



# You Declared It, But Is It Right? Proactively Detect & Reconcile Complex Value

**Kristin Simonson**

Sr. Director, Audit Services, Deleon Trade LLC  
Former U.S. Customs Auditor & Assistant Field Director

**2026 ATCC Conference**

# Proactively Detect & Reconcile Complex Value

- Customs Value Hierarchy
- Transaction Value:
  - Transaction Value Recap
  - Transfer Pricing True-ups
  - Assists
  - Royalties
- Computed Value:
  - Computed Value Recap
  - Computed Value Adjustments
- Value Reconciliation



# Customs Valuation Hierarchy – 19 CFR 152.101



**Transaction Value** – price actually paid or payable (PAPP) plus certain additions



Transaction Value of Identical - based on the transaction value of previously imported identical merchandise



Transaction Value of Similar Merchandise - based on the transaction value of previously imported similar merchandise



Deductive Value - selling price in the U.S. less certain post-importation costs



**Computed Value** - Foreign supplier cost for materials, processing, profit, general expenses, and U.S. assists and packing costs



Value if Other Values Cannot Be Determined or Used (Fallback Method) - methodology derived from one of the first four methods with the rules being reasonably adjusted



# Transaction Value Recap



DELEON TRADE LLC  
CUSTOMS COMPLIANCE CONSULTANTS

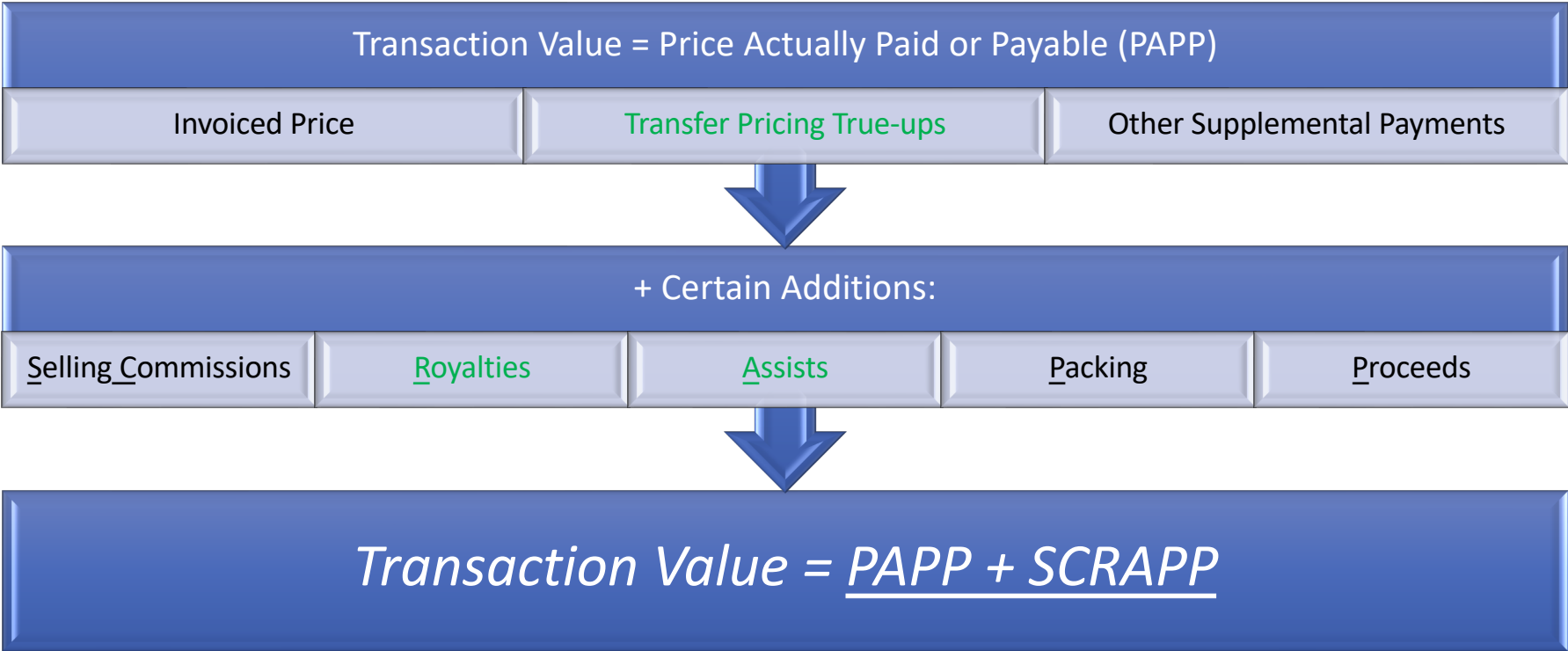
2026 ATCC Conference

# Transaction Value Recap

- “Price Actually Paid or Payable” (PAPP)
  - The total payment (whether direct or indirect) for the imported merchandise from the buyer to the seller.
  - There is a general presumption that all payments from the buyer to the seller are dutiable, if related to the imported merchandise.
  - Generra Sportswear Case



# Transaction Value Recap



# Transfer Pricing True-Ups

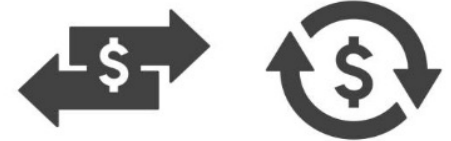


DELEON TRADE LLC  
CUSTOMS COMPLIANCE CONSULTANTS

2026 ATCC Conference

# Transfer Pricing True-ups

- Companies establish transfer pricing (i.e., selling prices) for sales between related parties
  - Informal Agreement
  - Transfer Pricing Agreement, which could include a transfer pricing matrix
    - Cost Plus Example: Europe to U.S. – Standard Cost + 80%
    - Resale Minus Example: Resale Price – 15%
      - Importer's selling price to its customer – commission/margin
      - Often used where price lists are established for end customers
  - Transfer Pricing Study and Advance Pricing Agreements
    - Frequently used as basis of setting pricing/markups
