



CHB EXAM PREP

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tions. 19 USC 1595 is the authority for Part 162.

CUSTOMS DECISIONS, PIPELINES, GUIDELINES, FORMS

Throughout the text, we reference Customs decisions, pipelines, guidelines, procedures and forms. Most of these are available on-line at <http://www.customs.ustreas.gov/>. Many of these documents were published years ago, but they are still applicable and enforceable. All Customs professionals must be familiar with these bulletins.

WHAT THE EXAM COVERS

The following "Highest to Lowest Average Number of Questions by Section" outlines the number of questions by cite in the Regs, Tariff and U.S. Code. As you can see approximately 20-25% of the average exam comes from the General Notes of the Tariff and classification issues. Another 30% is derived from Parts 152, 111, 181, 10, 142, 174 and 141. Another 20% - 25% is derived from Directives, 113, 134, 143, 102, 101/24, 191, 132, 144, 159 and 171. The other 20 - 25% is made-up of one or two questions from parts 4, 12, 18, 127, 19, 161, 162, 173, 146, 163, 172, 133, and 177. Usually only one or two questions are asked from other Parts. To pass, you must know how to classify and be fluent with the valuation regulations (152). You must also be able to quickly identify the Section of the regulations that will confirm your answer. If you have time to re-read, always read the sections that will give you the points. Know them cold.

TERMS OF SALE GENERAL REVIEW

The following Terms of Sale are excerpts from INCOTERMS, and are not all inclusive of terms and conditions. Please consider these only an overview of Terms of Sale. For more complete details on terms of sale, you may want to purchase from ICC Publishing Corporation, 156 5th Avenue, Suite 819-820, New York, NY 10010 Telephone: 212/206-1150 (<http://www.iccwbo.org/index.asp>) one of the following:

INCOTERMS - Publication # 460 - Ask for price and how to order

However, for the exam, the following definitions and illustrations should be sufficient:

**HIGHEST TO LOWEST
AVERAGE NUMBER OF QUESTIONS BY CITE**

SOURCE	Average # of Questions	O04	A04	O03	A03	O02	A02	O01	A01	O00	A00
Classification	19.90	26	13	16	14	22	22	22	23	21	20
152	6.80	4	10	7	6	7	7	7	6	7	7
111	6.00	6	4	6	6	6	6	7	6	8	5
142	3.50	6	4	4	4	3	3	3	4	2	2
181	2.90	1	0	3	4	3	3	4	4	4	3
7 & 10	2.90	1	1	3	4	3	4	4	5	1	3
174	2.60	0	4	2	2	3	3	3	3	3	3
Genl HN	2.60	3	3	2	2	1	2	2	2	5	4
141	2.50	3	2	4	5	2	2	3	2	0	2
113	2.40	4	3	2	2	3	2	2	2	2	2
101 & 24	2.10	3	3	2	1	2	2	1	3	2	2
134	2.00	1	3	2	2	2	2	2	2	2	2
191	1.90	0	3	2	1	2	2	2	3	2	2
19	1.90	0	4	2	2	2	2	1	2	2	2
102	1.90	1	1	2	2	2	2	3	2	2	2
132	1.80	0	2	2	2	2	2	2	2	2	2
143	1.80	1	1	2	2	2	2	2	2	2	2
18/127	1.80	2	2	1	2	3	2	1	2	2	1
144	1.70	0	1	2	2	2	2	2	2	2	2
159	1.60	0	2	1	2	2	2	2	2	1	2
161/162	1.60	0	4	2	3	1	1	0	1	2	2
171	1.40	4	2	3	2	0	0	1	0	1	1
163	1.30	0	1	2	2	1	1	3	1	1	1
133	1.30	1	1	2	2	1	1	2	0	2	1
146	1.10	0	1	1	1	2	1	1	1	2	1
173	1.00	0	1	1	1	1	1	0	2	1	2
172	0.90	0	1	2	2	1	1	0	0	1	1
Directives*	0.90	9	0	0	0	0	0	0	0	0	0
177	0.30	0	0	0	0	0	0	1	1	0	1
114	0.30	0	0	0	0	1	1	1	0	0	0
12	0.30	1	2	0	0	0	0	0	0	0	0
4 & Other	0.30	2	1	0	0	0	0	0	0	0	0
19 USC	0.20	0	0	0	0	0	0	0	1	0	1
158	0.10	0	0	0	0	1	0	0	0	0	0
11	0.10	0	1	0	0	0	0	0	0	0	0
151	0.00	0	0	0	0	0	0	0	0	0	0
147	0.00	0	0	0	0	0	0	0	0	0	0
122	0.00	0	0	0	0	0	0	0	0	0	0
145	0.00	0	0	0	0	0	0	0	0	0	0
175	0.00	0	0	0	0	0	0	0	0	0	0

Note: Exam date is indicated by "A" for April and "O" for October. The year of the exam immediately follows (i.e. A01 = April 01). Data compiled since October 1985; April 1997 not available. Average Number of Question based on last 10 examinations.

* CATAIR, Directives 3550-055, 3550-061

EXW (formerly Ex-Factory) (e.g. ex-mill, ex-mine, ex-plantation, ex-warehouse):

“means that the seller’s only responsibility is to make the goods available at his premises (i.e. works or factory). In particular he is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears the full cost and risk involved in bringing the goods from there to the desired destination. This term thus represents the minimum obligation for the seller.”

Under an Ex-factory transaction, the commercial invoice would only include cost of the product and export packing.

FAS Vessel (named port of shipment) - Free Along Side Vessel

“Under this term the seller’s obligations are fulfilled when the goods have been placed alongside the ship on the quay or in lighters. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment. It should be noted that, unlike FOB, the present term requires the buyer to clear the goods for export.”

The commercial invoice should reflect the FAS vessel transaction by only including cost of goods, export packing, and cost to deliver goods along side vessel.

FOB Vessel (named port of shipment) - Free On Board Vessel

“The goods are placed on board a ship by the seller at a port of shipment named in the sales contract. The risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods pass the ship’s rail.”

The commercial invoice should cover the cost of goods, including export packing and all other costs associated with placing the cargo on board the vessel.

CFR (formerly C&F) (named port of destination) - Cost of Goods & Freight

“The seller must pay the costs and freight necessary to bring the goods to the named destination but the risk of loss of or damage to the goods, as well as of any cost increases, is transferred from the seller to the buyer when the goods pass the ship’s rail in the port of shipment.”

In this type of transaction, the cost of goods, all charges to place the cargo on board and the international freight charges would be included on the commercial invoice.

CIF (named point of destination) - Cost of Goods, Insurance & Freight

"This term is the same as CFR but with the addition that the seller has to procure marine insurance against the risk of loss or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium. The buyer should note that under the present term, unlike the term "Freight/Carriage and Insurance paid to", the seller is only required to cover insurance on minimum conditions (so-called FPA conditions)." Risk under CIF is still the responsibility of buyer.

When invoicing, the exporter's commercial invoice will include values for the cost of goods, all charges involved in placing goods on board vessel, international freight and insurance premiums if insurance is procured. U.S. Customs duty is NOT included.

DDU - Delivered Duty UpPaid (commonly called CIF Delivered) (Named Destination)

DDU means that the seller delivers the goods to the buyer, not cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear the costs and risks involved in bringing the goods to such agreed point, except the risks associated with customs formalities, duties and taxes.

The cost of goods, all charges to place goods on board the vessel, international transportation charges, insurance premiums (if any), and delivery charges to the designated destination within the United States would be included on the commercial invoice. US duty is not included.

DDP - Delivered Duty Paid (commonly called CIF Duty Paid, Delivered) (Named Destination)

"While the term "ex-factory" or "ex-works" signifies the seller's minimum obligation, the term "Delivered Duty Paid", when followed by words naming the buyer's premises, denotes the other extreme--- the seller's maximum obligation. The term "Delivered, Duty Paid" may be used irrespective of the mode of transport."

The cost of goods, all charges to place goods on board the vessel, international transportation charges, insurance premiums (if any), U.S. Customs duty and delivery charges to a particular destination within the United States would be assessed on the commercial invoice.

Subpart C - Powers of Attorney

In this subpart, Customs Form 5291 is frequently referenced. A sample copy of this form is included. A power of attorney is required by a brokerage firm (CR 141.46) and any employee of the importer of record (CR 141.38) who signs documents on behalf of the importer of record. The power of attorney may be limited to specific types of transaction or Customs Form (consumption entries, drawback entries, CF3311, CF 4455, CF 434, endorsement of bills of lading, protests, etc.), in time duration (except powers of attorney issued by a partnership, which can only be limited within the first two years of validity), to specific Customs ports, and to specific employees within a brokerage firm. The power of attorney can be limited or expanded in numerous ways, depending upon the level of trust of and the services required by the importer of record.

A brokerage firm also must issue a power of attorney to designate employees to act as signatories for the brokerage firm on behalf of importers of record, who have issued valid powers of attorney to the brokerage firm (CR 111.3b(1)).

Delegation of power of attorney, by a broker to a sub-agent (another broker) on behalf of the importer, is limited to the appointment of broker's employees (141.43(c)); to agents solely for the execution of shipper's export declarations (SED's) (141.43(a)); and, for non-resident corporations if their original power of attorney to the broker so stipulates, to appoint a resident sub-agents who will also accept service of process.

