and experience of CBP and trade personnel who have worked closely with the prototype since its inception.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

I. Introduction

Throughout the design and implementation of the Automated Commercial System (ACS) [now the Automated Commercial Environment (ACE)] Reconciliation Prototype, CBP has interacted with the trade community to devise a method of addressing outstanding issues involving post-entry adjustments. This guidebook is intended to provide a comprehensive look at the reconciliation process in ACE. It contains updated information on the ACS Reconciliation Prototype, which commenced on October 1, 1998.

Since the prototype's inception, more than 12 million entries have been flagged. Along the way, various modifications to policies and procedures have been made via Federal Register notices. In addition to background and basic information, this guidebook contains all of the current policies referenced in various trade bulletin notices and the Federal Register notices.

A. Background

The business realities of global trade are constantly changing. CBP must also change to address those realities. The increasing complexity of trade means more joint ventures, more intricate import transactions, and other situations that were not envisioned during the drafting of many laws. For years, CBP ACS allowed importers and brokers to submit entry summaries electronically. However, a portion of entry summaries contains indeterminable information. More and more transactions involve final adjustments to an import price that may not be known until months after the merchandise is purchased and imported. Filers and ports previously made their own special arrangements to reduce the administrative burden of such adjustments. However, these local, informal versions of "reconciliation" were problematic because they varied a great deal from place to place, often had no legal basis, and lacked adequate financial controls.

In late 1993, the Modernization Act (Mod Act) was enacted, providing legal authority for reconciliation and addressing record keeping requirements and concepts such as "reasonable care" and "shared responsibility." Specifically, the Mod Act enhances the entry summary process by allowing indeterminable information to be identified and provided to CBP at a future time. This reconciliation process, implemented as the ACS Reconciliation Prototype and now known as the ACE Reconciliation Prototype, was announced and subsequently refined in the following Federal Register notices:

- **63 FR 6257—February 6, 1998 (replaces previous notices)**
- **63 FR 44303—August 18, 1998 (modifications and clarification)**
- **64 FR 39187—July 21, 1999 (amendments)**
- **64 FR 73121—December 29, 1999 (modifications and clarification)**
- **65 FR 55326—September 13, 2000 (extended prototype indefinitely)**
- **66 FR 14619—March 13, 2001 (modifications)**



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

- **67 FR 61200 – September 27, 2002 (NAFTA change and national permit required)**
- **67 FR 68238 – November 8, 2002 (Corrections)**
- **69 FR 53730 – September 2, 2004 (US-CFTA and CD requirement)**
- **70 FR 1730-January 10, 2005 (filing date changed from 15 to 21-months)**
- **70 FR 46882 August 11, 2005 (Clarification – latent defects)**
- **71 FR 37596 June 30, 2006 (US-CAFTA-DR)**
- **78 FR 27984 May 13, 2013 (Modification of the National Customs Automation Program Test (NCAP) Regarding Reconciliation for Filing Certain Post-Importation Claims)**

The Federal Register published on February 6, 1998 replaced the previous notices regarding reconciliation; and therefore, is the current starting point for the Reconciliation Prototype. This guidebook supplements the February 6, 1998, Federal Register notice and subsequent revisions and modifications thereto.

Title VI of the North American Free Trade Agreement (NAFTA) Implementation Act (the Act), Public Law 103-182, 107 Statute 2057 (December 8, 1993), contains provisions pertaining to CBP modernization (107 Statute 2170). Subtitle B of Title VI establishes the National CBP Automation Program (NCAP)--an electronic system for processing commercial importations. Section 637 of the Act amended section 484 of the Tariff Act of 1930 to establish a new subsection (b), entitled Reconciliation, as a planned component of NCAP. Section 101.9(b) of CBP Regulations (19 CFR 101.9(b)) provides for the testing of NCAP components. (See [Treasury Decision] (TD) 95-21.) This test of the prototype is established pursuant to those regulations.

The ACE Reconciliation Prototype is a step toward enhancing processing capabilities and repairing problems. Because local methodologies lack the ability to respond to the growing complexities of processing international trade, CBP law mandates the use of one of only two methodologies for post-summary adjustments. Either each import shipment must be separately appraised and adjustments applied to individual entries or the ACE Reconciliation Prototype must be used. CBP has worked very closely with the trade community to design a prototype that will benefit all and will alleviate the burdens of entry-by-entry processing. The Reconciliation Prototype is national in scope, and its success will be determined by its ability to deliver a legal, financially reliable, and efficient process. With design of this prototype, CBP seeks to accomplish the following:

- Make progress under the reconciliation component of the Mod Act.
- Establish uniformity in an area that has operated under a variety of procedures.
- Provide financial safeguards.
- Institute a legal mechanism for reconciling entries.
- Streamline CBP and business processes.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

The testing period for the prototype began on October 1, 1998, and was extended indefinitely, beginning October 1, 2000.

The purpose of this guidebook is to present a comprehensive look at reconciliation and the benefits it will provide to both CBP and the trade community.

For additional information about the CBP Reconciliation Prototype, please refer to the [cbp.gov Reconciliation](http://cbp.gov/Reconciliation) website located at.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

B. Overview

1. Concept of Reconciliation

Reconciliation allows an importer to revise certain elements of a summary entry that were indeterminable at the time the merchandise was entered. In the current prototype, such adjustments are limited to the following elements:

- **Value**
- **Harmonized Tariff Schedule of the United States (HTSUS) Heading 9802**
- **Classification (on a limited basis)**
- **Eligibility under 520(d) for the North American Free Trade Agreement (NAFTA), the United States – Chile Free Trade Agreement (US-CFTA), and Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and certain other eligible Free Trade Agreements.**

These elements are described in detail in chapter II of this guidebook.

The Reconciliation Prototype allows importers to file their entry summaries using the best available information and electronically “flag” estimated elements, with the mutual understanding that CBP will receive the actual information at a later date. Importers then provide the corrected information on a new type of entry called a Reconciliation.

Reconciliation may not be used to defer entry summary obligations, that is, to extend the ten-day summary period to twenty one months.

As an entry, a Reconciliation may be liquidated, rejected, or change liquidated. The liquidation of a Reconciliation can be protested, just as the underlying entry summary is liquidated and that liquidation protested. The liquidation of the Reconciliation will be posted to the Bulletin Notice of Liquidation and may be protested pursuant to 19 USC 1514. However, the protest must only pertain to the issue(s) flagged for reconciliation (i.e., the protest may not revisit issues previously liquidated on the underlying entry summaries).

2. Exclusive Means

The ACE Reconciliation Prototype will serve as the exclusive means for reconciling post-summary adjustments to dutiable value, and HTSUS Heading 9802 value. It may also be used to effect certain changes in merchandise classification affecting multiple entries. Adjustments made via a single Reconciliation result in a single bill or refund. Any party who elects to reconcile entries pursuant to 19 USC 1484(b) may do so only through this prototype. It will replace the processes of reconciling entry summaries under block appraisal/liquidation, in which the liquidation of one or several entries affects multiple entries for an entire period. Previous methods of accomplishing similar post-entry adjustments are no longer permitted. The prototype may also be used for processing post-import refund claims under 19 USC 1520(d).



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

3. Alternatives to Reconciliation

a. Withhold Liquidation

Importers retain the right to request the extension of liquidation of entry summaries as described in 19 CFR 159.12. Importers may still request, in writing, that CBP withhold liquidation on all entries with unresolved issues and make adjustments to them individually. This prior notification that certain issues exist is essential to the demonstration of reasonable care. The reasonable care mandate requires that importers give their best estimates of declared value based on data available at that time, rather than using values that bear no relation to the reality of the transaction. Financial adjustments to each entry summary must be provided to CBP. If the withhold liquidation alternative is used, post-summary adjustments involving 9802 values must be filed within six months (or at the discretion of the port director) in accordance with 19 CFR 10.21.

b. Post Summary Correction (PSC)

If an entry summary needs correction after filing, the Post Summary Correction (PSC) may be used. The PSC can cover amendments that result in requests for refunds or the submission of additional monies owed prior to liquidation.

The PSC typically addresses amendments on elements that could have been determined at the time of entry, as opposed to issues that are reasonably indeterminable at that time. Filers who use PSCs excessively may be judged as failing to exercise reasonable care and may be penalized. CBP will monitor the volume of PSCs and will take appropriate action should excessive use be observed.

c. Protests, Administrative Review, Etc. (19 USC 514, 520)

In accordance with 19 CFR 173 and 174, issues subject to protest, corrections of clerical errors, mistakes of fact, or inadvertence may continue to be resolved through existing procedures.

d. Prior Disclosure

Existing procedures for prior disclosures will remain in force during the Reconciliation Prototype's test period. Importers must be aware of the distinction between prior disclosure and reconciliation. A prior disclosure covers situations in which the circumstances of a violation of 19 USC 1592 are revealed voluntarily. Pursuant to section 1592(c)(4), the person revealing the information must disclose the circumstances of a violation before, or without knowledge of, the commencement of a formal investigation of the violation. Under reconciliation, the importer is not disclosing a violation, but is identifying information that is indeterminable and is providing that information at a later time.

e. Other Individual Entry Adjustments Allowed by Federal Regulations

Any other adjustments prescribed by federal regulations that involve individual entry appraisal and liquidation of a given entry summary may still be utilized. For example, assist declarations may still be reported to CBP in accordance with 19 CFR 152.103(e)(1). Specifically, the total assist value may be apportioned over (1) the first shipment, (2) the number of units produced up to the time of the first shipment, or (3) the entire anticipated



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

production. Periodic assist declarations, with a single check payment, covering more than one entry summary may be treated as attempted prior disclosures.

4. Eligibility for Participation

All importers are eligible for participation in the ACE Reconciliation Prototype. Participants are not obligated to flag entries or file Reconciliations. However, flagging entries creates certain obligations that will be described elsewhere in this handbook.