- All of the above may result in transfer price adjustments/true-ups if target profit is not achieved



# Transfer Price Adjustments

- Can occur based on transfer pricing agreements and studies
- Quarterly, Annually, or Other Defined Period
- Product, Segment, or Company specific
- Adjustments can be increases or decreases to the cost
  - Can be very significant
  - Undeclared transfer price adjustments are a common audit finding
  - Reconciliation often required to declare increases/decreases
- Increases **must** be reported.
- Decreases may be allowable if there is a “fixed formula”, see CBP ruling HQ W548314.



# Identifying Transfer Price Adjustments

Review ACE Data to Identify Related Party Transactions

Meet with Tax Department:

- How are prices set between related parties?
- Does the company have a formal transfer pricing policy?
- How often are transfer pricing adjustments made?
- Do transfer pricing adjustments relate to all products or only certain products?

Obtain Necessary Pricing Adjustment Information – Tax or Finance

- Review all adjustments related to the importing entity and foreign related parties.
- Confirm whether the adjustments were increases or decreases in the aggregate transfer price.
- Confirm whether adjustments are related to imports or exports.



## Transfer Price Adjustment Example

Ledger	Ledger Name	Country	Dr(Cr)	KFS U.S. is:	Import Value Impacted?
009	KFS Canada Ltd	Canada	2,000,000	Exporter	No
128	KFS Company	Japan	(5,000,000)	Exporter	No
128	KFS Company	Japan	4,000,000	Importer	Yes
232	KFS PTE. LTD	Singapore	1,750,000	Importer	Yes
531	KFS Company UK	UK	(3,500,000)	Importer	Maybe



# Assists & Royalties



DELEON TRADE LLC  
CUSTOMS COMPLIANCE CONSULTANTS

2026 ATCC Conference

## Assists – 19 CFR 152.102(a)(1)

- **Assist** - means any of the following if supplied directly or indirectly, and free of charge or at reduced cost, by the buyer of imported merchandise for use in connection with the production or the sale for export to the United States of the merchandise:
  - i. Materials, components, parts and similar items incorporated in the imported merchandise.
  - ii. Tools, dies, molds and similar items used in the production of the imported merchandise.
  - iii. Merchandise consumed in production of the imported merchandise.
  - iv. Engineering, development, artwork, design work, and plans and sketches that are undertaken elsewhere than in the United States and are necessary for production of the imported merchandise.