This subpart is packed with detail, and requires repetitive study.

Subpart D - Quantity of Merchandise to Be Included in an Entry

The general rule is that all merchandise arriving on one carrier consigned to one consignee will be included on one entry (141.51). But as in all of life's situations, this strict rule must be bent to accommodate the realities of importing. Exceptions to this rule may be allowed if the Port Director is satisfied that:

- Import admissibility enforcement efforts are not prejudiced
- The revenue is not compromised
- The efficient conduct of Customs business is not thwarted.

The exceptions allowed under CR 141.52 include:

- when a large shipment is consigned to one consignee, small portions are ultimately for various consignees (procedures are addressed in CR141.54)
- when more than one type of entry is desired for different portions of the shipment (exception under 12.131)
- when one portion of the shipment is being held by Customs for appraisalment.
- when each portion of the shipment is covered by separate bills of lading.
- when more than one class of merchandise requiring the review of more than one Customs commodity specialist.
- when the shipment arrives as a consolidated immediate transportation, a each portion is a separate importation.

Occasionally importers may want one entry for shipments not arriving simultaneously. This is allowed as set forth in CR 141.55 for merchandise moving under one immediate transportation bond, which does not arrive together. CR 141.57 also allows one entry for split shipments if elected by the importer. Customs will also allow one entry for multiple in-bond moves if they meet the requirements under 142.17. They will also allow the filing of one entry summary (CF 7501) for multiple entries (CF 3461's) if these multiple entries meet the requirements of 142.17.

Subpart E - Presentation of Entry Papers

This subpart outlines all of the little details or notations that must be on the entry package documentation. The entry (CF3461) and entry summary (CF 7501) must be prepared on a typewriter, or with ink, indelible pencil or other permanent medium. To augment this subpart you should read the Directives referenced on-line regarding preparation and filing of the CF7501 and the CATAIR. You must have an understanding of the entry and entry summary regulations, process and data elements.

One of the most frequently tested sections of the Regulations is 141.68. Time of Entry is broken down into its various forms. For merchandise entered on a CF3461 (without entry summary), the time of entry will be either:

1. when the appropriate Customs officer authorizes the release of the merchandise or any part of the merchandise covered by the entry (e.g. after examination), or
2. when the entry documentation is filed, if requested by the importer on the entry documentation at the time of filing, and the merchandise has arrived

within the port (e.g. importer needs date of arrival as entry date in order to receive advantageous tariff treatment), or

3. when the merchandise arrives within the port limits, if the documents are submitted before arrival and if requested by the importer on the entry documents at time of submission (e.g. normal pre-file process).

Entry summary for merchandise entered as above, must be filed properly with estimated duties within 12 working days from date of entry (see 142.12b). Since the computation of 12th day filing is complicated by the possibility of a reject, a hand-out reviewing the rules of computation are included in this lesson.

When the entry summary (CF7501) serves as the entry and entry summary, the time of entry will be when the 7501 is filed with estimated duties. Note the merchandise must have arrived within the port limits to file the 7501. When merchandise is released under Special Immediate Delivery Procedures (see Part 142), the time of entry shall be the time the entry summary is filed in proper form with estimated duties attached (which must be within 12 working days from date of release). Identification procedures are primarily used at contiguous border areas and for perishable quota merchandise.

Another frequently tested section is 141.69. The duty rate is set on the date of entry, except in the following cases:

1. Warehouse Entries - the duty rate is set on the date of withdrawal.
2. Immediate Transportation Entries (I.T.) - all merchandise, except quantitative and tariff-rate quota merchandise (defined in Part 132), moved to the port of entry on an I.T., takes the duty rate in effect on the date the I.T. was accepted at the original port of importation.
3. Over-carried merchandise returned to the port of entry within 90 days will be subject to the rate in effect at the time of the original entry.
4. Foreign Trade Zone Admission - Non-privileged merchandise will take the rate in effect on the date of transfer from the zone. Privileged merchandise will take the rate in effect at the time of filing for the privileged status (CR 141.65(a)).

It is recommended that those sitting for the exam repetitively study 141.68 and 141.69.

Subpart F - Invoices

This subpart reviews when and what type of invoice is required at time of entry, and when a bond may be posted for an invoice. Review the details of 141.85 regarding the information required on a proforma invoice as well as 141.86 regarding the contents of commercial invoices. One invoice is sufficient for installment shipments, as long as the installments arrive in the port of entry within 10 consecutive days (141.82(a)). Certain classes of merchandise require additional information either directly on the commercial invoice or as attachment to the invoice or by attaching a form (i.e. Footwear - Detail Worksheet or Cotton Form for Cotton Fabric). Review 141.89 to note the classes of merchandise requiring additional data.

The requirement to use blue or black ink is set forth in Section 141.90(d), and is applied to not only notations on invoices but to the notations made on other entry package documentation.

PART 142 - Entry Process

This part outlines entry and entry summary preparation.

Subpart A - Entry Documentation

Pay particular attention to CR 142.2 and compare to CR 142.12 and CR 141.68. These three sections are highly tested. Under entry procedure merchandise is released upon arrival typically using a CF 3461. Within 10 working days a CF 7501 in proper format including duty payment must be submitted as an entry summary. Under CR 142.2, the CF 3461 is allowed to be filed prior to arrival; however actual release and time of entry on a pre-filing is determined by either time of arrival or release after examination CR 141.68.

Subpart B - Entry Documentation

In years past, this has also been a source of numerous questions.

CR 142.12 and CR 142.13 outline when filing a CF 7501 as an entry and as an entry summary. In the case of absolute quota class merchandise (e.g. textiles, cheese, etc.) and in the case of an importer losing entry privileges for a major breach of bond, a CF 7501 must be filed as an entry/entry summary and acts as both an entry for release and exam purposes and as duty payment summary. CR 142.13(c) closes the loop-hole of a broker filing an entry in their name in order to

circumvent the requirement of an importer who has lost entry privileges to file an entry/entry summary (CF 7501).

One instance in which an importer may lose entry privilege is by late or non-payment of additional duty bills. (CR 142.14). If full payment is not completed within 12 working days from the date of Customs delinquency notice, entry (CF 3461) privileges are lost until all delinquent bills are paid and headquarters advises the ports. It is in the best interest of large importers to occasionally check with the Customs Finance Center in Indianapolis to assure no unpaid bills are listed against their importer number.

When the CF 3461 is filed as an entry and the importer fails to file the prerequisite CF 7501 entry summary in a timely manner (i.e. 12 working days from date of entry), a liquidated damage in the amount required in the case of a single entry bond is required (see CR 113.62) (CR 142.15 and 142.16).

Filing one entry summary (CF 7501) for multiple entries (CF 3461) is allowed (CR 142.17). Port directors may also permit a broker to file consolidated entry summaries under the brokerage name and bond when the shipments are consigned to various consignees (CR 142.17a).

Subpart C - Special Permit for Immediate Delivery

Special I.D. release should not be confused with "entry". In the case of an entry, the duty rate and date for the filing of the CF 7501 as an entry summary are set by the date of entry. In the case of a special permit for immediate delivery (e.g. Special I.D., I.D., I.D. release, etc.) release of merchandise under the importer's bond occurs without setting date of entry. The CF 7501 must be filed within 10 working days and the date filed in proper format is the date of entry (CR 141.69). Special I.D.'s are seldom used in ocean and airport areas. They are common along the Canadian and Mexican borders (i.e. contiguous countries - CR 142.21(a)) and typically used for fresh produce (CR 142.21(b)) and cheese (CR 142.21(e)(2)). Note all rules and regulations regarding special permits for immediate delivery are found in Subpart C and should not be confused with those rules and regulations stated in Subpart A & B which refer solely to the "entry process".

Subpart D - Line Release

Line release is an automated system to release repetitive, low risk shipments at the contiguous borders. Release takes place with a properly coded invoice.

Release may occur as an entry or as a special I.D. Entry date does not occur unless an entry has been used (CR 142.44).

PART 143 - Consumption, Appraisalment, and Informal Entries

This part augments and supports the entry procedures found in 141 and 142, emphasizing automation (i.e. Electronic Entry Filing and Automated Broker Interface), informal entry and appraisalment entry procedures.

Subpart A - Automated Broker Interface (ABI)

Brokers, importers and ABI service bureaus may transmit to and receive data from Customs by using ABI. ABI is a module of the Customs Automated Commercial System (ACS). ABI improves administration efficiency, enhances enforcement of Customs and related laws, lowers costs and expedites release of cargo (143.1). Data transmitted is confidential (143.4).

Subpart B - Appraisalment Entry

Although infrequently used, appraisalment entry procedures have been questioned periodically. The primary focus has been who has authority over which reasons for appraisalment entry (CR 143.11(a)+(b)), when merchandise is not eligible (CR 143.11(c)), and the period within which a warehouse entry may be filed as a substitute (CR 143.16).

Subpart C - Informal Entries

The usual rule is that any shipment not exceeding \$2,000 in value (except textile shipments and other commodities specified in 143.23(d) and merchandise subject to anti-dumping and countervailing duty), may be entered informally (143.21). Informal entry means the merchandise does not require a bond, all duties are paid prior to release of the merchandise and the entry is liquidated at time of entry.