There is no special form nor application process for requesting participation in the ACE Reconciliation Prototype. **It is no longer required that importers submit a paper application for approval to the Reconciliation Team located in Washington, D.C.** The act of obtaining a Reconciliation Bond Rider will notify CBP of the importer's intent to flag entries for Reconciliation, however, an importer must have a Reconciliation Bond Rider on file for each importer of record number that wishes to participate in the ACE Reconciliation Prototype (including the two-digit suffix). Adequate bond coverage must exist for the Reconciliation. Participants must have a rider and a continuous bond, which will be obligated on the underlying entries and used to cover the Reconciliation. Additionally, Participants must file the applicable underlying entry summary and Reconciliation electronically via the Electronic Data Interchange (EDI). If you have never transmitted data to CBP via EDI, contacting a CBP **Client Representative** is the first step to getting started. The Client Representatives are the first point of contact for importers, exporters, transportation providers, and brokers wishing to automate any of their interactions with CBP. The Client Representatives facilitate the trade's communication, testing, and operational participation with CBP automated systems and are the contact point for system-related problems and questions from trade partners. The **Client Representative Branch** can be reached at **571-468-5500**. Trade partners who already have a Client Representative assigned to them, should contact their assigned Client Representative directly via phone or email

II. ACE Reconciliation Process

The ACE Reconciliation process is divided into two main steps: (1) flagging entry summaries and (2) filing Reconciliations.

When an importer files an entry summary and certain elements remain undetermined, the entry summary is flagged (either individually or via a blanket flag), thereby providing CBP a "notice of intent" to file a Reconciliation. Reconciliation does not defer entry summary obligations. As noted, the importer must use reasonable care in filing entry summaries, even when they are subject to reconciliation.

When the information in question becomes available, the importer files a Reconciliation, which can cover up to 9,999 underlying entry summaries. The Reconciliation is due within twelve (12) months of the import date of the first entry summary flagged for and grouped on a NAFTA/US-CFTA/US-CAFTA-DR (and certain other eligible Free Trade Agreements)



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Reconciliation, or within twenty one (21) months of the entry summary date of the first entry summary for all other Reconciliations. When the Reconciliation is filed (prior to the end of twelve or twenty one months), payment of additional duties, taxes, fees, and interest (or claim for refund) is made. The Reconciliation is verified, processed, and liquidated.

A. Flagging Entry Summaries

Under the ACE Reconciliation Prototype, EDI is the required method of transmission. Entry summaries with outstanding issues are filed as normal, except that in the header record of the summary, an electronic flag specifies the issue or issues that are outstanding and thus notifies CBP of the importer's intent to file a Reconciliation covering that entry summary at a later date. The flag also lets CBP know that an in-depth review of the summary may not be appropriate at that time. **Please note: CBP will no longer apply blanket flags to entry summaries. Importers that wish to blanket flag entry summaries will have to coordinate with their broker(s) to set up that capability. If importers use multiple brokers, then each broker will need to be contacted.**

Up to four issues may be flagged on an entry summary. Once an underlying entry is flagged, it may be liquidated for all other issues. For example, an entry flagged for value may be liquidated for changes made to an incorrect classification.

Flagging legally separates the issue(s) flagged from the entry summary, and such issues may only be addressed on the Reconciliation. For example, if an entry summary is flagged for value, a PSC should not be filed on that entry for any value issue, as no error in valuation is involved. The flagged issue is no longer addressable on the underlying entry. Once the true valuation of the goods on the entry is determined, the Reconciliation should be filed. CBP will not accept PSCs filed in place of Reconciliations, except in cases of obvious clerical errors, such as giving value in foreign currency instead of converting it to U.S. dollars. PSCs may also be used to address corrections to unflagged issues on the entry. This is especially true for adjustments of quantity or changes in classification for reasons not within the limited scope of the prototype.

1. Determining Entry Summary Eligibility

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.

Entries containing merchandise subject to quota may be reconciled for all issues except classification. FTZ entries with Anti-dumping/Countervailing Duty (AD/CVD) merchandise are not currently eligible for reconciliation under this prototype. In addition, if an FTZ entry has



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

NAFTA/US-CFTA (or certain other eligible free trade agreement) issues, the importer must ensure that the product underwent no additional processing to make it qualify for NAFTA/US-CFTA (or certain other eligible free trade agreements). That is, the product must have qualified for NAFTA/US-CFTA (or certain other eligible free trade agreements) in the same condition as the time it entered the FTZ.

a. Reconcilable Issues

The ACE Reconciliation Prototype is not changing or replacing existing laws concerning reconcilable issues. It simply provides a new process for amending data that historically have been provided to CBP. Existing provisions of laws, regulations, and administrative rulings still apply, except to the extent the Prototype provides otherwise. The four elements subject to flagging under the prototype are outlined in (1) through (4) below:

(1) Value. The ACE Reconciliation Prototype is open to reconciliation of all value issues—assists, royalties, computed value, and any other factors affecting CBP valuation, such as indirect payments. Assists may continue to be reported outside the ACE Reconciliation Prototype under acceptable methods pursuant to 19 CFR 152.103.

(2) Harmonized Tariff Schedule of the United States (HTSUS) Heading 9802. Reconciliations of this element refer to the value aspect of the 9802 provision. Importers may reconcile the estimated to actual values as well as the estimated to actual ratio of U.S. prefabricated components incorporated into the finished product. The 9802 provision allows a partial duty exemption on prefabricated U.S. components assembled abroad. The prototype should be used to process cost updates from estimates to actual figures, as well as for cases in which the actual value or ratio of U.S. components used was subject to change.

Example of 9802 ratio adjustment: An entry is filed and flagged for 9802 Reconciliation. This entry contains one line item in which the importer declares a value of \$1,000 under the HTS 9802008065 duty exemption for U.S. components and a value of \$2,000 under HTS 7701002030. During the reconciliation period, the importer was able to obtain a certificate of origin on a certain component used in assembling the same product, thereby substantiating U.S. origin. At the end of the period, assuming all other costs remained the same, the importer includes the actual U.S. component cost on the Reconciliation by declaring a reconciled value of \$1,100 under HTS 9802008065 and \$1,900 under HTS 7701002030.

Example of 9802 full value adjustment: This example assumes the same scenario as just described, except that the importer also realized an increase in labor costs of \$1,000 throughout the period. In this case, a full increase in value reflecting the increased labor costs and the additional U.S. component costs would be reported on the Reconciliation. Specifically, HTS 9802008065 would include the additional U.S. component cost (valued at \$100) and be reconciled to \$1,100, and HTS 7701002030 would be reconciled to \$2,900. The increase in labor costs would increase dutiable value, in this case HTS 7701002030.

A CBP Form 247 “Cost Submission” or similar format will continue to be accepted as supporting documentation for a Reconciliation, which is a new extended method of reporting



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

these cost adjustments to CBP. Reconciliation does not replace the CF 247 or similar cost updates.

If a filer estimates 9802 content up front, the 9802 value exemption may be reconciled. An importer may *not* reconcile 9802 when the merchandise was entered during the period without claiming the 9802 provision. Some aspects of 9802, such as the textile “special regime” programs, may carry admissibility issues. Issues of admissibility are not allowed under this prototype. As with all data submitted to CBP, estimated 9802 values must be computed with reasonable care.

(3) Classification. Classification issues will be eligible for reconciliation only when such issues have been formally established as the subject of one or more of the following:

- Pending administrative ruling (including pre-classification rulings)
- Protest
- Pending court action

Reconciliation for other classification issues is not permitted, and CBP will monitor appropriate use of classification flags. Classification is used to determine that the product meets the criteria for admissibility into the United States, fulfills other government agencies’ requirements, and is eligible for special trade programs. (See Alternatives to Reconciliation in Section I for methods of addressing non-reconcilable issues.)

An entry summary flagged for classification may have multiple line items, but only a portion of all the product HTS classifications pertain to issues that are pending an administrative ruling, protest, or court action. In this case, the *only* classification issues that are transferred from the underlying entry are those that meet the requirements of the prototype (i.e., the portion of products pending an administrative ruling, protest, or court action). The other (non-prototype) classification issues remain on the underlying entry and are addressable via the existing protest procedures (i.e., 19 USC 1514).

In the event that entries are flagged for classification when no allowable classification issues exist, the Reconciliation that closes out those entries must include classification in the issue code of the Reconciliation entry. However, no changes to any classifications from those entries should be made if there were no allowable classification issues.

***Note:** Because of the limited scope of classification Reconciliation, blanket flag requests for classification issues will *not* be allowed by CBP.

(4) North American Free Trade Agreement (NAFTA) (and certain other eligible free trade agreements (FTA)) claims under 520(d)

A major benefit to 520(d) Reconciliation is that the importer will receive one refund check per Reconciliation, which can cover up to 9,999 entries, rather than receiving individual checks for each corresponding entry, as occurs under existing procedures. Reconciliations for post-importation refund claims under 19 USC 1520(d) can cover an entire period of entry



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

summaries and may include multiple ports. Outside the prototype, the existing petition procedures outlined in 19 USC 1520(d) will still be used.

NAFTA/FTA Reconciliations (or certain other eligible free trade agreements) are subject to the obligations of 19 USC 1520(d). The importer must possess a valid certificate of origin when making a NAFTA/US-CFTA claim. Presentation of the NAFTA/FTA certificate of origin to CBP is waived for the purposes of this prototype, but the filer must retain this document and provide it to CBP upon request. The record keeping provisions of CBP laws (19 USC 1509(a)(1)(A)) cover the certificate of origin. The three written statements required in 19 USC 1520(d) should also be submitted with the reconciliation.[See 'Statements Required for NAFTA/FTA Reconciliations' on page 30.]

Interest shall accrue from the date on which the claim for NAFTA/US-CFTA eligibility is made (the date of the 520(d) Reconciliation) to the date of liquidation or reliquidation of the Reconciliation.