## Additions To Value - Assists

The value of an assist (whether materials, tools, foreign engineering, etc.) is generally either:

- ✓ the cost of acquiring the assist, if acquired by the importer from an unrelated seller, plus freight costs, or
- ✓ the production cost of the assist, if produced by the importer or a person related to the importer, plus freight costs.

Assist value must also include the cost of transporting the assist to the place of production.

Used capital equipment is generally valued at its depreciated value at the time of transfer.

If the assist value is incorporated in the unit cost of the imported merchandise, no separate declaration is needed.





# Identifying Dutiable Assists

## Meet with Supply Chain/Procurement

- Provide brief training on Transaction Value & assists.
- Ask personnel if they are aware of any items being provided to foreign suppliers.
- Research identified activities to determine if dutiable assists exist.

## Meet with Finance

- Request a copy of the General Ledger Trial Balance.
- Review expense accounts to identify any accounts of interest.
  - Examples: Tooling, Non-Recurring Engineering, Packaging, Other Outside Services, etc.
- Discuss activity in each identified account to identify dutiable assists.
- Review a copy of the Fixed Asset Register with current asset locations.



## Identifying Dutiable Assists – Cont.

### Meet with Research & Development (R&D)/Engineering

- Ask if the company pays any foreign related or unrelated companies for R&D or engineering services.
- Obtain more information on the type of R&D or engineering services performed by the foreign parties.
- Obtain more information on what products are made with the identified dutiable R&D and/or engineering.

### Work with All Identified Departments

- Obtain the total amounts paid for the identified dutiable assists.
- Gather information related to the products to which those assists apply.



## General Ledger Account Review Example

Account	Account Description	Amount	Account for Review?	Comments
120000	Trade Accounts Receivable	\$1,523,721	No	Receivables Not Payments
530000	Production Supplies	\$2,707,415	Yes	Potential Assists
530090	Tooling	\$1,270,509	Yes	Potential Assists or Additional Payments
530190	Duties / Tariffs	\$9,154,891	No	Not Part of Transaction Value
530510	Royalty Expense	\$1,133,986	Yes	Potential Assists



## Fixed Asset Ledger Review Example

Location	Asset ID	Description	Vendor	Placed in Service	Acquisition Basis	Value Determination
TX	26763	Drill Press	ABC Company	6/9/2025	\$10,000	Not Related to Imports
JP	26764	Plasma Cutter	KFS Company	5/1/2025	\$36,500	Additional Payment
DE	26766	DIE J-3100	Dies R Us	9/7/2020	\$6,000	Previously Declared
MX	26767	Office Computer	Office Distributors	3/8/2025	\$5,100	Not Used in Production



# Royalties

Royalties paid to the seller are generally dutiable

Royalty payments paid to an unrelated 3<sup>rd</sup> party are reviewed on a case-by-case basis

Three-part test generally applied by Customs:

- Was the merchandise manufactured under patent?
- Was the royalty involved in the production or sale of the imported merchandise?
- Can the company import the product without paying the royalty?

Yes, yes, no = generally dutiable

CBP's focus is typically on question #3



# Identifying Dutiable Royalties

## Meet with Legal Department:

- Does the Company have any royalty agreements?
- Review agreements to determine if payments are dutiable.
- Review agreements to identify specific product(s) for royalty allocation.

## Meet with Finance

- Request a copy of the General Ledger Trial Balance.
- Review expense accounts to identify any royalty accounts.
- Work with Finance to obtain the total amount paid for each dutiable royalty agreement during the period under review.



## Apportionment of Additional Value

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



Apportion at the most specific level available.