Review 143.21, which specifies when an informal entry vs. a formal entry may be filed. One of the confusing areas is under 143.21(k). Note not all U.S. Goods Returned shipments valued under \$10,000 may be entered informally. Only those returning for repair or alteration, and those which have been rejected and returned by the foreign party for credit may be entered informally under \$10,000 in value.

Also remember the Port Director may require a formal entry in place of an informal for enforcement, revenue or efficiency reasons (143.22).

11. When entry documentation is filed in proper form without an entry summary, the “time of entry” shall be:
- a. The time the appropriate Customs Officer authorizes the release of the merchandise or any part of the merchandise covered by the entry documentation
 - b. The time the entry documentation is filed, if requested by the importer on the entry documentation at the time of filing, and the merchandise already has arrived within the port limits.
 - c. The time the merchandise arrives within the port limits, if the entry documentation is submitted before arrival, and if requested by the importer on the entry documentation at the time of submission.
 - d. Either 1, 2 or 3
 - e. None of the above(Oct 85 - 34)
12. Your entry summary for absolute quota merchandise was entered under an Immediate Transportation entry dated December 29. The entry summary is filed on January 3. You should use the rate of duty in effect on January 3 since the date of the Immediate Transportation entry is disregarded for absolute quota merchandise.
- a. True
 - b. False
- (Oct 85 - 4)
13. Merchandise entered for warehouse is dutiable at the rate in effect at the time the original warehouse entry is accepted.
- a. True
 - b. False
- (Oct 85 - 10)
14. A broker files an entry electronically for fresh squeezed orange juice 48 hours after the merchandise arrives in the US. An electronic release of the merchandise is received from Customs. A paper copy of the entry is never submitted. On the 20th day after the release, the broker files the entry summary. Should liquidated damages be assessed?
- a. No, because entry was filed within 48 hours after arrival of the merchandise.
 - b. No, because the merchandise was released electronically.
 - c. Yes, because the entry summary was not attached to the entry

LESSON 4

- *The Harmonized Tariff Schedules*
- *General Notes to the Harmonized Tariff*
- *General Statistical Notes*
- *Notice to Exporters*
- *CR Parts 7 & 10*
- *Embargo Trade Status*

INTRODUCTION

This lesson reviews Parts 7 (Insular Possessions), Part 10 (Reduced and Duty Free Entry), Part 54 (Certain Importations Temporarily Free of Duty) and the General Notes to the HTS, with reference to some specific HTS Chapter Notes. The General Rules of Interpretation, Section Notes and Chapter Notes will be discussed in Lesson 5. Just as the territory of the United States was defined in Part 101 and in General HTS Note 2, the reduced duty and special trade acts for Generalized System of Preferences (GSP), North American Free Trade Agreement (NAFTA), Automotive Products Trade Act (APTA) and Caribbean Basin Economic Recovery Act (CBERA) or Caribbean Basin Initiative (CBI) are discussed and administrated under both the Regs and HTS General Notes.

THE HARMONIZED TARIFF SCHEDULES

The structure of the HTS includes the General Notes, General Rules of Interpretation and General Statistical Notes in the beginning, which follow a complete Table of Contents by Section and Chapter. Included at the end of the tariff is the Chemical Appendix, Schedule C Country and Territory Codes, International Standard Country Codes (ISO), Schedule D Alphabetic Index to Port Codes, and the Alphabetic Index to the Tariff Schedules. As stated in General Rule of Interpretation 1, the Table of Contents, alphabetical index, and titles of sections, chapters and sub-

chapters are provided for ease of reference only and are not to be used as a legal reference for classification determination.

GENERAL NOTES TO THE HTS

In addition to special duty reductions for Insular Possessions, GSP and CBI countries (which will be covered later in this lesson), the General Notes to the HTS state the rules for applying the rates of duty set out in the tariff.

Duty Rates - General Note 3

The tariff is divided into two rate columns: **Column 1** and **Column 2**.

“**Column 1**” is subdivided into two columns: **general** and **special**.

The “**general**” column provides the rate of duty applicable to all nations under Normalized Trade Relations (NTR).

The “**special**” column provide reduced duty treatment under other trade agreements, except the special treatment for Insular Possessions. The alphabetic codes found in the “special” column refer to the specific trade duty reducing trade agreement. A cross-reference of these codes to agreement are as follows:

A or A*	Generalized System of Preferences
A+	Least Developed Developing Countries (GSP-LDDC)
B	Automotive Product Trade Act
C	Agreement on Trade in Civil Aircraft
CA or MX	North American Free-Trade Agreement (origin Canada/Mexico)
CL	Chile Free Trade Agreement
D	African Growth and Opportunity Act
E or E*	Caribbean Basin Economic Recovery Act
IL	United States-Israel Free Trade Area
J or J*	Andean Trade Preference Act
JO	US-Jordan Free Trade Area Implementation Act
K	Pharmaceutical Products
L	Intermediate Chemicals for Dyes
R	Caribbean Basin Trade Partnership Act
SG	Singapore Free Trade Agreement

Three additional prefix codes are also used, but are not found in the Special Column, since all commodities within the agreements are eligible. These prefixes are outlined in a General Statistical Note (GS Note 3(d)):

W	Products of Puerto Rico Advanced in a CBERA country (see 19 USC 2703(a)(5))
Y	Insular Possessions
Z	Freely Associated States

This note also indicates that “X” is to be used as a prefix with the statistical reporting classification number when entering “sets”.

Two other prefixes are used with classification numbers; however, their usage does not indicate a special duty reduction. These prefixes indicate a special trade agreement involving special textile quota restraints. Both are found in HTS Statistical Notes to Chapters 61 and 62:

G	Made to Measure Suits from Hong Kong
H	Certain garments made with U.S. components and then subjected to special washing process.

“**Column 2**” is the statutory rate of duty, as proclaimed in the Tariff Act of 1930. The rate of duty from this column is now only assessed on those countries which do not have a trade agreement with the United States. (i.e. 2005 -North Korea, Cuba). These countries are commonly referred to under the tariff schedules as “Column 2 countries”. Column 2 treatment for these countries persists because of the Jackson-Vanik amendment to the U.S. Trade Act of 1974, which stated that certain countries may not receive favorable tariff treatment from the United States unless they permit free emigration of their citizens.

Duty Exemptions - General Note 3(e)

General Note 3e outlines the following as not being subject to the provisions of the tariff schedule, meaning that an entry is not required. The exemptions are:

- corpses, together with their coffins and flowers
- telecommunications transmissions
- records, diagrams and other data of companies
- articles returned from space as provided in 484a of TA 1930
- articles exported from the U.S., returned within 45 days and which remained with the carrier or foreign Customs

- certain aircraft parts and equipment

Electricity, currency and securities are not included in this list. They do however have special exemptions but not under this note. See U.S. Chapter Note 27 - 6 for electricity, and U.S. Chapter Note 49 - 2 for currency and securities.

Commingled Merchandise - General Note 3(f)

Commingling articles are goods subject to more than one rate of duty, which are so packed together or mingled that quantity or value of each separate class of article can not be distinguished. Generally, the whole lot will be entered at the highest rate of duty applicable to any part (unless someone wants to segregate, etc.). Commingled merchandise should not be confused with retail sets, which are classified according to the principal of essential character under the HTS General Rules of Interpretation (see Lesson 5).

GENERAL STATISTICAL NOTES (GSN)

The General Statistical Notes follow the General Rules of Interpretation includes definitions of what is considered the country of exportation by the Commerce Department under GSN 1(b)(i) and further states in GSN 1(b)(ii) that anyone who can not provide the actual statistics required under GSN 1(a) of these notes must provide reasonable estimates. The information included in GSN 2 and 4 should not be over-looked and will assist you in understanding the Units of Quantity column in the Tariff.

Also note, the prefixes in General Statistical Note 3(c), which must be used to indicate that a reduced Merchandise Processing Fee is being paid.

NOTICE TO EXPORTERS

Please take note of this section. Customs has asked questions relating to the material written in this section, although it relates strictly to exports.

CR PART 7 & HTS GN 3(a)(iv) - Customs Relations with Insular Possessions & Guantanamo Bay Naval Station

This section has rarely been questioned during the Brokers' exam, but you should be familiar with what is considered Insular Possessions. They include: American Virgin Islands, American Samoa, Guam, Wake Island, Midway Islands, Kingman

CHB EXAM PREP - Lesson 4: Assignment # 3

Instructions to Students: Fill in blanks, using GSP line as guide. If you need assistance, refer to chart following Lesson 4 Assignment Sheet.

Trade Agreement	Abbreviations	Prefix	Tariff Info	Customs Regs	Docs Required	Countries (or location of country list)	Origin Rules, Other Comments
Generalized System of Preferences	GSP	A	GN 4	10.171-10.178	GSP Declaration (10.173)	GN 4(a) & 4(b) for LDDC's	Wholly of or a new or different article; 35% of appraised value must be from originating country to be eligible.
Automotive Products Trade Act							
Agreement on Trade in Civil Aircraft							
US Chile Free Trade Agreement							
North American Free Trade Agreement - Canada							
North American Free Trade Agreement - Mexico							
African Growth & Opportunity Act							
Caribbean Basin Economic Recovery Act							
Folklore							
Made to Measure Suits							
Special Access Program or Regime							
US-Israel Free Trade Area							

CHB EXAM PREP - Lesson 4: Assignment # 3

Instructions to Students: Fill in blanks, using GSP line as guide. If you need assistance, refer to chart following Lesson 4 Assignment Sheet.