As with traditional 520(d) claims, the prototype requires that merchandise for which NAFTA, US-CFTA (or certain other eligible free trade agreements) eligibility is not established at the time of summary be entered without the NAFTA, US - CFTA or any other eligible applicable claim. However, under the prototype, entries of such merchandise can be flagged for NAFTA reconciliation, the NAFTA or US – CFTA claim or US – CAFTA-DR, or other eligible FTA claim, if appropriate, will be made via the Reconciliation. Duties on imported merchandise must be paid at the time of summary in order to be eligible for a retroactive 520(d) claim.

b. Non-reconcilable Issues

Issues that *can be* determined at the time of entry summary should *not* be addressed through the Reconciliation Prototype. Freight charges are an example of something typically known at summary. Quantity is not a reconcilable issue, as it directly affects admissibility, and by law reconciliation cannot address issues regarding admissibility. CBP realizes there is a business need for reporting landed quantity discrepancies and is looking into different ways of handling them. For the duration of this phase of the prototype, however, quantity is not a reconcilable issue.

2. Submittal of Flagged Underlying Entry Summaries

The flag accomplishes the following:

- Identifies indeterminable issues
- Transfers liability for those issues to a Reconciliation
- Permits the liquidation of the underlying entry summary as to all issues other than those that are transferred to the Reconciliation

By providing the flag as a notice of intent to reconcile, an importer is requesting that a certain issue or group of issues are separated from the entry summary. The importer requests and accepts that the issues identified in the notice of intent remain open and outstanding. The



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

importer remains responsible for filing a Reconciliation and is liable for any duties, taxes, and fees resulting from the filing and/or liquidation of the Reconciliation (except in cases of NAFTA/US-CFTA-flagged entries, where the filing of a Reconciliation remains optional).

A filer may flag entries via an **individual entry flag** or a **blanket flag**. Filers who use the individual entry flag (called the entry-by-entry flag in the earlier Federal Register notices) choose which entries are flagged for reconciliation, and for what issues. The importer flags the underlying entries on the header record of an entry summary at the time of filing via an EDI indicator, which will serve as the notice of intent. Any combination of the four eligible issues may be flagged on a given entry summary. An individual entry flag is input via EDI transmission by the filer.

The other method of flagging, the blanket flag results in the same type of flag on the entry summaries. When a blanket flag is used, the specified flags will be applied to every single entry summary filed, in every port, for that importer of record during that time period. This means that each of those entry summaries must be closed by Reconciliation. Importers are cautioned to utilize a blanket flag *only* when they are certain that *every* entry made with their IRS number will involve reconciliation issues. Since every entry is flagged regardless of port or broker, many importers find that outlying port entries involving a non-reconciliation issue are needlessly flagged with blanket flagging.

NOTE: CBP will no longer apply blanket flags to entry summaries. The importer or authorized agent acting on their behalf will be responsible for applying both blanket and individual reconciliation flags.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Reconcilable issues and their corresponding flag codes appear below:

ISSUE	ACE FLAG INPUT CODES	ACE Code Closed Flag
Value	0 0 1	0 2 1
Classification	0 0 2	0 2 2
9802	0 0 3	0 2 3
Value + Classification	0 0 4	0 2 4
Value + 9802	0 0 5	0 2 5
Classification + 9802	0 0 6	0 2 6
Value + Classification + 9802	0 0 7	0 2 7
NAFTA/US-CFTA	Yes/No	

One underlying entry summary may have up to two Reconciliations--one for NAFTA and one for any combination of value, 9802, and classification.

3. Bond Information

Entry summaries flagged for reconciliation will require a valid continuous bond, which must be accompanied by a rider. The rider must be signed by all principal parties and the surety to be valid.

The rider shall read as follows:

By this rider to CBP Form 301 No. _____, executed on _____ by _____ as principal(s), importer no(s). _____, and _____ as surety, code no. _____, which is effective on _____, the principal(s) and surety agree that this bond covers all Reconciliations pursuant to 19 USC * 1484(b) that are elected on any entries secured by this bond, and that all conditions set out in section 113.62, CBP Regulations, are applicable thereto. The principal(s) and surety also agree that when an aggregate reconciliation under this rider lists entries occurring in more than one bond period, any liabilities to CBP reflected in that Aggregate Reconciliation shall be attributable (up to the full available bond amount) to any or all bond periods occurring during the time covered by the aggregate reconciliation for which any entries are listed.

CBP will not grant flagging capability to the filer(s) unless the importer has a valid continuous bond. Adequate bond coverage as determined by CBP must exist. All underlying entries subject to one Reconciliation must be covered by one surety and one continuous bond. Two or more sureties cannot cover the same reconciliation. Changes in the language of the rider proposed by either the bond principal or surety will not be allowed.

Important: Note that changes to the continuous bond will affect the bond rider. Also, a change in surety companies covering an importer's entries will require separate Reconciliations under each surety.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

4. Impact on Drawback Claims

The ACE Reconciliation Prototype allows for certain issues to remain outstanding pending filing of the Reconciliation. Because the information regarding these issues and the resulting liability for the duties, taxes, and fees previously asserted by the importer may change when the Reconciliation is filed, CBP will not accept drawback claims or certificates on underlying entries until the Reconciliation has been filed.

5. Requesting Flagged Entry Reports

CBP has developed a fee-for-service report system. Importers who wish to obtain reports of flagged entries for record keeping purposes may do so by contacting the CBP National Finance Center in Indianapolis, IN. Importers who wish to manipulate the report data further will need to obtain the delimited text version on electronic media. There is a nominal extra charge for this service. Please refer to the [“How Do I Obtain a Listing of Flag Entries?”](#) cbp.gov webpage for additional information. Reports also may be obtained via ACE.

B. Filing Reconciliations

A Reconciliation is a vehicle for finalizing outstanding information associated with previously filed entry summaries. Each Reconciliation will be limited to one importer of record; that is, the underlying entries and the Reconciliation must have the same importer-of-record number at the full suffix (eleven-digit) level. Programming limitations permit up to 9,999 underlying entries per Reconciliation. If more than 9,999 entries are being reconciled, more than one Reconciliation will be needed.

Reconciliation is to be used to group entries together for a common outstanding issue. Entries flagged for reconciliation that have the same outstanding information should be grouped on one Reconciliation; for example, entries flagged awaiting finalization of assist information should be grouped on one Reconciliation when the assist information is provided. A Reconciliation does not have to cover underlying entries in chronological order. Grouping by issue rather than by date can be done as long as the filing deadline for any entry is not exceeded.

Entries filed in Puerto Rico or the Virgin Islands. These must be addressed on separate Reconciliations. Reconciliations cannot combine underlying entries filed in Puerto Rico or in the Virgin Islands with entries filed at any other port. This limitation exists because revenue deposited on or refunded from entries filed in these two territories is handled differently. In each case, the monies are attributed to separate accounts.

1. Types of Reconciliations

Two types of Reconciliations may be filed: Entry-by-Entry and Aggregate. For both, the structure of the Reconciliation will include a header and association file. Summarized line item data spreadsheets are no longer required in ACE.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

a. Entry-by-Entry Reconciliation

This Reconciliation is a detailed submittal in which the revenue adjustment is specifically provided for each affected entry summary. All applicable entries may be finalized via the Entry-by-Entry Reconciliation, and all adjustments made, including refunds of duties, taxes, and fees. The revenue adjustment will be broken down to entry-by-entry detail for all underlying entry summaries. After the Reconciliation has been filed, drawback may be claimed against the underlying entries and, if appropriate, the reconciled increase.

When a refund in duties, taxes, or fees is claimed, an Entry-by-Entry Reconciliation must be used in order for CBP to issue the refund.

b. Aggregate Reconciliation

This option consolidates all entries covered in the Reconciliation and applies generally to those situations that involve an absolute increase. *Absolute increase* refers to changes or adjustments between line items on a given entry that result in an increase to the entry as a whole. That is, regardless of decreases on individual lines on entry A, if the whole change for entry A resulted in an increase in duties, taxes, and fees, it is considered an absolute increase.

Example: A given entry contains two line items. An assist was provided for product A reported on line 1, which resulted in an increase in duty. Currency fluctuations affected the value of product B reported on line 2, which resulted in a decrease of duty. Where products A and B are reported on the same entry and are both covered by a Reconciliation, the Reconciliation would have an absolute increase if the increase to product A is greater than the decrease to product B.

The Aggregate Reconciliation will include a list of all underlying entries but will not require the revenue adjustment to be broken down by entry. The importer waives any refunds, including claims for drawback, on the Aggregate Reconciliation increase except through a protest of the Reconciliation itself.

When increases *and* decreases between entries result at the end of the reconciliation period, the importer can exercise one of the following filing options:

- File an Entry-by-Entry Reconciliation to account for both the increases and decreases.
- Submit two separate Reconciliations: an Aggregate Reconciliation for entries with no change or revenue increase and an Entry-by-Entry Reconciliation for entries with a decrease in revenue.
- File an Aggregate Reconciliation to account for the increases, report the decreases on a separate section of the summarized line item spreadsheet, and waive the refunds resulting from the decreases.

Netting, on the other hand, is the principle that applies to changes or adjustments between different entries that offset one another. If netting is used to reach a net increase, the importer may not file an Aggregate Reconciliation, unless any refund amount is waived (see below).



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Example: Entry 123 covers product A. Entry 456 covers product B. An assist was provided for product A, which resulted in an increase in duty. The value of product B was affected by currency fluctuations, which resulted in a decrease of duty. The increase on entry A and decrease on entry B may not be combined to offset each other as this would be considered netting. Instead, the importer must do one of the following:

- File an Entry-by-Entry Reconciliation to account for both the increases and decreases.
- File an Aggregate Reconciliation for entry 123 and an Entry-by-Entry Reconciliation for entry 456.
- File an Aggregate Reconciliation for both entries and waive the refund resulting from the decrease on entry 456.