Specific Entry Line	Product Level	Supplier, COO, and HTS Combination	COO and HTS Combination	Other Options May be Acceptable Case by Case Basis
---------------------	---------------	------------------------------------	-------------------------	--



## Case Study – Transaction Value Additions

Identified a transfer price adjustment for 2025 of \$4,000,000:

- Transfer price adjustment was paid by KFS US to KFS Company (JP)
- Relates to all imported merchandise from KFS Company (JP)

Identified tooling payments of \$36,500

- Tooling payments were paid to KFS PTE. LTD (SG)
- Tooling is used to manufacture products classified under 8414.80.1605

Identified dutiable royalties of \$1,000,000

- Paid to KFS Company
- Royalties relate to product manufactured by KFS Company (JP) and classified under 7326.90.8688.



# Case Study – Transaction Value Additions

Supplier	HTS	Entered Value	Transfer Price Adjustment	Tooling Payment	Royalty Payment	Total Value Adjustment	Total New Value
KFS Company	7326.90.8688	\$520,000	\$988,124	\$0	\$422,764	\$1,410,888	\$1,930,888
KFS Company	8414.80.1605	\$875,000	\$1,662,708	\$0	\$0	\$1,662,708	\$2,537,708
KFS PTE. LTD	8414.80.1605	\$556,000	\$0	\$12,489	\$0	\$12,489	\$568,489
KFS PTE. LTD	8414.80.1605	\$673,000	\$0	\$15,117	\$0	\$15,117	\$688,117
KFS Canada	7326.90.8688	\$48,000	\$0	\$0	\$0	\$0	\$48,000
KFS Company	7326.90.8688	\$329,000	\$625,178	\$0	\$267,480	\$892,658	\$1,221,658
KFS PTE. LTD	7326.90.8688	\$750,000	\$0	\$0	\$0	\$0	\$750,000
KFS Company	7326.90.8688	\$381,000	\$723,990	\$0	\$309,756	\$1,033,747	\$1,414,747
KFS PTE. LTD	8414.80.1605	\$396,000	\$0	\$8,895	\$0	\$8,895	\$404,895
<b>Totals</b>		<b>\$4,528,000</b>	<b>\$4,000,000</b>	<b>\$36,500</b>	<b>\$1,000,000</b>	<b>\$5,036,500</b>	<b>\$9,564,500</b>

Allocation Formula:

Value of Line/Total Value of All Imports Covered by the Adjustment X Amount of Adjustment = Line Adjustment Amount



# Computed Value



DELEON TRADE LLC  
CUSTOMS COMPLIANCE CONSULTANTS

2026 ATCC Conference

## Computed Value Defined

As defined in 19 CFR 152.106, the computed value of imported merchandise is the sum of:

The cost or value of the materials employed in the production of the merchandise;

The cost of fabrication, assembly, or other processing employed in the production of the merchandise;