Trade Agreement	Abbreviations	Prefix	Tariff Info	Customs Regs	Docs Required	Countries (or location of country list)	Origin Rules, Other Comments
Andean Trade Preference Act (Andean Trade Promotion & Drug Eradication Act)							
US-Jordan Free Trade Area							
Agreement on Trade in Pharmaceutical Products							
Uruguay Round on Intermediate Chemicals for Dyes							
Products of West Bank, Gaza Strip or Qualifying Industrial FTZ							
US-Caribbean Basin Trade Partnership Act							
Outward Processing Program							
US Singapore Free Trade Agreement							
Insular Possessions							
Products of Freely Associated States							

PINEAPPLE	Chapter 53	VEGETABLE FIBER
PITA	Chapter 53	VEGETABLE FIBER
POLYAMIDE	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
POLYCARBAMIDE	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
POLYESTER	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
POLYETHYLENE	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
POLYPROPYLENE	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
POLYURETHANE	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
POLYVINYLCHLORIDE	Chapter 39	PLASTIC
PROTEIN	Chapter 54 or 55*	ARTIFICIAL MAN MADE FIBER
RABBIT	Chapter 51	WOOL/FINE ANIMAL HAIR
RAMIE	Chaptw 53	VEGETABLE FIBER
RAW SILK	Chapter 50	SILK
RAYON	Chapter 54 or 55*	ARTIFICIAL MAN MADE FIBER
SILK	Chapter 50	SILK
SISAL	Chapter 53	VEGETABLE FIBER
SUNN	Chapter 53	VEGETABLE FIBER
TIEBETAN GOAT	Chapter 51	WOOL/FINE ANIMAL HAIR
TRIACETATE	Chapter 54 or 55*	ARTIFICIAL MAN MADE FIBER
TRIVINYL	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
TRUE HEMP	Chapter 53	VEGETABLE FIBER

LESSON 5

TUSSAH SILK	Chapter 50	SILK
VICUNA	Chapter 51	WOOL/FINE ANIMAL HAIR
VINYALAL	Chapter 54 or 55*	SYNTHETIC MAN MADE FIBER
VISCOSE	Chapter 54 or 55*	ARTIFICIAL MAN MADE FIBER
WILD SILK	Chapter 50	SILK
WOOL	Chapter 51	WOOL
YAK	Chapter 51	WOOL/FINE ANIMAL HAIR

* Chapter 54 covers Man Made Filaments, see Note 1; Chapter 55 covers Man Made Fibers, see Note 1

Synthetic: Fibers made by polymerization of organic monomers

Artificial Fibers made by chemical transformations of natural organic polymers

(Note: This information is advisory only and should be used in conjunction with Chapter Notes to the HTS.)

TEXTILE RESTRAINTS

Textile Restraints are the result of the Multi-Fiber Arrangement (MFA) and numerous bi-lateral agreements and uni-lateral actions. These limitations are specific by country and category of textile article, and outline the quantity any country may export to the United States during a specific period. The category is designated by a three digit number found in the Tariff by the item's description. These quantity restrictions are called quotas. Products exported from WTO countries after 12/31/2004 are not subject to these restraints, with the exception of special monitoring of Chinese textile exports. Restraints still apply to non-WTO countries.

A variety of procedures have been instituted by foreign countries to restrain the level of their exports. Some bilateral agreements provide that specific merchandise from a specific exporting country will not be permitted entry into the U.S. unless accompanied by a visa from the country of origin. Other procedures require the seller to obtain an export license or a quota document before the merchandise can be exported or upon proof of exportation.

- a. International transportation and insurance ACTUAL amounts paid may be deducted if included in the invoice price paid. Documentary proof is required.
- b. Any reasonable charge for construction, erection or technical assistance provided after the importation into the U.S.
- c. Any U.S. (domestic) transportation or insurance costs when included may be deducted. Again only actual costs may be deducted. Terms would be DDU or DDP.
- d. Any Customs duties, Federal taxes, U.S. brokerage charges, MPF, HMF paid by foreign party when included (ie terms DDP or CIF Duty Paid). In order to properly calculate the appropriate deduction use the following formula:
 - Start with the Invoice Amount ADD Legal Additions to Value
 - Take Balance SUBTRACT all allowable deductions except duty
 - Take Balance SUBTRACT any SPECIFIC DUTY
 - The Balance at this point equals Entered Value + Ad Valorem Duty
 - To remove AD VALOREM DUTY, DIVIDE Balance by (Duty % + 100%). (note: if the duty rate is 5%, then divide by 105% or 1.05; if duty rate is 12%, divide by 112% or 1.12; if duty is 3%, divide by 1.03)
 - EXAMPLE: Duty rate is \$2 per pair + 12% for a shipment of 100 pairs. Invoice Value after additions and all deductions except duty is \$11,400. Now deduct SPECIFIC DUTY (\$2 per pair or \$200). $\$11,400 - \$200 = \$11,200$; Now remove AD VALOREM DUTY, by dividing the balance (\$11,200) by the rate of duty plus 100% (112%). $\$11,200 / 1.12 = \$10,000$ which is the entered value.
 - REMEMBER: DIVIDE AND CONQUER!
- e. Interest Charges - whether or not included in the price actually paid or payable at time of importation, should not be considered part of the dutiable value provided the following criteria are satisfied:

Certified Recordkeepers

- a. Certified recordkeepers are persons with valid, recordkeeping systems certified by Customs under a recordkeeping compliance program.
- b. Penalties for first-time negligent violations by certified recordkeepers for violations of the recordkeeping compliance program will consist of a formal notice of violation issued by Customs to the certified recordkeeper,
- c. Repeated violations may cause suspension from the recordkeeping compliance program, revocation of program certification, summons of records, contempt of court actions, and Customs importing sanctions. Additional actions can include penalty actions defined above for non-certified recordkeepers.

PROTEST - Part 174

Effective for all merchandise entered or withdrawn from warehouse for consumption on or after 12/18/2004, the time has been extended from 90 to 180 days from date of liquidation. (Part 174, 19 USC 1514, Section 514 of the T.A. of 1930, and P.L. 108-429). Customs Form 19 must be used.

A protest is used for issues involving classification, valuation or construction of the law (i.e. mistake of law). A protest may be filed for entries made on or after 12/18/2004 for the following issues: clerical error, mistake of fact, inadvertence,

If the issues involved in the protest may be denied by the Port, a request for further review should be made at the time the protest is filed. This is accomplished by checking the "further review request" box on the protest form (CF 19). A request for accelerated disposition may be filed concurrently with or anytime after the filing of the protest. If Customs fails to allow or deny within 30 days from date of the request for acceleration, the protest is deemed denied (CR 174.22).

A protest may be amended any time within the period allowed to file the protest (90 or 180 days) from date of liquidation. Only issues involved in a re liquidation may be considered in a protest filed against reliquidation date (CR 174.16).

If the protest is denied, a case may be filed a civil action in the U.S. Court of International Trade within 180 days from the mailing of the notice of denial or the date a protest under accelerated disposition is deemed denied (CR 174.31). Only issues involved in the denied protest may be considered in such a case.

Definitions:

Clerical error: is a mistake made by a clerk or other subordinate, upon whom devolves no duty to exercise judgment in writing or copying the figures or in exercising his intention. (CR 162.71)

Mistake of fact: exists when a person understands the facts to be other than they are, or when some fact which indeed exists, is unknown, or a fact which is thought to exist, in reality does not exist. (CR 162.71)

Inadvertence: arises variously as an oversight or involuntary accident, or the result of inattention or carelessness, and even as a type of mistake.

Mistake of law: occurs when the facts are known, yet their legal consequence is unknown or perceived mistakenly.

ADMINISTRATIVE REVIEW - Part 173

Administrative Review (Part 173) is a non-formal procedure (no form is utilized). Four types of administrative review petitions are allowed and should not be confused with formal protest under 19 USC 1514 (514 of the Tariff Act of 1930 amended):

1. Under 501(a) of TA, U.S. Customs may re liquidate **within 90 days from date of liquidation** to make a correction adverse to the government.
2. Under 520(a)(4), an importer may file an administrative review letter **prior to liquidation** for a refund, if due to a clerical error, mistake of fact or inadvertence occurred.
3. Under 520(d), an importer may file for a reliquidation with refund of excess duties paid on a NAFTA entry within one year from **date of importation**.
4. 520(c)(1) allows an importer to file an administrative review letter for clerical error mistake of fact or inadvertence up to one year from date of liquidation for entries made prior to 12/18/2004. Effective with entries on or after 12/18/2004, 520(c) was repealed by P.L. 108-429.

ADMINISTRATIVE REVIEW vs PROTEST

ADMIN REV: **501 or 19 USC 1501 - see CR 173.3**

Who Initiates: Port Director

Time Frame: Within 90 days of liquidation or reliquidation

Reason: Errors in appraisalment, classification or any other element.