Remember, absolute increases apply to whole adjustments made between two or more *line items on a given entry*. Netting refers to whole adjustments made between two or more *entries*.

Filing Aggregate for Decreases. An importer may choose to file an Aggregate Reconciliation for decreases (or downward adjustments) if the resulting refund of duties, taxes, and fees claimed are *waived*, thereby releasing CBP from liability. Although both increases and decreases may be reported on an Aggregate Reconciliation, they must be reported separately because of the prohibition against netting. At the time of filing the Reconciliation entry, the filer must click the checkbox and acknowledge the statement below:

“The tariff items shown below are items for which the reconciliation adjustment resulted in a decrease of duties, taxes, and/or fees. On this Aggregate Reconciliation, we hereby declare these changes and acknowledge that we waive any claims for a refund of any monies due us as a result of these changes, release CBP of any liability for the refund, and certify that the changes shown below are not included elsewhere in the Reconciliation or netted against increases.”



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Below is an excerpt from the CATAIR for acknowledging the statement:

Aggregate Refund Waiver Indicator	1AN	70-70	C	An indication that the importer waives any claim to a refund on an Aggregate Change Method Reconciliation.	2
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10-Record Data Element	Length/Class	Position	Desig	Description	Note
				<p>Y = "The tariff items shown below are items for which the reconciliation adjustment resulted in a decrease of duties, taxes, and/or fees. On this Aggregate Reconciliation, we hereby declare these changes and acknowledge that we waive any claims for a refund of any monies due us as a result of these changes, release CBP of any liability for the refund, and certify that the changes shown below are not included elsewhere in the Reconciliation or netted against increases."</p> <p>Space fill if an Aggregate refund waiver is not requested or not allowed.</p>	
Filer	10S	71-80	M	Space fill	

When filing an Aggregate Reconciliation for decreases, the downward adjustments of the affected duties, taxes, and/or fees will be reported only on the summarized line item data and will *not* be included on the header file of the EDI transmission. The downward adjustments are reported but not included in the calculation of the aggregate reconciled adjustment.

COMPARISON OF THE TWO TYPES OF RECONCILIATIONS

	AGGREGATE	ENTRY-BY-ENTRY
HEADER (Transmitted via EDI)	a) Basic entry data b) Revenue Totals	a) Basic entry data b) Revenue Totals
ASSOCIATION FILE (Transmitted via EDI)	a) Underlying entries	a) Underlying entries b) Revenue change/entry
LINE ITEM DATA	a) One line for each	a) One line for each



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

(Transmitted via EDI)	[HTS/country/SPI/year]	[HTS/country/SPI/year]
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2. Time Frames

Reconciliations have due dates for filing, which are determined by dates on the earliest entry being reconciled. In order to make a claim for NAFTA or US-CFTA and certain other eligible free trade agreement eligibility, a 520(d) Reconciliation must be filed within twelve (12) months of the date of importation of the oldest entry summary flagged for and grouped on that Reconciliation. Reconciliations covering all other issues are due within twenty-one months of the date of the oldest entry summary flagged for and grouped on that Reconciliation. It should be noted that a 520(d) Reconciliation entry is not considered timely until *all three* elements that comprise a complete Reconciliation are received in the port. These two items (the transmitted EDI header and association file must arrive in good order on or before the statutorily mandated deadline (one year from earliest importation date).

Issues:	NAFTA/FTA*	9802, Classification, Value*
Reconciliation Due Date	12 months	21 months

*If the importer has flagged entries for NAFTA or certain other eligible FTAs and determines later that the products did not qualify for the preferential duty rate, a Reconciliation need *not* be filed, and no liquidated damages claims will be issued. All other flagged issues will require a Reconciliation, even if no adjustments are being reported.

No extensions will be allowed on the deadlines for filing Reconciliations. If elements of value, 9802, or classification remain unknown when the Reconciliation is due, the importer must submit a timely-filed Reconciliation with best available information or no changes, along with a written request explaining why liquidation of the Reconciliation should be withheld and for how long. If the importer justifies good cause on why the extension should be granted, CBP will issue a letter of approval to the importer to document the decision and the date of that decision. Changes to the Reconciliation entry itself may then be made once the information is obtained.

If the importer fails to satisfy good cause for the extension of time, CBP will issue a letter of denial to the importer to document the decision and the date of that decision. CBP will then liquidate the Reconciliation using the best available information, which may result in the payment of additional duties, taxes and fees. No such flexibility is allowed for NAFTA Reconciliation, in accordance with law. If no claim can be asserted within twelve months of import, no claim may ever be asserted.

3. NAFTA and Certain Other Eligible FTA Issues

The one-year filing requirement for claiming duty refunds established under 19 CFR 181.31 still applies to NAFTA 520(d) Reconciliations under the prototype. NAFTA/FTA issues may not be



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

combined with other issues on the same Reconciliation. NAFTA/FTA requires its own Reconciliation. Only *one* NAFTA/FTA Reconciliation may be filed for a given entry summary.

As with traditional 520(d) claims, Reconciliation may be used only to make NAFTA/FTA claims on goods that had no such claim at entry summary. It is **not** to be used to claim NAFTA/FTA up front and to later disclose that the goods were not eligible.

An entry summary flagged for NAFTA/FTA may have multiple products, but only a few products may actually qualify for the status. In this case, *only* the NAFTA/FTA issues that pertain directly to those products originally entered *without* NAFTA/FTA benefits are transferred from the underlying entry to the 520(d) Reconciliation. Effective December 26, 2002 test participants who have flagged for NAFTA/FTA must file a Reconciliation entry to make a post importation claim under 520(d). Reconciliation in the exclusive means to make a 520(d) claim for NAFTA/FTA flagged entries.

Example: On January 1, 2015, an importer flags entry 999 for NAFTA. This entry shows an invoice total for four different products, all with different HTS classifications: Product A is classified under 8414.80.9000, product B under 8483.30.8090, product C under 8607.19.9000, and product D under 9029.90.4000.

Entry 999			
Line	HTS	Rate	Duty
001	8414.80.9000	2.0 %	\$100
002	MX8483.30.8090	FREE	\$0
003	8607.19.9000	1.2%	\$50.00
004	9029.90.4000	3.0 %	\$200

Scenario 1:

On June 1, 2015, a Reconciliation for NAFTA is filed on entry 999 for product A only. Assuming all other requirements are met, CBP may issue the refund of \$100 (free rate of duty under NAFTA for HTS 8414.80.9000) on this NAFTA Reconciliation.

Scenario 2:

Following the events of scenario 1, the importer determines on August 1, 2015, that product C qualifies for NAFTA. The importer would like to recover the duties originally deposited, but she or he may not file another NAFTA Reconciliation on entry 999. The importer must file a post-NAFTA import duty refund claim under a 520(d) petition to recover duties paid for product C under original entry 999.

Scenario 3:

In June 2015, a Reconciliation is filed for NAFTA on entry 999 covering products A, C, and D. Assuming all other requirements are met, CBP may issue the entire amount of duties deposited on entry 999. Note that the NAFTA issue regarding product B remains on the entry and does *not* transfer to the NAFTA Reconciliation filed on June 1, 2015. In other words, the NAFTA flag



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

does not apply to product B; therefore, product B cannot be addressed on the NAFTA Reconciliation.

The filing of NAFTA/FTA Reconciliations is optional. NAFTA/FTA Reconciliations will not be accepted late, but no liquidated damages claims will be issued.

4. Liquidated Damages: Late-File and No-File Results

The liquidated damages claims described in this section apply only to entries flagged for the issues of value, HTS 9802, and classification. When an importer fails to file a Reconciliation for a flagged underlying entry that is not 520(d)-related within the allowable twenty one-month time frame, CBP will issue a claim for liquidated damages for a “no-file.” Reconciliations submitted late will result in liquidated damages claims being issued for a “late-file.” Reconciliations rejected and not retransmitted or resubmitted within the allowable time frame will be considered no-files and liquidated damages will be issued. If a Reconciliation is rejected and resubmitted beyond the given time frame, a liquidated damages claim for late filing of the reject will be issued. If the filer has been issued a Reconciliation no-file and submits the Reconciliation late but without payment, it is still considered a no-file and cannot be mitigated until payment for the Reconciliation is received.

In order to be valid and fully accepted by CBP, all Reconciliations must be submitted with **all** components (header, association file, and—when required—summarized line item data spreadsheet) and with payment (if appropriate). The filing of a Reconciliation is not considered complete until all these elements are received by CBP. The date of this completion is considered the Reconciliation filing date for the purpose of determining timeliness.

a. Consolidated No-Files

A consolidated no-file is one liquidated damages claim issued per importer per month.

Example: Trucks Incorporated flagged thirty entries that were due for Reconciliation in March. Of the thirty, only twenty-four were closed out on a Reconciliation. During the first week of April, CBP checked to verify whether all flagged entries due for the month of March had been reconciled and discovered that six flagged entries had not been. CBP issues a consolidated no-file against Trucks Incorporated for those six unreconciled entries.

b. Liquidated Damages and NAFTA/FTA Reconciliations

Liquidated damages will *not* be issued against a NAFTA/FTA Reconciliation that is filed late or is *never* filed.

If an entry flagged for reconciliation of NAFTA/FTA eligibility is not reconciled within the twelve-month time frame, the importer cannot make a 520(d) claim on that entry, but CBP is not missing any critical information. For this reason, CBP has decided to make the filing of NAFTA/FTA Reconciliations optional; no liquidated damages claims will result from failure to file NAFTA/FTA Reconciliations on time.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

The other three issues (value, 9802, and classification) involve information that is critical to CBP operations. Timely Reconciliations for these issues are required whether or not any changes are made. Failure to file these Reconciliations on time will result in liquidated damages claims.