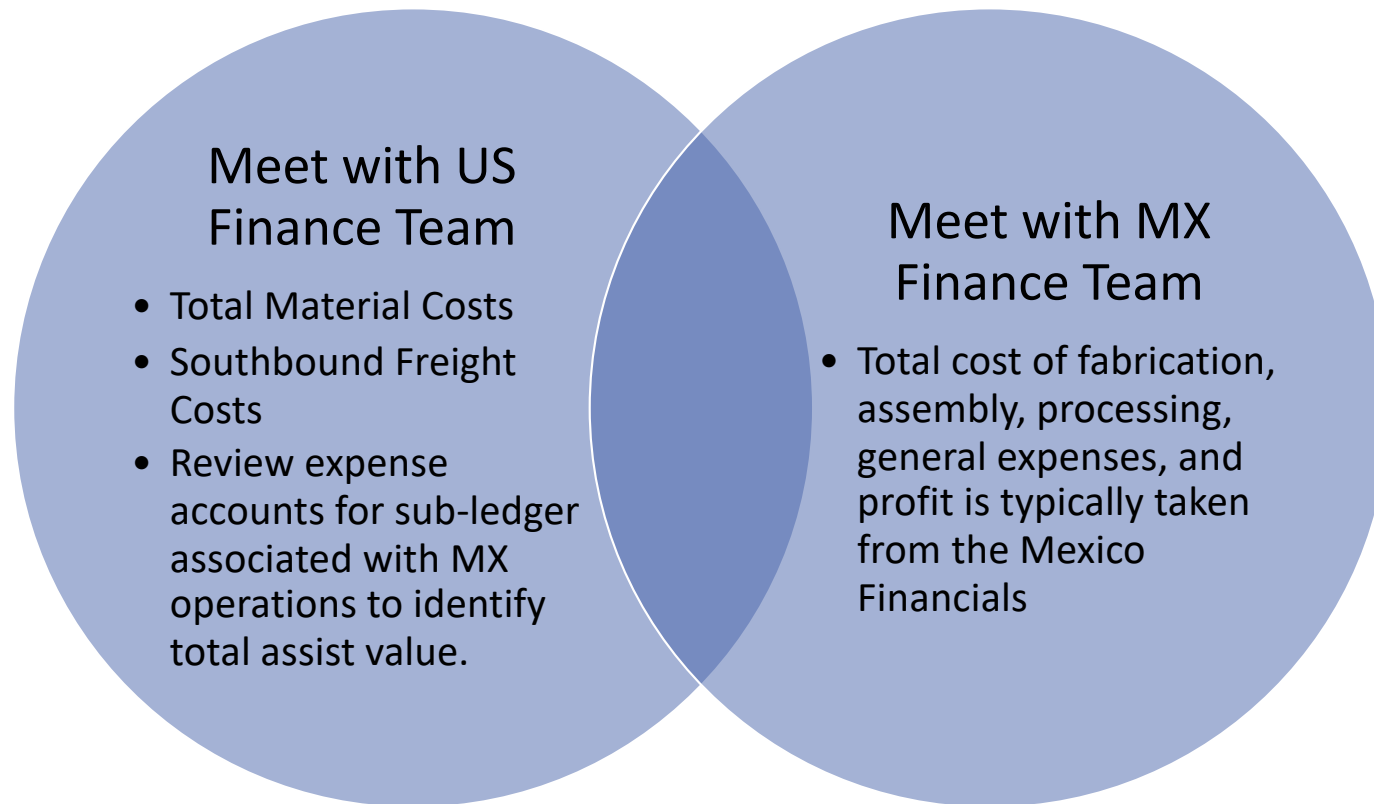
An amount for profit and general expenses;

Any assist, not already included; and

Any packing costs, not already included.



# Identifying Cost Submission Variances



# Cost Submission Example - Summarized

Computed Value Component	Total
Materials	\$246,000,000
+ Fabrication and Gen. Exp.	\$17,250,000
+ Operating Profit	\$1,750,000
+ Assists	\$6,000,000
+ Packing	\$0
<b>= Total Computed Value</b>	<b>\$271,000,000</b>
- Declared Value (ACE)	\$260,000,000
<b>= Computed Value Variance</b>	<b>\$11,000,000</b>
<b>Variance/Declared Value</b>	<b>4.23%</b>

# Variance and Reconciliation

## Total Computed Value

If the plant direct ships to countries other than the U.S., the total computed value would have to be adjusted downward to exclude the value of those shipments.

## ACE Data for Variance

Should exclude any returned materials or equipment not factored into cost submission calculation.

## Applying the Variance

Variance percentage should be applied to relevant finished good/further processed materials and any changes to duties and fees should be calculated and tendered via reconciliation entry.