PROTEST: **514 or 19 USC 1514 - CR 174**

Who Initiates: Importer or consignee or their sureties; any person paying any charge or exaction; any person seeking entry or delivery; any person filing a drawback claim; any authorized agent of any of the above persons.

Time Frame: Entries made prior to 12/18/2004 - 90 days after date of liquidation or reliquidation, date of decision, date of mailing of notice of demand to a surety for payment against a bond.

Entries on or after 12/18/2004 - 180 days

Reason: Appraised value; classification, rate and amount of duties; charges or exactions of whatever character; exclusion of merchandise from entry or delivery; liquidation or reliquidation; refusal to pay drawback claim; and for entries on or after 12/18/2004 clerical error, mistake of fact or inadvertence.

Form: Customs Form 19

ADMIN REV: **520(a)(4) or 19 USC 1520(a)(4)- CR 173.4a**

Who initiates: Port Director, but importer may file request.

Time frame: Prior to liquidation

Reason: To allow for a refund prior to liquidation when a clerical error resulted in a deposit or payment of excess duties, fees, charges or exactions.

ADMIN REV: 520(c) or 19 USC 1520(c) - CR 173.4

Who initiates: Importer

Time Frame: Entries made prior to 12/18/2004 - Within 1 year from date of importation. Entries made on or after 12/18/2004 - fall to 514. P.L. 108-429 repeals 520(c) provisions for entries on or after 12/18/2004.

Reason: Clerical error, mistake of fact or inadvertence.

ADMIN REV: 520(d) or 19 USC 1520(d) - CR 181.31

Who initiates: Importer

Time Frame: Within 1 year from date of importation

Reason: Failure to claim for NAFTA status at time of entry.

PENALTIES vs. LIQUIDATED DAMAGES

Penalties are monetary penalties against a party who has violated a law. The three levels of culpability, negligence, gross negligence and fraud, are defined in 19 USC 1592 (also see CR 171 Appendix B). The penalties for each level are outlined in CR 162.73 (also in CR 171 Appendix B and 19 USC 1592).

Liquidated damages are monetary settlements incurred due to the breach of a contract, as in the case of the surety bond.

Penalties - Part 171

Application for Relief of Penalties

Petitions For Relief. 19 CFR 171.1 states that petitions for remission or mitigation of a fine, penalty, or forfeiture incurred under any Customs-administered law must be addressed to the Fines, Penalties, and Forfeitures (FP&F) officer designated in the notice of claim.

In addition, 19 CFR 171.1 states that in a seizure case, a petition for remission or mitigation must set forth proof of a petitionable interest in the seized property, as well as the information already required under the current regulation.

Quiz to Sections 161, 162, 163, 171-177 (25 questions - 50 minutes)

1. A consumption entry is liquidated on June 20, 2004. On July 30 of the same year, the entry is reliquidated to correct a clerical error in extension of certain invoice items. Protest of the rate and HTS item number must be filed:
 - a. Within 90 days from July 30
 - b. Within 90 days from June 20
 - c. One year from July 30
 - d. One year from June 20

2. The Port Director may review any entry summary in which fraud is suspected. Where probable cause to believe there is fraud exists the maximum time, after the date of liquidation or last reliquidation, during which an entry summary may be reliquidated is _____.
 - a. 90 days
 - b. 1 year
 - c. 2 years
 - d. 5 years

3. As agent for an importer, you filed a consumption entry of non quota merchandise on March 1. You submitted an entry summary with estimated duties attached on March 8. The entry was liquidated on April 30, and a bulletin notice of liquidation was posted on May 3. On August 15 of the same year, you received a letter from the same importer transmitting documents relating to another importation of identical merchandise. The letter points out that Customs increased the appraised value of the shipment covered by the March entry by adding an amount representing the apportioned value of an assist. The importer is unhappy about the increased valuation of the importation and asks whether you can do anything about it. Under the circumstances, you may:
 - a. take no further action with respect to the March entry; the liquidation is final.
 - b. protest the decision of the port director concerning the appraised value of the merchandise covered by the March entry under the provisions of section 514, TA of 1930 as amended.
 - c. procure reliquidation of the March entry pursuant to section 520(c), TA of 1930, as amended, in correction of an inadvertence which does not amount to an error in the construction of a law, is adverse to the importer, and is manifest from record.

- d. bring about voluntary reliquidation of the March entry by the port director under the provisions of section 501, TA of 1930 as amended to correct an error in appraisement.
4. Which of the following items need not necessarily be contained in a protest:
- a. name and address of protestant
 - b. entry number
 - c. date of liquidation of the entry
 - d. description of the merchandise
 - e. value of the merchandise
5. Your client has been issued a Liquidated Damages notice in the amount of \$45,000 for failure to redeliver merchandise to Customs custody within 30 days of demand. Which of the following actions should you advise him to take to properly petition for relief?
- a. Address and file the petition, on CF19, with the Commissioner of Customs, Washington, D.C. within 90 days from the date of mailing of the notice.
 - b. Address the petition to the Commissioner of Customs and file same, in duplicate, with the Fines, Penalties & Forfeiture officer who issued the penalty, within 60 days from the date of mailing of the notice.
 - c. Submit an original only, a petition for relief to the Regional Commissioner of Customs who has jurisdiction over the port where the Liquidated Damages case was issued, within 45 days after receipt of the notice.
6. If the port director fails to allow or deny a protest which is the subject of a request for accelerated disposition within 30 days from the date of mailing of such request, the protest is deemed to have been approved at the close of the 30th day following such date of mailing.
- a. True
 - b. False
7. In response to a specific request for a ruling, the Headquarters Office or appropriate office of Customs will issue a ruling letter on the subject. The letters that are felt to have particular value or interest are printed in the Customs Bulletins and thus are called "Published Rulings."
- a. True
 - b. False

8. Anyone who furnishes (except Customs employees) information concerning any fraud upon the Customs Revenue or a violation of the Customs or navigation laws perpetrated or contemplated will:
- a. receive an award of compensation of \$25,000
 - b. receive an award of compensation of 25 per centum of the net amount recovered from duties withheld, or any fine, penalty, or forfeiture incurred not to exceed \$25,000
 - c. receive an award of compensation of 25 per centum of the net amount recovered from duties withheld, or any fine, penalty, or forfeiture incurred including proceeds of sales not to exceed \$250,000
 - d. receive an award of compensation of 25 per centum of the net amount recovered from duties withheld, or any fine, penalty, or forfeiture incurred not to exceed \$250,000.
 - e. receive an award of compensation of 50 per centum of the net amount recovered from duties withheld, or any fine, penalty, or forfeiture incurred not to exceed \$250,000.
9. The port director may reliquidate on his own initiative a liquidation or reliquidation to correct errors in appraisement, classification, or any other element entering into the liquidation or reliquidation, including errors based on misconstruction of applicable law within 180 days from the date of notice of the original liquidation is given to the importer, consignee or agent.
- a. True
 - b. False
10. An entry for fabric was liquidated on April 13. On June 14, it was reliquidated for an incorrect classification and rate of duty. On July 29 of the same year, the importer noted that the cutting lines on the fabric meant that it could be classified at an even lower rate of duty. In this case, the most correct action to take is to:
- a. request a reliquidation under Section 501, TA 1930
 - b. protest the original liquidation of April 13 under Section 514, TA of 1930
 - c. protest the reliquidation of June 14 under Section 514, TA 1930
 - d. do nothing since the time limits for reliquidation have expired.

11. A Customs broker misreads the Tariff Schedules and enters an item at 10 per cent rather than 0.1 cent per pound duty rate. As a result, there is a significant overpayment of duties. The entry, dated 12/23/2004, is liquidated no-change on 1/10/2005. On 5/19/2005 the broker is notified of the error by his client. What is the appropriate remedy?
 - a. reliquidation under Section 514, TA 1930
 - b. reliquidation under Section 501, TA 1930
 - c. administrative refund under 19 USC 1520 (a)(4)
 - d. reliquidation under Section 520(c)(1), TA 1930
 - e. accelerated disposition

12. Which of the items listed below may not be the subject of a protest under Section 514 of the Tariff Act of 1930, as amended, for entries made on or after 12/18/2004?
 - a. the appraised value of merchandise
 - b. the tariff classification ruling issued by Customs
 - c. the refusal to pay a claim for drawback
 - d. mistake of fact
 - e. none of the above

13. Protests must be filed within ninety (90) days of the date of liquidation or reliquidation if the entry was made on or after 12/18/2004.
 - a. True
 - b. False

14. A protest may cover only one entry.
 - a. True
 - b. False

15. A protest may be amended at anytime prior to the expiration of the 180 day period within which such protest may be filed, if the entry was made on or after 12/18/2004.
 - a. True
 - b. False

LESSON 10

- *Drawback Entries - CR 191*

INTRODUCTION

In general the most important Parts of this lesson are 127, 158 and 191. The other parts have not been highly questioned in the past; however, the recent exams did include a question from Parts 4 and 122. Also review any sections that include manifesting and entry requirement regulations. Now would also be the time to review Customs Informed Compliance Publications, Directives and the CATAIR.