Drawback may not be claimed against entries for which there are outstanding flags, but CBP has implemented an automatic process to eliminate open NAFTA/FTA (520(d)) flags past the twelve-month due date. The filer has the following options:

1. File a NAFTA/FTA Reconciliation within the twelve-month time frame in order to claim any 520(d) refunds and enable drawback on the underlying entries.
2. 2. Not file a NAFTA/FTA Reconciliation. If an entry is flagged for NAFTA/FTA and no Reconciliation is filed, drawback cannot be claimed on that entry until CBP's ACS system automatically removes any unreconciled past-due 520(d) flags. This will occur thirty days after the original 520(d) due date.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

5. Liquidated Damage Amounts

a. Violations

The following is a list of violations and the formulas that will be used in issuing liquidated damages.

VIOLATION	FORMULA
<p>RECONCILIATION NO-FILE/ CONSOLIDATED NO-FILE</p> <p>(FLAGGED SUMMARY BUT NO RECONCILIATION FILED BY THE 21-MONTH DEADLINE.) <i>RECONCILIATIONS FILED LATE WITH NO PAYMENT WILL BE DEEMED AS "NO-FILE."</i></p>	<p>The assessed amount is the value of all flagged entries due during the calendar month, or the value of the bond if the value of the entries exceeds the bond amount.</p> <p>Option 1 amount (\$100-\$500) offered when all flagged entries covered on the liquidated damages claim are properly reconciled.</p>
<p>RECONCILIATION LATE FILE</p> <p>(RECONCILIATION FILED AFTER 21-MONTH DEADLINE.)</p>	<p>The assessed amount will be double the duties, fees, taxes, and interest due on the entire Reconciliation or \$1,000, whichever amount is greater.</p> <p>Option 1 (\$100-\$500) depending on number of entries late on the liquidated damages claim.</p>
<p>RECONCILIATION MONEY NO-FILE (RECONCILIATION FILED WITH NO MONEY)</p>	<p>The assessed amount will be double the duties, taxes, fees, and interest due on a Reconciliation, or \$1000, whichever amount greater.</p> <p>Option 1 (\$100-\$500) amount offered only after all duties, taxes, fees, and interest have been paid.</p>
<p>RECONCILIATION MONEY LATE FILE (RECONCILIATION FILED TIMELY, MONEY SUBMITTED LATE)</p>	<p>The assessed amount is double the duties, taxes, fees and interest due on the entire Reconciliation, or \$1000, whichever greater.</p> <p>Option 1 (\$100-\$500) depending on number of entries late on the liquidated damages claim.</p>



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

b. Impact of Liquidated Damages on Bonds

The issuance of large numbers of liquidated damages claims against an importer's continuous bond could place CBP at risk in trying to collect all of those claims in full because the bond could become "saturated." If the bond is saturated, i.e. the principal or surety has paid liquidated damages amounts up to the full value of the bond, then CBP would be precluded from any further collections against that bond and any outstanding unpaid claims for liquidated damages would have to be cancelled. If there is risk of bond saturation, the importer's reconciliation flagging capability may be withdrawn and the importer may be required to submit single entry bonds for further entry summaries. Once adequate bonding has been guaranteed, the importer's ability to flag entries for Reconciliation can be reestablished.

6. Flag Combinations

The ACE Reconciliation Prototype is dynamic in that it allows an importer to flag up to four issues at once on a given entry summary. However, a maximum of two Reconciliations may be filed on the same entry summary. A given Reconciliation must address the same issue(s) as coded on the flagged underlying entries.

Example of combined flags (NAFTA/US-CFTA + value + 9802):

An importer flags for NAFTA/FTA, value, and 9802 (ACE flag input code 005 and NAFTA indicator "Yes") on a given entry. Assuming this is the only entry flagged within a twelve-month period and the product is determined to be eligible for NAFTA/FTA, the importer would need to file one Reconciliation for NAFTA/FTA (because 520(d) cannot be combined with other issues on a Reconciliation) and another for value and 9802. Value and 9802 (code 005) on an entry cannot be broken into two separate Reconciliations, whether or not NAFTA/FTA is also flagged, because code 005 is specific to value and 9802. The importer must reconcile both issues at the same time on the same Reconciliation.

7. Multiple Reconciliations

Because each underlying entry summary may be covered by up to two Reconciliations, the Reconciliations will be processed and liquidated in the order submitted. Therefore, filers should take into account any previous Reconciliation associated with the same underlying entry when filing the current Reconciliation. The reconciled amount or data submitted on the first Reconciliation should be used as the starting point, or the original amount, for the subsequent Reconciliation. The second Reconciliation will be processed using the reconciled amounts on the first Reconciliation.

Importers who have more than 9,999 entries to reconcile may file multiple Reconciliations at the same time and should indicate that they are doing so in the comments field of each Reconciliation. Filers should annotate in this field the Reconciliation entry numbers of the other associated Reconciliations; for example:

"This Reconciliation is part one of three. The other two Reconciliations are MM0-3243247-7 and MM0-3243248-5."



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

C. Structure and Submission of Reconciliations

A Reconciliation has the following components:

- Header
- Association file
- Line item data

The header and the association file are both transmitted electronically via EDI. The Reconciliation will be a new entry type—09. For both Entry-by-Entry and Aggregate Reconciliations, the structure of the Reconciliation will include a header and an association file. (See above Types of Reconciliation for a comparison chart listing the components of each type, on page 16.)

1. Header

The Reconciliation header record provides general information on the Reconciliation. In essence, it is a summary record containing items such as the Reconciliation entry number, the type of Reconciliation, and the issue(s) on that Reconciliation. The header record also includes the grand totals for duties, taxes, and fees, both original and reconciled. The total change in duties, taxes, and fees must be shown. For refunds show negative numbers, **NOT** a zero change (a zero change would indicate no refund requested). Importers who use the aggregate method to reconcile pure no-change entries (those underlying summaries that have *no* reportable change in value) are not required to transmit duties, taxes, and fees in the header. Only zeros need be entered into the money fields for this type of pure no-change Reconciliation. Importers should be mindful that Reconciliations involving value changes that have no revenue impact *cannot* be reconciled using this method. Full data must be transmitted in the header. See No Reconciled Adjustments on page 28 for more detail. The header record data elements (except in aggregate no-change Reconciliations) are the same regardless of whether the Reconciliation is entry-by-entry or aggregate.

2. Association File

The major difference between Aggregate and Entry-by-Entry Reconciliation is the structure of the association file. At the very least, the association file contains a list of affected entry summaries previously flagged for Reconciliation and the code for the port where they were filed. In addition, for Entry-by-Entry Reconciliations, the association file will show monetary amounts with changes applied to each entry summary. The association file for both Entry-by-Entry and Aggregate Reconciliations contains a list of underlying entry numbers (*without* reference to Harmonized Tariff Schedule classifications) and ports of entry, which are grouped together on the Reconciliation.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

For Entry-By-Entry Reconciliations only, the following elements are also required:

- The actual amount of fees (broken out by class code), duties, and taxes, deposited per underlying entry summary.
- The reconciled amount of fees (broken out by class code), duties, and taxes that should have been paid for each of the underlying entries, had complete information been available to the importer at the time of the original summary filing.

3. Line Item Data

This third element of the Reconciliation will show, at a macro level, all substantive business changes reported in the Reconciliation. The required data elements are the same for both Entry-by-Entry and Aggregate Reconciliations, and in each case, as mentioned, this data must be submitted via EDI transmission. CBP will share pertinent line item information with the Census Bureau. Each line item will be consolidated for all of the underlying entries listed in the Reconciliation association file. Each combination of HTS, country of origin, special program indicator (SPI), and calendar year of release (per Census requirements) will require a separate line. It is essential that the data be clearly broken out by calendar year of release on the spreadsheet, even if the reconciliation covers a fiscal period that overlaps two calendar years. In turn, each spreadsheet line will show the original and reconciled data. The original data are extracted from the rolled-up groupings of the entry lines from flagged entries, while the reconciled data are either input manually on a case-by-case basis or prorated automatically via formula. Keep in mind that prorated (or pro rata) adjustments may work in only some situations; pro rata adjustments must be based on values, not on duty rates.

Example of pro rata adjustments:

A company imports three products on numerous entries throughout a given year. These entries are flagged for value. At the end of the year it is determined that values were understated by 10 percent. Assuming these three products were imported proportionately throughout the year—that is, product 1, product 2, and product 3 were each responsible for one third of the entire volume imported—a straight pro rata adjustment could be used.

HTS	Original Value	Reconciled Value	Duty Rate	Add'l Duty
7704102050	\$20,000	\$22,000	10%	\$ 2,000
7705203030	\$15,000	\$16,500	5%	\$ 75
7712909030	\$30,000	\$33,000	FREE	\$ 0

In this example, the *actual* costs were 10 percent greater than the *standard* (or estimated) costs declared at entry summary. Since the change is a 10 percent increase across the board, each product's value on the spreadsheet can be increased by 10 percent; therefore, the overall adjustment is prorated against the original imports. This example is not always found in the real world, but it depicts the methodology of computing pro rata adjustments. However, when costs



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

are not proportionately allocated, straight proration would not be feasible. For example, if the product classified under HTS 7704102050 had an assist of \$3,800 that applied only to that product, the \$3,800 increase in value should only be added to that line, not prorated among all three products. In any case, each tariff number for which there are reconciled changes will have its own line on the spreadsheet. Also, if an assist were applicable to product 1, product 2, and product 3, and applicable to different shares of the total imported volume, a weighted proration based on the respective volumes may be a more appropriate method.