# Reconciliation

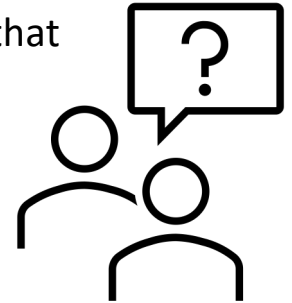


DELEON TRADE LLC  
CUSTOMS COMPLIANCE CONSULTANTS

2026 ATCC Conference

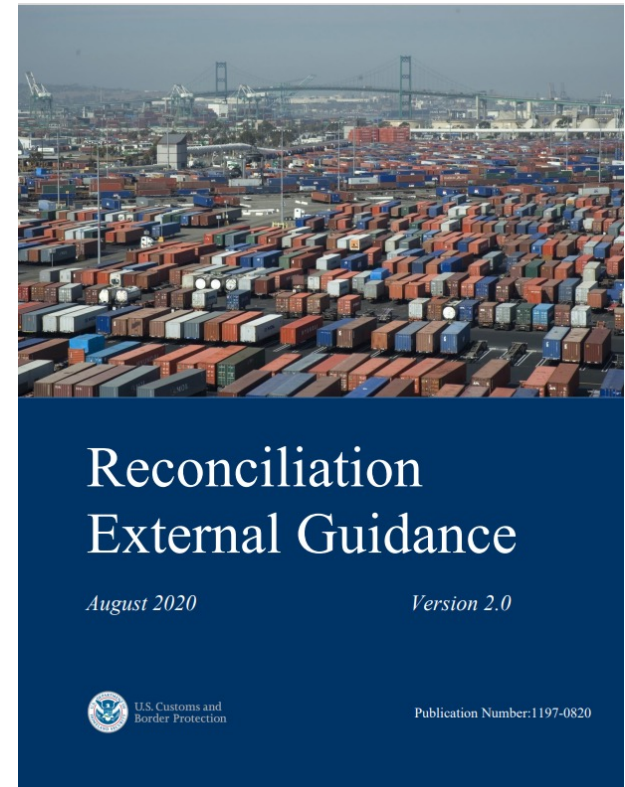
# Why Do We Need Reconciliation?

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



# ACE Reconciliation Program

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



# Entry Data Needed for Reconciliation

- Obtain List of Flagged Entries
  - ✓ ACE ES-003 Entry Summary Line Details Report
    - ACE ES Reports Should Provide Current Data for PSC and Protest Activity
    - May need to combine multiple tariff sequence line information by entry line
  - ✓ ACE ES-501 Recon
- Fee Details
  - ✓ Standard ES-003 Report Has Columns for MPF and HMF Only
  - ✓ Other Fees: Use Line Fee Acctg Class/Code and Line Fee Amt
- Value Adjustment Amounts & Related Data Parameters
  - ✓ Product Numbers, Supplier Name, Tariff Numbers, COO, etc.



# Reconciliation Penalties

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



## Other Reconciliation Tips

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



## Summary of Advice

- Almost all importers have additions to value that must be reported.
- Value adjustments should be apportioned to the most specific level feasible. Origin, HTS, SPI are critical.
- CBP considers duty implications when determining if apportionment methodologies are reasonable.
- If you have imports from a maquiladora in Mexico, you most likely need to be in reconciliation.
- Flagged entries must be reconciled!
- Reconciliation mechanics can get really complicated. Don't be afraid to ask for help.



# DELEON TRADE LLC

**Customs Compliance Consultants**

Houston – Chicago – Minneapolis – Denver - Charleston

---

**Kristin Simonson**  
**Sr. Director, Audit Services**  
**Former CBP Auditor & Assistant Field Director**  
**[kristin@deleontrade.com](mailto:kristin@deleontrade.com)**



**DELEON TRADE LLC**  
CUSTOMS COMPLIANCE CONSULTANTS

**2026 ATCC Conference**

# Ruling Reference Materials



DELEON TRADE LLC  
CUSTOMS COMPLIANCE CONSULTANTS

2026 ATCC Conference

## HQ W548314 – Fixed Formula Requirements for Transfer Price Adjustments

- 1) A written “Intercompany Transfer Pricing Determination Policy” is in place prior to importation and the policy is prepared taking IRS code section 482 into account;
- 2) The U.S. taxpayer uses its transfer pricing policy in filing its income tax return, and any adjustments resulting from the transfer pricing policy are reported or used by the taxpayer in filing its income tax return;
- 3) The company’s transfer pricing policy specifies how the transfer price and any adjustments are determined with respect to all products covered by the transfer pricing policy for which the value is to be adjusted;
- 4) The company maintains and provides accounting details from its books and/or financial statements to support the claimed adjustments in the United States; and,
- 5) No other conditions exist that may affect the acceptance of the transfer price by CBP.



# Apportionment Methodology Rulings

## HQ H231836 (Issued 6/19/14)

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

## H264394 (Issued 5/22/15)

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



# Limitations on Apportionment Methodologies

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

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

## HQ H317569 (Issued 4/28/21)

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



# Limitations on Apportionment Methodologies

HQ H326069 (Issued 1/24/23)

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