DRAWBACK ENTRIES - CR 191

Drawback is the recovery of 99% of duties and/or 100% of taxes paid to U.S. Customs upon exportation within the statutory time period. Duties subject to drawback recovery include: ordinary duties and marking duties. Drawback does not apply to harbor maintenance fees and merchandise processing fees, except on unused merchandise drawback. Drawback does not apply to countervailing duties and antidumping duties.

There are three major commercial types of drawback: manufacturers, unused merchandise and rejected merchandise. The general particulars are as follows:

Manufacturers Drawback:

If an article is exported from the United States, which includes a foreign duty-paid component, 99 % of the duty paid can be recovered upon submission of proof of duty payment, proof of export and a claim for drawback (a drawback entry) using Customs Form 7551. The foreign component must undergo a manufacturing or assembly process within 3 years from date of receipt at the factory in order for duties to be claimed under manufacturer's drawback. The manufactured product must be exported within 5 years of importation of the component, and the drawback claim must be filed within 3 years from the date of exportation. If the party filing the claims wishes to accelerate the drawback payment from Customs made against unliquidated consumption entries, they must apply for accelerated payment and post a bond (Erroneous Drawback Bond - See Chapter III) with the drawback claim.

Unused Merchandise:

If a foreign duty paid article will be exported from the United States or destroyed under Customs supervision, and has not been used or changed while in the United States, a claim for 99% drawback on duty, and MPF and HMF paid on the article can be claimed. Customs Form 7551 is used for Unused Merchandise recovery. An intent to export or destroy (CF 7553) must be filed with U.S. Customs at least 2 days prior to exportation, so Customs may supervise the exportation or destruction if they so desire.

Customs may waive examination at time of exportation. The article must be exported within 3 years from date of original importation. For those parties having a large volume of Unused Merchandise drawback entries, a waiver of prior notice can be established with Customs to eliminate the filing of the CF 7553 prior to exportation. Accelerated duty on unliquidated consumption entries requires the filing of an application for accelerated payment and an erroneous drawback bond.

Companies filing unused merchandise drawback using direct identification method can file drawbacks on exports to U.S. insular possessions. Direct identification drawback requires a direct match of an export to an import using a lot number or serial number, or through the use of an acceptable drawback accounting methodology.

Rejected Merchandise Drawback:

If a foreign duty paid article was shipped without the consent of the importer or does not meet specification after release from Customs custody, Rejected Merchandise Drawback (99% of original duty paid) may be claimed with the filing of Customs Form 7553. The advantage of rejected merchandise drawback over unused merchandise drawback is that it allows for use of the merchandise after importation. The provision allows for drawback on articles returned for any reason following a retail sale. The importer of the retail merchandise does not need to prove that the merchandise was defective at the time of importation.

The goods must be either exported or destroyed under Customs supervision. The articles must be returned to Custom custody within 1 year from date of original release.

Substitution drawback is also allowed, so long as the import claimed is for the same style or part number.

Accelerated duty on unliquidated consumption entries requires the filing of an erroneous drawback bond.

Liquidation:

For drawback claims paid under accelerated payment, the liquidation represents the final disposition of the drawback claim. In the case of the drawback claims file un-accelerated, the liquidation will trigger the payment of the claim within 90 days. Drawback claims, assuming the underlying import entries have liquidated, will liquidate as a matter of law one year from the date of filing.

Recordkeeping Requirements:

Drawback records must be kept 3 years from date of payment.

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Quiz - Sections 4, 112, 115, 122, 123,125, 127, 158 & 191

Includes Extensive Review Question (58 questions - 2 hours)

1. Merchandise shall be considered general order merchandise when it is taken into custody of the Port Director and deposited in the public stores or a general order warehouse at the risk and expense of the consignee for which of the following reasons.
 - a. Whenever entry is incomplete because of failure to pay estimated duties
 - b. Whenever the Port Director believes that any merchandise is not correctly or legally invoiced
 - c. Whenever, in the opinion of the Port Director, entry cannot be made for want of proper documents or other causes.
 - d. All of the above
 - e. Only a and b (Apr 86 - 84)

2. When merchandise has been lost, stolen, or suffered damage by fire or other casualty while in transportation under bond, an allowance for duty may be made. An application for such an allowance is made on a:
 - a. CF 4315
 - b. CF 4455
 - c. CF 4607
 - d. CF 6431 (Oct 87 -91)

3. Merchandise which is subject to ad valorem or compound duties and found by the port director to be partially damaged at the time of importation shall, in all cases, be appraised in its condition as imported, with an allowance made in the value to the extent of the damage.
 - a. True
 - b. False (Apr 86 - 25)

4. Unused merchandise drawback shall be allowed on imported merchandise if exported or destroyed within _____ years(s) from date of importation.
 - a. 1 year
 - b. 3 years
 - c. 5 years (Oct 85 - 68 rev)

In questions 5 through 9 the answers will be one of the following types of Customs entry vehicles. Match the entry type with the correct description. Be sure to record your selection on your answer card.

a. Warehouse Entry

b. Transportation and Exportation Entry

c. Temporary Importation Under Bond (T.I.B.)

d. Carnet

e. Immediate Transportation

5. Serves simultaneously as a Customs entry document and as a Customs bond.
6. May be used for any merchandise, other than explosives and prohibited merchandise, which is in transit through the United States and shown to be destined for a foreign country.
7. May be used for articles to be repaired, altered or processed as long as all articles are exported or destroyed.
8. May be used for quota merchandise when the quota is full and exportation is not feasible.
9. May be used to forward imports from a coastal port of entry to an inland port of entry without making an entry for consumption.(Apr 88 - 72-76)

10. The Air Commerce Regulations are available for public use, printed in:
- a. The Federal Register
 - b. The Customs Bulletin
 - c. The Customs Regulations
 - d. Any air carrier's published schedule(Oct 88 - 35)

Questions 11-12 are based on the following paragraph:

PDQ Brokers received a call from a client, PHD Imports, regarding the processing of a shipment of furs valued at \$20,000. PHD wants to buy furs now owned and in the possession of Bearskin, Ltd., in Montreal, Canada and sell them to a firm in London, England, shipping immediately by air from New York.

11. If the furs are transported by air from Montreal to New York, the entry of choice in New York is:
- a. Transportation and Exportation (T&E)
 - b. Immediate Transportation (IT)
 - c. Immediate Exportation (IE)
 - d. A warehouse entry in New York, and a subsequent withdrawal for exportation
12. To file one of the above mentioned control entries, the documentation required by Customs will be the:
- a. CF 7501
 - b. CF7512
 - c. CF7506
 - d. CF3461 and CF 7501 (Oct 88 - 59 &60)

13. A drawback payment shall be allowed on any imported merchandise which is exported regardless of its condition as imported, or destroyed under Customs supervision and not used within the United States before such exportation or destruction if the merchandise is exported or destroyed before the close of the time period shown below:
- a. a 3 year period beginning on the date of exportation
 - b. a 5 year period beginning on the date of examination and release (more ans. next page)
 - c. a 3 year period beginning on the date of entry
 - d. a 3 year period beginning on the date of importation (Oct 85 - 79 rev)
14. An unused drawback entry must be filed with Customs at least five working days prior to the date of intended exportation.
- a. True
 - b. False (Apr 86 - 65)
15. The Port Director may approve a blanket application to manipulate goods in a warehouse for:
- a. Up to one year
 - b. Up to two years
 - c. Up to five years.
 - d. Any length of time, with the consent of the warehouse proprietor.(Oct 88 - 23)
16. A well known computer company enters four articles with a T.I.B. under 9813.0030. Total value of the articles is \$5,000, and normally would be dutiable at 23%. The bond for the TIB entry should be in an amount equal to:
- a. \$1150
 - b. \$6150
 - c. \$2300
 - d. \$7300 (Oct 85 - 72 amended)

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17. A shipment of bicycles has been received. The shipment consists of 1000 bicycles, valued at \$350.00 each. Net weight of the bicycle, complete without accessories, is 38 lbs. Both wheels are 27" in diameter and the cross diameter of the tires is 1 5/8". What is the correct classification:
- a. 8712.00.15
 - b. 8712.00.25
 - c. 8712.00.35
 - d. 8712.00.44 (Oct 85 - 77 amended)
18. Which of the following importations cannot be entered under the informal entry procedure:
- a. Merchandise valued at \$950 classified under HS chapter 48
 - b. U.S. Goods valued at \$9000 entered under HS 9801.00.1025
 - c. Merchandise valued at \$300 and classified under Section XI
 - d. A shipment consisting of Section XV valued at \$600 and Section XI merchandise valued at \$200. Total value of the shipment is \$800. (Oct 85 - 43 amended)

The following paragraphs refer to questions 19 and 20:

Bellows Heating and Cooling Ltd., a manufacturer of wood-burning stoves, fireplaces and accessories, located in Toronto, Canada, conditionally agrees with Hot Stuff Industries of Cincinnati, Ohio to produce and sell to Hot Stuff at U.S. \$65.00 each, specially designed ductwork to be used when Hot Stuff installs stoves at its customer's premises. The conditions are that Hot Stuff provide free of charge a detailed set of blueprints produced by its own U.S. research and development department, valued at \$2500, and a set of used forming dies valued at US\$7500 for use in producing the ductwork on Bellows' own press. You now have finished ductwork, 250 units, showing the purchase price to be \$65 each, a cost that does not include the value of the blueprints or the forming dies.