Fundamentally, the summarized line item data spreadsheet captures any adjustments that have an effect on reportable data elements declared throughout the reconciliation period *without* reference to the underlying entry numbers. Changes may be broken out into separate lines on the spreadsheet to accommodate the importer's accounting structure. For example, an importer using two separate suppliers for the same product may opt to report the adjustments on two separate spreadsheet lines.

a. No Reconciled Adjustments

Example: If an importer has been importing 100 percent of merchandise *free* of duty under NAFTA and realizes a 10 percent increase in value during the same cost period, he or she must complete a summarized line item data spreadsheet. Even though there was no change to duty, the original values need to be reconciled on the spreadsheet because value is a reportable data element. Specific products for which there are no reconciled adjustments to reportable data elements need not be reported on the spreadsheet. If there are no reconciled adjustments to any products and thus no need to file the spreadsheet, the importer **must** make the following note in the remarks section of the header record: "Spreadsheet is not provided because there are no adjustments to reportable data elements in this Reconciliation."

If no reportable data elements are being made to any of the underlying entry summaries, filers may wish to take advantage of the "aggregate no-change" method of reconciliation described on page 26. This type of reconciliation does not require any duty, tax, or fee information to be transmitted with the header, nor is a spreadsheet required. This allows for a less problematic CBP acceptance of the reconciliation and less work on the part of the filer.

b. Classification Reconciliation Requirements

A Reconciliation of classification or HTS 9802 requires that the summarized data lines be connected to illustrate the respective shift in value from one HTS classification to another. This is necessary to allow potential auditing of the values from the original tariff to the reconciled tariff.

Example: An importer originally declares \$1,000 under HTS 9802 and \$10,000 under HTS 8536 on entry 123. After twelve months, the actual value attributable to the HTS 9802 exemption was determined to be \$2,000. Since HTS 9802 increased by \$1,000, the importer must connect the respective change in value to the dutiable HTS (in this example, HTS 8536). Therefore, the summarized line item data spreadsheet should indicate a reconciled value of \$2,000 under HTS 9802 and \$9,000 under HTS 8536. (See Appendix B for more examples.)



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

c. Statements Required for FTA Reconciliations

Written notices containing the information described below are required—as applicable—for all 520(d) NAFTA claims and must appear on the Reconciliation of NAFTA eligibility. These notices are to be blanket statements pertaining to the entire Reconciliation as an entry, so one copy per Reconciliation will suffice. The statements may be provided as a text box within the spreadsheet or on paper submitted with the Reconciliation header/cover sheet.

- A declaration that the good qualified as an originating good at the time of importation and setting forth the number and date of the (Reconciliation) entry covering the good.
- Notification that the importer of the good did or did not provide a copy of the entry summary or equivalent documentation to any other person. If such documentation was provided, the statement must identify each recipient by name, CBP identification number, and address, and must specify the date on which the documentation was provided.
- A statement indicating whether the importer of the good is aware of any claim for refund, waiver, or reduction of duties relating to the good within the meaning of NAFTA Article 303. If the importer is aware of any such claim, the statement must identify each claim by number and date, and must identify the person who made the claim by name, CBP identification number, and address.
- Notification of whether any person has filed a protest or a petition or request for reliquidation relating to the good under any provision of law; if any action has been filed, the statement shall identify it by number and date.

4. Payment Methodologies and Physical Submission of Reconciliation

If the Reconciliation results in additional monies due CBP, payment may be made by any of the methods used for other entries—check, statement, or automated clearinghouse (ACH). Automated methods are preferable because they allow the filer to choose the actual payment date, which is helpful in calculating interest. In contrast, payments made by check are credited only when processed by CBP; the date of processing cannot be predicted, especially if the check is mailed. Also, check payments are more vulnerable to being lost in handling than are automated payments. If automated payments are used, Reconciliation payments should be made separately from other entries and payments to CBP.

5. Recordkeeping Requirements

Auditable and verifiable financial records must be the basis for any Reconciliation. Accordingly, the importer is required to maintain all records to support the Reconciliation in compliance with CBP record keeping policies. For audit purposes, the importer must also maintain a system of records that links the data in the Reconciliation with the importer's books and records. This documentation is not to be filed with a Reconciliation, but must be available to CBP upon request. Additionally, importers must work with their brokers to keep detailed records of entries flagged. See Requesting Flagged Entry Reports on page 15.

For example, CBP may, for verification purposes, ask the importer to break down a certain HTSUS/country-of-origin line by part number, contract number, and so on, and provide the



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

documentation to support the change made at that level. The importer will have to track the adjustment to the entry if requested by CBP. Census may, in certain circumstances, request that the yearly change for a given HTSUS/country of origin/SPI be broken down to quarterly adjustments in order to capture seasonal fluctuations. The importer must clearly document how the information in the Reconciliation was derived. Supporting documents may include, but are not limited to, the following:

- CBP Form 247—Cost Submission
- Detailed line-level spreadsheets
- Landed cost analysis spreadsheets
- Invoices, purchase orders, and contracts
- Documents supporting apportionment of assists in accordance with 19 CFR 152.103(e)

D. Payments/Refunds

Any additional duties, taxes, and fees owed by the importer must be deposited via check or ACH at the time of *filing* the Reconciliation. Payments must include all interest due. Because the Reconciliation (type 09) is legally an entry summary, the normal ten-day window (between entry date and summary date) to pay duties does not apply.

If the Reconciliation is to be paid via automated statement, the data can be transmitted up to ninety days in advance; therefore, the payment due date can be estimated that far in advance. Once the payment due date is reached, the statement must be paid. As long as the payment due date is less than or equal to the Reconciliation filing date and both dates are within the twenty one-month deadline, the Reconciliation will be considered on time. Refunds that result from a Reconciliation will be issued by CBP within thirty days of the Reconciliation's liquidation. Any interest owed the importer will be included in the refund check. A single refund check will be issued per Reconciliation.

1. Taxes and Fees

The ACE Reconciliation Prototype has changed certain procedures for determining fees. For Entry-by-Entry Reconciliations, all taxes and fees on each entry summary must be adjusted to show the correct amount for that entry summary.

On Aggregate Reconciliations, since monetary changes to individual entry summaries are not reported, adjustments to taxes and fees are reported on the summarized line item data spreadsheet, as follows:

- Taxes and fees applied to individual commodities (e.g., cotton fee, beef fee) will be adjusted by multiplying any increase in dutiable value by the rate associated with the tariff number for the product in question.
- For Harbor Maintenance Tax (HMT), the importer is responsible for determining and declaring the amount owed, based on any increase in dutiable value, for those products that were subject to HMT at the time of original entry summary.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

- For the Merchandise Processing Fee (MPF), the importer is responsible for determining and declaring the proper fee due, based on any increase in dutiable value, at the MPF rate applied to the product at the time of filing the original entry summary. Because there is a maximum assessment of MPF for entry summaries, CBP will use the following formula to set the *maximum* MPF due on an Aggregate Reconciliation:

(\$485 x number of entries covered by the Reconciliation that were subject to the MPF) minus the amount of MPF already paid on those same entries when original entry summary was filed

The maximum MPF is not necessarily what CBP will require as payment. The formula is used to protect importers who have already paid maximum or near-maximum amounts of MPF on underlying entry summaries. Therefore, importers may either calculate MPF using this formula or calculate MPF on an individual entry basis and prorate the change in MPF through the affected lines. CBP may request the MPF calculation from the importer. Importers may discover slight differences in reconciled MPF amounts when they compare MPF calculations for an Aggregate Reconciliation versus an Entry-by-Entry Reconciliation.

SUMMARY OF HOW TO COMPUTE TAXES AND FEES UNDER EACH TYPE OF RECONCILIATION		
TAXES AND FEES	AGGREGATE	ENTRY-BY-ENTRY
Harbor Maintenance Tax (HMT)	Dutiable Value Increase X HMT (0.125%)	On an individual entry basis.
Merchandise Processing Fee (MPF)	\$485 x (# of entries) Minus (total MPF originally paid) -OR- On an individual entry basis.	On an individual entry basis.

2. Determining Interest Due

Interest accrues on all Reconciliations that involve monetary adjustments, whether they are increases or decreases in duties, taxes, and fees. As mentioned, filers must include interest due CBP when filing the associated Reconciliation, and CBP will pay interest due importers upon liquidation of the Reconciliation.

Importers are required to determine the appropriate amount of interest due. Pursuant to 19 USC 1505(c), CBP uses the Internal Revenue Service (IRS) interest rates, published quarterly, to compute the accrual of interest applicable to ordinary entries and Reconciliations. When calculating underpayments of duties, taxes, and fees, the interest rate that was in effect at the time the duties were due for deposit must be used



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

in applying the interest formula. For your convenience, the IRS quarterly interest rates, the actual interest formula, and illustrative examples are posted on the Reconciliation web site:

<https://www.cbp.gov/trade/programs-administration/entry-summary/reconciliation>

a. Interest Due on Entry-by-Entry Reconciliations

Under Entry-by-Entry Reconciliations, the importer must calculate the interest amount due for each entry summary and report these adjustments via the association file. Specifically, interest accrues on underpayments from the date the original duties are required to be deposited to the date the Reconciliation is filed with payment. Interest accrues on overpayments from the date duties are deposited on the entry to the date of (re)liquidation of the Reconciliation.

b. Interest Due CBP on Aggregate Reconciliations

Under Aggregate Reconciliations, the importer must calculate the total amount of interest due using a midpoint date. Specifically, the interest will be calculated from the middle point of the period covered to the filing date of the Aggregate Reconciliation.

