



Customs Valuation of Returns, Repairs, And Other Atypical Imports

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Methods Of Appraisement

- What are acceptable “methods of valuation”?
- The Customs Value Statute (19 U.S.C.. 1401a) provides in order of preference:
 - Transaction value
 - Transaction value of identical or similar merchandise
 - Deductive value
 - Computed value
 - a method derived from the above reasonably adjusted to circumstances
- Any other method is inappropriate

Returns & Repairs

- What is transaction value?

“Total price paid or payable for the merchandise imported”
- In order for transaction value to apply
 - Must be a sale between a buyer and seller
 - a sale for exportation to the United States.

Transaction Value Sale for Exportation

- Is there a “sale”?
 - the word "sale" is generally defined as a **transfer of ownership** in property from one party to another for a **price** or **other consideration**.
 - J.L. Wood v. United States, 62 CCPA, 25, 33, C.A.D. 1139, 505 F.2d 1400, 1406 (1974)

Importing Used Articles

- CBP has issued several rulings on the subject of importing articles for evaluation or repair
 - In each case, value was determined using the **fallback method** derived from a prior method, e.g.:
 - transaction value or deductive value
 - adjustments to take into account the fact that the goods were imported to be repaired and were used goods.

Articles Imported For Repaired

- HRL 547877 , dated January 23, 2002
 - CBP held that for equipment imported in to the U.S. for repair could be based on price list for new products, less reductions for:
 - Cost of repair and
 - Value of depreciation.

HQ H019722: products re-imported to be entered into inventory

- HQ H019722, March 21, 2008
 - Importer rotating aircraft parts from one repair facility or line station to another, either domestically or foreign.
- CBP Rules Out First Four Methods of Valuation
 - There is no sale for exportation to the U.S. when the goods are imported into the U.S. to be placed in inventory
 - No transfer of ownership and no financial consideration is offered
 - No sales of identical or similar merchandise for purposes of 19 U.S.C. 1401a(c) could be identified

HQ H019722: products re-imported to be entered into inventory

- Imported goods are not being resold in the United States, they cannot be appraised under the deductive value method.
- Exporter did not manufacture the parts, there is insufficient information available to value based computed value.
- Value was determined under "fallback" method.

HQ H019722: Products Imported to be entered into inventory

- Company used both **cost** and **market** approaches, or a combination thereof, to the **fair market value**
- The cost approach
 - For older parts, the purchase price of each part in its inventory management system ("IMS") was multiplied by an **inflationary price index** obtained from Bureau of Labor Statistics.
 - Each part was then reduced by economic **depreciation value**.
- For other items, company sampled a data base to determine the sales price, or asking prices, of the sampled parts and then adjusted value in its
- The Customs value of each item was then determined by using a **rolling weighted average**.

Articles Imported For Evaluation or Repair

- HRL 548688, dated October 20, 2005
 - Addressed valuation of merchandise imported into US for evaluation, repair, or recalibration
 - Units were imported at no charge to the customer under a "depot exchange program".
 - Importer could not determine the unit's original selling price or determine the nature or extent of repairs required at time of importation

HRL 548688, dated October 20, 2005

- Importer maintained records of costs of all products repaired or recalibrated.
- Could determine the current standard cost of new units.
- CBP agreed that the value of returned units could be based on
 - the current standard cost of new units less
 - average cost of the repair per product line for a given period.

Other Rulings on Valuation of Returns

- Other important rulings on valuation of returns
 - HRL 548211, dated July 2, 2003
 - valuation of PCBA for IC testers returned as a part of upgrade program or because of failure at 40 % or 10% of new list price
 - HRL 544377, dated September 1, 1989
 - use of inventory value in the importer's accounting records to appraise telephone equipment returned for repair. inventory value was based on % of the standard cost of new equipment