One week after this importation, you receive entry invoices reflecting a sale of 1,000 pieces at US \$75.00 each of identical ductwork from Bellows Heating and Cooling Ltd., to another unrelated purchaser, Arctic Enterprises, in Pittsburgh, PA. Upon inquiry, you have ascertained that the U.S. blueprints and dies previously supplied by Hot Stuff Industries were used to produce the merchandise. Arctic Enterprises has already paid Bellows in full for this shipment, as evidenced by a canceled check in the amount of \$75,000. None of the parties involved in either transaction are related with the scope of section 402(g), Tariff Act.

19. Based on the preceding information, how should the cost or value of the blueprints be handled for valuation purposes?
- They are to be added to the purchase price in the Hot Stuff sale, but not added in the Arctic sale.
 - They are to be added in the Arctic sale, but not added in the Hot Stuff sale.
 - In both cases, they are added to the purchase price.
 - In both cases, they are not added to the purchase price.
20. Referring to the previous question, how should the forming dies be handled for valuation purposes?
- They are to be added to the purchase price in the Hot Stuff sale, but not added in the Arctic sale.
 - They are to be added in the Arctic sale, but not added in the Hot Stuff sale.
 - In both cases, they are added to the purchase price.
 - In both cases, they are not added to the purchase price. (Oct 85 - 52&53)
21. In regard to transaction value, as of what date is currency conversion to be made?
- Date of exportation
 - Date of order
 - Date of commercial invoice
 - Date of importation (Oct 85 - 75)
22. Company A manufacturers highly ornamented cotton blouses in China. It sells them to Company B, a trading firm in South Korea. They are sold to Company C in Canada. Company C adds a red trim to the edge of each cuff and sells the blouses to the Canadian and U.S. markets. A breakdown of the costs is included with the entry documents:

Blouses FOB Peking China	\$14.00 ea.
Handling, packing in S. Korea	1.50 ea.
Trim work, in Canada	.75 ea.
Total invoice value	\$16.25 ea.

The country of origin of the cotton blouses imported into the US is:

- a. China
 - b. South Korea
 - c. Canada
 - d. Cannot be determined (Oct 85 - 49)
23. Funds a broker receives from a client for duties, taxes or other debt due to the government must be paid to the government:
- a. On or before the date due, or if received after the due date shall be transmitted to the Government within 5 working days.
 - b. On or before the date due, or if received after the due date shall be transmitted to the Government within 5 days.
 - c. Within 5 days from the date of receipt or date due whichever is later.
 - d. At any reasonable time limit as long as "due diligence" has been exercised.
 - e. Within 60 days from the date of receipt. (Apr 86 - 37-amend)
24. What alternative is available to an importer if absolute quota merchandise is imported and the quota has already been filled for the period?
- a. Warehouse it
 - b. Export it
 - c. Destroy it
 - d. Foreign Trade Zone
 - e. All of the above (Apr 86 - 38)
25. Your client, A&G Electronics Co., Chicago, IL, imported 100,000 electronic ferrite cores from Japan. The merchandise arrived in the United States on January 13, and was released from Customs custody at a duty rate of 5.2% ad valorem. In addition, you were advised by Customs that an anti-dumping duty of 7% of the FOB value of the merchandise is also applicable. The entry was accepted by Customs on January 17. On January 21 the importer called to advise you that the merchandise did not meet certain performance specifications which were agreed upon by the importer and manufacturer in the purchase contract. The importer returned the merchandise to Customs custody on January 25. On January 28, you filed a drawback entry on behalf of A&G Electronics under Section 313(c) TA. The drawback entry was accepted and approved by Customs on that day.

What is the amount of drawback duty that can be refunded?

- a. no drawback can be obtained since the merchandise was subject to dumping duties
 - b. 99 percent of the entered value only
 - c. 99 percent of the dumping duty only
 - d. 99 percent of the ordinary duty only (more ans. on next page)
 - e. 99 percent of the total duty paid(Apr 86 - 73)
26. An importer purchased machine parts from Korea to be shipped to Seattle, WA. As part of the purchase agreement, the shipper agreed to pay inland freight from his factory to the pier at the port of export. The buyer agreed to assume title to the merchandise when it was placed on the pier for loading on the ship and to assume all ocean transportation risks. Further, he would pay all costs and fees associated with U.S. Customs clearance and pay all expenses in transporting the parts to his warehouse. These negotiated terms of sale are described as:
- a. FOB
 - b. FAS
 - c. CIF
 - d. Ex-factory (Oct 88 - 39)
27. The person in whose name merchandise is withdrawn from a bonded warehouse shall be considered the importer for drawback purposes. A certificate of delivery is required covering prior transfer of merchandise while in a bonded warehouse.
- a. True
 - b. False (Apr 86 - 63)
28. Which of the following actions would preclude previously imported duty paid merchandise from being eligible for unused merchandise drawback?
- a. testing
 - b. cleaning
 - c. assembly
 - d. repacking
 - e. inspecting (Oct 86 - 56)

29. How long after the date of exportation does a claimant have to file a complete unused drawback claim?
- a. 90 days
 - b. 1 year
 - c. 2 years
 - d. 3 years
 - e. 4 years (Oct 86 - 19)
30. Which of the following is not true about drawback?
- a. The exported item must always be the item actually imported
 - b. It applies to merchandise exported from continuous Customs custody
 - c. Records must be retained for at least three years after payment of drawback claim.
 - d. In certain situations, drawback claims are allowed for merchandise transferred to a foreign trade zone from Customs territory. (Oct 86 - 55)
31. On January 7, 1998, 5000 cameras were exported from the Federal Republic of Germany. Their date of importation was January 28, 1998. Duty paid was \$10,000 and the entry was liquidated as entered on March 4, 1998. On January 29, 2000 these cameras were exported to England under Customs supervision and verified to be unused and in the same condition as imported. On September 12, 2000, the importer filed a drawback claim. He can expect to have his claim.
- a. rejected for untimeliness
 - b. rejected because the cameras were not returned to the country of exportation
 - c. accepted, with a refund of \$9000
 - d. accepted, with a refund of \$9900
 - e. accepted, with a refund of \$10,000 (Oct 86 - 38)

32. Classify (to the 4-digit HS heading) the following item imported into your port directly from Canada and indicate whether or not it is eligible for FTA treatment. Canada exported frozen chicken cutlets, made from live chickens from France.
- a. Classifiable under 0105, FTA allowable
 - b. Classifiable under 0207, FTA allowable
 - c. Classifiable under 0105, FTA not allowable
 - d. Classifiable under 0207, FTA not allowable (HQ quiz-amend)
33. Quota priority and status are determined by what date?
- a. the date of importation of imported merchandise within the Customs territory of the United States.
 - b. the date the entry for immediate transportation (IT) is signed by a Customs officer
 - c. the date of presentation of the entry summary for consumption at the port where entry is to be made
 - d. the date the merchandise departed the country of origin (Oct 86 - 18)

Match each of the following terms (34-38) with the most appropriate definition (a-e) listed below. Each definition may be used only once.

- a. Does not include withdrawals from warehouse for consumption.
- b. The voluntary delivery to the appropriate Customs officer of the entry summary documentation for preliminary review or of entry documentation for other purposes.
- c. The documentation required to be filed with the appropriate Customs officer to secure the release of imported merchandise from Customs custody, or the act of filing that documentation.
- d. Used in connection with quota class merchandise and is the delivery in proper form to the appropriate Customs officer of entry summary for consumption which shall serve as both the entry and the entry summary with estimated duties attached.
- e. Any other documentation which, together with the entry documentation, is necessary to enable Customs to assess duties, and collect statistics on imported merchandise, and determine whether other requirements of law or regulation are met.

- 34. Entry _____
- 35. Submission _____
- 36. Presented _____
- 37. Entry Summary _____
- 38. Entry for Consumption _____

(Oct 86 - 1-5)

- 39. When admitting merchandise into a Foreign Trade Zone, what status of merchandise permits classification and duty payment to be made on the basis of the condition of the merchandise when it is transferred from the zone, after manufacturing?
 - a. privileged foreign merchandise
 - b. privileged domestic merchandise
 - c. non-privileged foreign merchandise
 - d. non-privileged domestic merchandise
 - e. zone restricted (Apr 86 - 26)

- 40. Your importer, Happy Times, Inc., is a bonded warehouse proprietor whose stock consists entirely of alcoholic beverages. During a recent spot check of the bonded warehouse, U.S. Customs discovered an inventory shortage of 400 cases of alcoholic beverages. Notwithstanding the fact that the Port Director has authority to cancel a claim, what will be the amount of the initial demand for liquidated damages for merchandise defaults involving alcoholic beverages?
 - a. 10% of the final liquidated duties
 - b. 3 times the value of the merchandise
 - c. 25% of the final appraised value
 - d. 2 times the loss of revenue (Apr 86 - 69)