Example: An Aggregate Reconciliation filed on February 1, 2014, covering the period of January 1, 2013, through December 31, 2013, results in \$10,000 increased revenue due CBP. Interest is accrued from the midpoint date of July 1, 2013, through February 1, 2014, and is calculated on the principal amount of \$10,000.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Interest Questions	Entry-By-Entry		Aggregate	
	For Increases (Interest Due)	For Decreases (Interest refund)	For Increases (Interest Due)	For Decreases (Interest refund)
May the <u>Midpoint</u> interest calculation be used?	NO. Required to use entry-by-entry calculation based on the monetary changes and dates associated with each underlying entry summary.	NO. Required to use entry-by-entry calculation based on the monetary changes and dates associated with each underlying entry summary.	YES. Required to use midpoint based on the entire amount of adjusted revenue as if they had been done on the midpoint date of the period covered.	Not Applicable. Aggregate may NOT be used for decreases unless the importer chooses to waive all refunds.
May the <u>entry-by-entry</u> interest calculation be used?	YES. Required.	YES. Required.	NO. Midpoint must be used.	Not Applicable. Aggregate may NOT be used for decreases unless the importer chooses to waive all refunds.
What dates are used to compute accrued interest?	From the date duties are due on the entry to the date the reconciliation is filed w/ payment.	From the date duties are deposited on the entry to the date of (re)liquidation. For NAFTA/US-CFTA: from the Reconciliation filing date to the liquidation date of the Reconciliation.	From the midpoint date of the period covered to the date the reconciliation is filed w/ payment.	Not Applicable. Aggregate may NOT be used for decreases unless the importer chooses to waive all refunds.
Who does the actual interest computation?	Importer/Filer	CBP	Importer/Filer	Not Applicable. Aggregate may NOT be used for decreases unless the importer chooses to waive all refunds.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

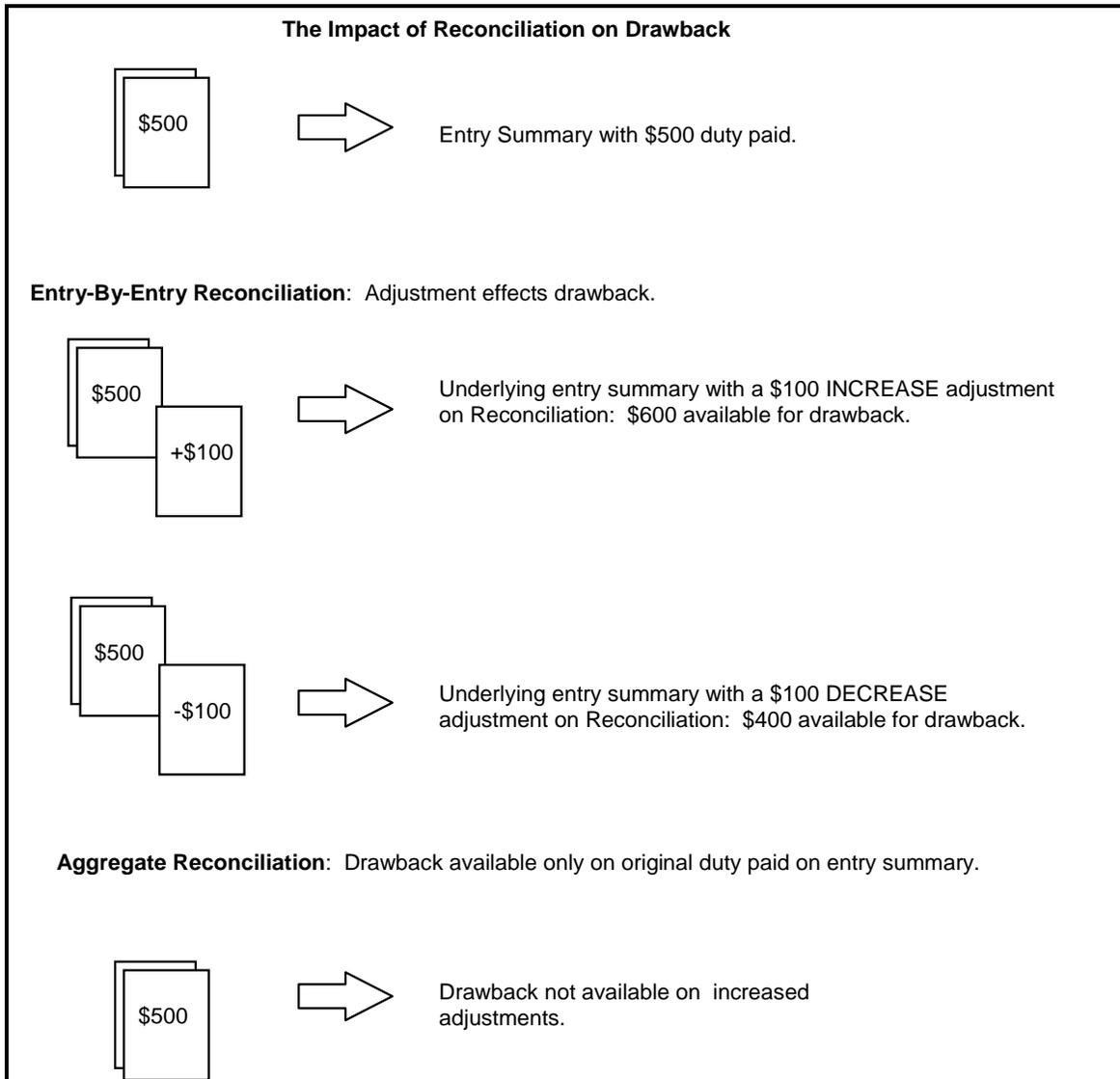
3. Impact on Drawback

CBP will accept no drawback claims on underlying entries until the open Reconciliation flags have been resolved. After the Reconciliation has been filed, drawback may be claimed against the underlying entries and, if appropriate, the reconciled increase on an Entry-by-Entry Reconciliation. In the case of a drawback claim and a Reconciliation refund against the same underlying entries, the importer is responsible for ensuring that a claim for a refund in excess of the duties paid is not filed with CBP and for substantiating how the drawback and Reconciliation refund requests apply to different merchandise.

Drawback is paid on a per-entry basis; therefore, reconciled adjustments filed with aggregate data are not eligible for drawback. As the adjustment made pursuant to an Aggregate Reconciliation is not connected to specific entry summaries, it would be impossible for CBP to ensure that those duties were indeed entitled to drawback, and/or that the duty for which the drawback was claimed had not been previously refunded on the underlying entry summaries.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance



Example: If the duty paid on the underlying entry summary is \$500 and the overall reconciliation increase adjustment is \$100, the \$500 is eligible for a drawback refund. The \$100 is not eligible for a drawback refund. By opting to file an Aggregate Reconciliation, all participants understand that they waive their ability to claim a drawback or transfer drawback rights for the monies paid on an Aggregate Reconciliation.

E. Filing Locations

CBP's Centers of Excellence and Expertise (Centers) have replaced the former thirteen Reconciliation processing ports. While underlying entries may be filed at any port, the Reconciliation must be filed at the Center assigned to the importer by CBP. If an importer is a current participant in the Reconciliation Prototype and they are not a Center participant, then the current Reconciliation processing ports will process the Reconciliation entries, until such time, the importer is assigned to a Center.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

For purposes of filing the Reconciliation at the designated Center, the broker permit requirement is suspended. (Contact your CBP Client Representative for details.) The EDI transmission of the Reconciliation must reflect the appropriate processing Center and respective Reconciliation team on the header record.

F. CBP Acceptance and Processing

CBP will process Reconciliations as any other entry and according to the exceptions contained in this guidebook. Upon review and acceptance of the finalized data, CBP will schedule the Reconciliation entry for liquidation after ensuring the data submitted by the filer meets the requirements described below.

For an Entry-by-Entry Reconciliation, the following amounts should be reported for original duties and taxes:

- If the entry is liquidated, the liquidated amount
- If the entry is not liquidated, the paid/deposited amount

If there is a discrepancy between the underlying entry amount transmitted by the filer and the amount calculated by CBP, CBP will work with the filer to resolve the discrepancy. This may involve requesting copies of cash receipts if supplemental duties were deposited on the underlying entries.

Data contained within the Reconciliation will be handled, controlled, and safeguarded in accordance with the Trade Secrets Act of 1979.

1. Liquidation of Reconciliations

The liquidation of the Reconciliation will be posted to the Bulletin Notice of Liquidation. On matters of dispute, the importer may follow normal protest procedures (pursuant to 19 USC 1514) with regard to any decision pertaining to the liquidation of the Reconciliation.

a. Extension of Reconciliation Liquidation

Liquidation of a Reconciliation entry may be extended for value, 9802, or classification if the importer can substantiate why the outstanding information is not available at the time of the Reconciliation filing deadline or upon CBP initiative. In this case, the Reconciliation must still be submitted, again with the filer's best estimate of the correct data and with any additional duties, taxes, and fees deposited. CBP recognizes that the best estimate may already have been presented on the underlying entry summaries. However, because of the complex nature of filing and rejecting Reconciliations, it is strongly recommended that importers request extensions *only* in extreme cases. Each request for extension will be evaluated and granted by CBP on a case-by-case basis. These requests are governed by 19 CFR 159.12(a)(ii). When such extension is requested, it should be done via a written request provided with the filing of the Reconciliation, and such request should describe the situation in order to show good cause. Include estimated time frame to supply information.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

b. Retransmission of Adjusted Reconciliations

If an importer has been granted an extension and later finalizes the Reconciliation entry, the CBP processing port must be notified in order to reject the 09 (i.e., “best estimate”) Reconciliation entry originally filed. The importer will then retransmit the adjusted Reconciliation. If differences occurred, the complete summarized line item data spreadsheet must be submitted to replace the original spreadsheet. Any additional monies resulting from a retransmitted Reconciliation must be paid via check.

Example: A Reconciliation entry is filed on time with a request for extension pending unresolved data. The data are finally resolved and the importer prepares an adjusted Reconciliation. How should the importer submit the adjusted Reconciliation?

If the original Reconciliation was filed as a no change: The original Reconciliation would have consisted of a header and association file without the summarized line item data spreadsheet. The filer would need to contact the processing port and request a reject on the original Reconciliation, after which the adjusted Reconciliation would be retransmitted and a complete spreadsheet provided. Any payments must be paid via check.

If the original Reconciliation entry was filed as a decrease (Entry-by-Entry) or increase (Aggregate): The original Reconciliation would have consisted of all three components. The filer would need to retransmit (after reject) the adjusted Reconciliation, including the complete adjusted spreadsheet. If the importer submitted an Aggregate Reconciliation with payment, then retransmitted an adjusted Reconciliation requesting a reduction in the amounts that were paid on the original Reconciliation, the adjusted document may still be filed as an Aggregate. However, if the importer filed originally as an Aggregate and retransmitted requesting a refund on the amount paid at time of summary, the retransmitted Reconciliation must be filed as an Entry-by-Entry Reconciliation in order for the importer to claim the refund.

c. Extensions on Continuing Unresolved Classification Issues

For those cases in which classification issues remain unresolved beyond the twenty one-month filing limit (e.g., an ongoing court case), a Reconciliation must still be filed before the deadline and the importer must notify the CBP processing port team that the classification issue remains open. Depending on the circumstances of the issue, the classification Reconciliation may be handled in one of two ways:

- CBP may extend the liquidation of the classification Reconciliation until the matter is resolved, then liquidate as appropriate.
- CBP may liquidate the Classification Reconciliation in accordance with the contested classification. Within ninety days, the importer may file a protest against CBP decision to liquidate the reconciliation. This protest may then be suspended against the issue in question.

d. Extensions on FTA Reconciliations

Importers may *not* extend FTA Reconciliations beyond the twelfth month from date of importation. This twelve-month period allowed for claiming FTA preference is the same as for 520(d) claims.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

e. Liquidation

After CBP has reviewed the Reconciliation and decided to liquidate it, the liquidation will take place within two weeks, similar to “change” liquidations of regular entry summaries. This two-week time frame applies, whether or not the Reconciliation is liquidated with changes. The 314-day liquidation cycle applicable to regular entry summaries does *not* apply to the Reconciliation Prototype.

2. Rejection of Reconciliations

CBP will reject Reconciliations for any changes that need to be made. If a Reconciliation entry is rejected and retransmitted, the filer *must* pay any additional money by check. Payments via automated statement will not be accepted.

If the Reconciliation entry is transmitted complete—that is, no additional documents are required—CBP has thirty days to review and reject it.

Any time a Reconciliation entry is rejected prior to the twelve/twenty one-month deadline, the importer has the remainder of the twelve/twenty one months or thirty days to resubmit, whichever is greater. If the deadline has expired, the importer has only thirty days to resubmit the rejected Reconciliation.

If additional documents are required, CBP will request them via a CBP Form 28, and the importer will again have thirty days to provide the requested documentation. Once the additional documentation is received, CBP will review the submission within ninety days.

If two Reconciliations are filed for the same underlying entry, the second Reconciliation must be filed taking into account changes made to the entry via the first. If the first Reconciliation is in reject status at the time the second is filed, the filer should notify CBP of this fact via the Reconciliation’s comments field. Also, if the filer has not updated the second Reconciliation to correct the problems or omissions that caused the first to be rejected, CBP will reject the second as well, so that the filer can make the necessary updates.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

III. Appendices

Appendix A. Definitions

Absolute Increases

The principle by which changes or adjustments between line items on a given entry covered by the Reconciliation result in an increase or no change in duties, taxes, and fees to the entry as a whole. That is, regardless of decreases on individual lines on entry A, if the whole change for entry A resulted in an increase, the increase is absolute. On the other hand, where entries A and B are covered by a Reconciliation, the Reconciliation would have an absolute increase if both entries have increases or no changes. But if A increased and B decreased, even if A's increase is greater than B's decrease, this is *not* an absolute increase. (See Netting, below.) Only absolute increases are eligible for Aggregate Reconciliations.

Aggregate Reconciliation

A Reconciliation filed with summarized data showing reconciled adjustments at an aggregate level. A list of the affected entries is required, but the revenue change need not be broken out according to individual underlying entries. Aggregate Reconciliations may be used only where all adjustments covered by the Reconciliation result in absolute increases in duties, taxes, and fees. Drawback is not available on the increased/reconciled adjustment.

Entry-by-Entry Reconciliation

A Reconciliation in which the revenue adjustment is specifically provided for each affected entry summary.

Flagging Entries for Reconciliation

Alerting CBP that an entry summary is subject to reconciliation for a defined issue(s). Importers can flag individual entry summaries for reconciliation electronically via EDI (entry-by-entry flagging), which puts an indicator on each entry to be reconciled, or via a written letter that specifies a time period and issue for reconciliation (blanket application), in which case CBP puts an electronic indicator on *all* entries for that period.

Netting

Situations in which increases *and* decreases result at the end of the reconciliation period. In any netting situation, the importer has the option of filing an Entry-by-Entry Reconciliation to account for both the increases and decreases, or dividing the Reconciliation into two pieces—an Aggregate Reconciliation for the increase and an Entry-by-Entry Reconciliation for the decrease.

Reconciliation

The process of allowing an importer to identify certain indeterminable information (other than that affecting admissibility) to CBP and to provide the outstanding information at a later date. Reconciliation also refers to the entry on which the outstanding information is provided.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Underlying Entry Summary

A consumption entry summary flagged for reconciliation.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Appendix B. Frequently Asked Questions

Q: How do I tell CBP of my intention to reconcile?

A: The act of obtaining a Reconciliation Bond Rider will notify CBP of the intention to reconcile. ACE has validations in place which will check for the presence of a valid bond rider

Q: Why is CBP no longer blanket flagging entry summaries for Reconciliation?

A: CBP came to the conclusion that importers should be in control of how and when entry summaries should be flagged. Blanket flagging will still be an option, however, but the importer/filer will have to coordinate with the software provider for EDI transmissions in order to flag their entries using either blanket or individual flagging.

Q: How does Reconciliation flagging work?

A: Reconciliation flags are submitted electronically as part of the EDI header transmission of an entry summary. This flag identifies the indeterminable issue(s) subject to reconciliation. Technical information on the EDI transmission is available on the CBP web site, at <https://www.cbp.gov/trade/programs-administration/entry-summary/reconciliation>. Should an importer wish to flag for reconciliation at a more detailed level (e.g., importer, time period, HTS), the blanket flag is not an option and the entries should be flagged on an entry-by-entry basis.

Q: What are the options for filing a Reconciliation?

A: Entry-by-Entry Reconciliation is available for increases and decreases. This option allows the filer to retain drawback privileges on both the underlying entries and the reconciled adjustment.

Aggregate Reconciliation may be used for increases or no-change reconciliations. Under this option, the filer retains drawback on underlying entries and waives drawback on the increased adjustment.

Q: May I file a Reconciliation for an aggregate decrease?

A: Yes, but you must waive all refunds resulting from the decrease. The decrease is reported *only* on the summarized line item data spreadsheet but is not calculated in the total Reconciliation adjustment. The adjustment on the header page and EDI transmission would show zeros. CBP must have financial safeguards to ensure that it does not refund more than is due. Refunds resulting from change liquidations, drawback, and so on are paid on an entry-by-entry basis. A refund from an Aggregate Reconciliation would not be associated with any entry, so CBP couldn't track whether it had already refunded money for a given entry.



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

Q: How are my drawback privileges affected by Reconciliation?

A: Drawback claims are not accepted on any entry that has been flagged for reconciliation until the Reconciliation is filed.

- If you file Entry-by-Entry Reconciliation, you have full drawback privileges on both the estimated duties paid at time of summary *and* any increased adjustment resulting from the Reconciliation, once the Reconciliation is filed with duties, taxes, and fees deposited.
- If you file an Aggregate Reconciliation, you have drawback privileges on all underlying entries upon filing the Reconciliation. You can never claim drawback on the additional amount you tender with the Reconciliation. For example, if the entered value on the underlying entry is \$1,000 and the overall Reconciliation increase adjustment is \$10,000, the \$1,000 is eligible for drawback once the Reconciliation is filed. The \$10,000 is not.

Q: Once I start flagging entries, how long do I have before I must file my Reconciliation?

A: Reconciliations for issues of value, 9802, and classification must be filed within twenty one (21) months of the earliest summary date. NAFTA/FTA Reconciliations must be filed within twelve months of the earliest import date.

Q: Do I have to wait until the end of twenty one months to file my Reconciliation?

A: No. That's just the maximum time frame. If you have your data together sooner and want to file your Reconciliation at four months, for example, you may do so.

Q: Can an importer file two separate Reconciliations for the same time period--one for increases and one for decreases?

A: Yes. As mentioned above, NAFTA and certain other FTAs Reconciliations have a shorter time frame. They can be submitted separately. As for other issues, two separate Reconciliations may be filed for a time period (i.e., an Aggregate Reconciliation for increases and no-changes, and an Entry-by-Entry Reconciliation for requested refunds). However, a given entry summary must be dealt with only on *one* of the two Reconciliations. The CBP computer system will allow an entry summary to be reconciled *once* for NAFTA/FTA (if NAFTA was a flagged issue) and *once* for everything else (if issues other than 520(d) were flagged).

Q: There are many situations in which the quantity and classification of the merchandise changes after entry, even though I use reasonable care. Why can't reconciliation accommodate this?



ACE RECONCILIATION PROTOTYPE: A Guide to Compliance

- A:** Classification and quantity are two issues that are closely linked to admissibility. CBP is responsible for determining admissibility and cannot allow data changes that occur twenty one months after entry summary to impact its admissibility determinations. In some cases, the value of merchandise can legitimately be indeterminable at time of entry. However, except for those situations (binding ruling request, court action, etc.) in which the construction of law is in question, the physical description and quantity of an item are determinable, as is the actual quantity. For situations in which classification or quantity does change, the importer is advised to follow the Post Summary Correction procedure.
- Q:** Where should I send my Reconciliation entry?
- A:** Importers will no longer be assigned to CBP Reconciliation Ports. Instead, if importers are Center of Excellence and Expertise (Center) members, then Reconciliation entries will be processed at the Center. If an importer is not a participant, then they will be assigned to a Center based on the company's industry.