41. At the request of a Customs broker, the Port Director reliquidated an entry for a refund based upon a clerical error concerning the quantity of merchandise entered. One month after the date of reliquidation which is five months after the original date of liquidation, the port director discovers an error in appraisement of the imported merchandise advise to the government. From the following statements select one that is true regarding this entry.
- a. The government can collect additional duties due pursuant to Section 520(c)(1), TA 1930.
 - b. The government cannot collect additional duties due since the action would be adverse to the importer and would be occurring more than 90 days from the original date of liquidation.
 - c. The government cannot collect additional duties due since such action should have been taken at time of reliquidation.
 - d. The government can collect additional duties due pursuant to Section 501, TA 1930. (Oct 86 - 22)
42. Protests filed on Customs Form 19 may be amended at any time prior to the expiration of the _____ day period within which such protest may be filed determined in accordance with paragraph 174.12(e) of the Customs Regulations when the entry was made on or after 12/18/2004.
- a. 180
 - b. 90
 - c. 60
 - d. 30 (Oct 86 -21)
43. Which type(s) of duties/taxes can be deferred from payment if approved by the Port Director?
- a. import duties
 - b. dumping duties
 - c. internal revenue taxes
 - d. countervailing duties
 - e. C & D (Oct 86 - 12)

44. Merchandise may be subject to antidumping duties:
- a. When a claim for HS 9802 is denied.
 - b. When foreign merchandise is unloaded in the US and enters the US commerce without US Customs permission.
 - c. When governmental subsidies have provided foreign manufacturers with an unfair competitive advantage.
 - d. When the sale of such merchandise to the US is less than fair value and such sales have been determined to threaten material injury to a U.S. industry. (Apr 87 - 2 amend)
45. Antidumping and Countervailing Duty orders are currently published in:
- a. Customs Today
 - b. Federal Register
 - c. United States Code
 - d. Customs Bulletin (Apr 87 - 62)
46. Whenever a free entry or a reduced duty document, form or statement required to be filed in connection with the entry is not filed at the time of the entry or within the period for which a bond was filed for its production, but failure to file it was not due to willful negligence or fraudulent intent, such document, form or statement may be filed by when?
- a. At anytime prior to liquidation of the entry or, if the entry was liquidated, before the liquidation becomes final.
 - b. No more than sixty days of the date of entry or date of presentation of the entry/entry summary.
 - c. No more than thirty days after the date of liquidation.
 - d. No more than six months from the date of entry or date of presentation of the entry/entry summary. (Apr 87 - 72)
47. A commercial shipment bearing a counterfeit trademark
- a. will be held 90 days pending consent to release from the trademark owner.
 - b. will be seized and forfeited in absence of written consent of trademark owner.
 - c. will not be seized if the counterfeit trademark is removed immediately after importation
 - d. is not subject to detention or forfeiture since trademark is counterfeit. (Apr 87 - 8)

48. Indicate which of the following is not excepted from country of origin marking requirements.
- a. Products of the U.S. exported and returned.
 - b. Products of possessions of the U.S.
 - c. Crude substances.
 - d. Articles which were produced more than 20 years prior to their importation into the U.S.
 - e. Articles which are imported as samples to be given away free of charge. (Apr 87 - 34)
49. Importers, brokers and third party record keepers are required to maintain records and information pertaining to imported merchandise for a period of _____ from the date of the entry of the merchandise.
- a. 6 months
 - b. 3 years
 - c. 5 years
 - d. 7 years
 - e. Indefinitely (Apr 87 - 32)
50. A documented pattern of misclassification resulting in an evasion of quota/visa restraints would be considered a violation of:
- a. Section 592, TA 1930
 - b. Section 402, TA 1930
 - c. 19 USC 1453
 - d. All of the above (Apr 87 - 18)
51. Unused merchandise drawback shall be allowed on imported merchandise if it is not used within the United States and is exported regardless of its condition as imported, or destroyed under Customs supervision:
- a. before the close of the 3 year period beginning on the date of importation.
 - b. Within 4 years from the date of importation.
 - c. Within 5 years from the date of importation.
 - d. Within 1 year of liquidation of the consumption entry under which it was entered, regardless of the date of importation. (Apr 87 - 68)

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52. Your client, the Dell Telephone Company of New York, NY, imported 10,000 telephone answering machines from Taiwan. The merchandise arrived in the United States on January 13 and was released from Customs custody on January 14. You entered the merchandise at an ad valorem duty rate. In addition, you were advised by Customs that an antidumping duty of 7 percent of the FOB value of the merchandise is also applicable. The entry was accepted by Customs on January 17. On January 21, the importer called to advise you that the merchandise did not meet certain performance specifications which were agreed upon by the importer and manufacturer on the purchase contract. The importer returned the merchandise to Customs custody on January 21. On January 28, you filed a drawback entry on behalf of Dell Telephone under Section 313(c) TA. The drawback entry was accepted and approved by Customs on the same day.
- What is the amount of drawback that can be refunded?
- a. 99 percent of the total duty paid
 - b. No drawback can be obtained since the merchandise was subject to antidumping duties.
 - c. 99 percent of the entered value only.
 - d. 99 percent of the dumping duty only.
 - e. 99 percent of the ordinary duty only. (Apr 87 - 70 rev)
53. There are certain types of riders that may be made to a bond. Specify which one of the following is not permitted.
- a. Name change of a principal where a new corporation is created.
 - b. Change of address of a principal.
 - c. Addition of trade names and unincorporated division of a corporate principal.
 - d. Deletion of trade names and unincorporated divisions of a corporate principal. (Oct 87 - 62)
54. When Customs Fines, Penalties and Forfeiture Officers review cases of violators, they consider various factors for purposes of mitigation. Which one of the following is not a consideration for mitigation?
- a. Documents or other evidence establishing the violator's intent to defraud
 - b. Communications with the violator were impaired because of a language barrier
 - c. There was a contributory Customs error
 - d. The violator cooperates with Customs officer (Oct 87 - 69)

55. The Port Director may, prior to liquidation of an entry, take appropriate action to correct a clerical error that resulted in the deposit or payment of excess duties, fees, charges, or exactions pursuant to:
- Section 520(a)(4) TA 1930
 - Section 1592, TA 1930
 - Section 1514, TA 1930
 - Section 1401a, TA 1930 (Oct 87 - 80)
56. If the owner of a patent believes that merchandise is being imported which infringes on his patent he may apply to the Commissioner of Customs for a survey. One of the following statements is not correct with respect to such procedures:
- Surveys will be made for periods of 2, 4, or 6 months at the option of the applicant.
 - The purpose of the survey is to provide the owner with the names and addresses of importers of merchandise which appear to infringe.
 - The survey application must include a certified copy of the patent registration showing ownership to be in the claimant's name.
 - The survey application must include actual samples of the alleged infringing merchandise. (Oct 87 - 100)
57. Your client has decided to have manufactured in Japan the special springs needed in his product. His engineering department in Madison, WI, designed the springs and the tooling required to produce them. The engineering cost was \$10,000. Your client found one company in Japan capable of making the springs but it didn't have the necessary tooling. Using the tooling designs (valued at \$5,000 of the \$10,000 engineering cost) your client and Suk Lee Co. of Korea produced the tooling at a cost of \$12,000 plus \$2000 cost to ship the tooling to Japan which was paid for by your client. You are now about to file your first entry of the special springs from Japan. The invoice shows an amount due of \$35,000, FOB Japan. Further, your client has just told you that he does not want to have to spend too much money at one time, so to amortize the value of any assets over the lifetime of the tooling. The tooling is expected to produce 1,200,000 springs before wearing out. Your first shipment consists of 200,000 springs. What should be your entered value?
- \$35,000
 - \$37,333
 - \$47,333
 - \$59,000 (Oct 87 - 33)

58. The avenue of appeal for an individual protesting the denial of a Customs Broker license by the Secretary of Treasury is:
- a. The Port Director of Customs where the application for a license was filed.
 - b. The CMC Director of Customs having oversight over the port where the application for a license was filed.
 - c. The Commissioner of Customs.
 - d. The Court of International Trade. (Apr 88- 34)

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General Table of Contents Quiz (25 questions - 15 minutes - Closed Book)

List the Part Number from the Customs Regulations for each Part Heading listed below:

1. Entry of Merchandise _____
2. Classification and Appraisement of Merchandise _____
3. Articles Conditionally Free, Subject to a Reduced Rate _____
4. Trademarks, Trade Names, and Copyrights _____
5. Customs Brokers _____
6. Protests _____
7. Transportation In-Bond and Merchandise in Transit _____
8. Warehouse and Re-warehouse Entries & Withdrawals _____
9. Customs Bonds _____
10. Fines, Penalties, and Forfeitures _____
11. Foreign Trade Zones _____
12. Entry Process (including Special Permits for I.D) _____
13. Special Classes of Merchandise _____
14. Customs Financial and Accounting Procedures _____
15. Administrative Review _____
16. Special Entry Procedures (including ABI, Consumption, Appraisement, Informal Entries & Electronic Filing _____
17. Inspection, Search and Seizure _____
18. Relief from Duties on Merchandise Lost, Damaged, Abandoned or Exported _____

LESSON 10 _____

19. Liquidated Damages _____

20. Administrative Rulings _____

Write part heading or title for each of the following Parts of the Customs Regulations cited below:

21. Section 191 _____

22. Section 134 _____

23. Section 132 _____

24. Section 114 _____

25. Section 159 _____