

Customs Regulations, provides the regulations governing the testing of NCAP components. See T.D. 95-21 (60 FR 14211, March 16, 1995).

This test is established pursuant to those regulations.

Reconciliation

Reconciliation will allow an importer to provide Customs with information not available at the time of entry summary filing and which is necessary to ascertain the final appraisement of imported merchandise. The reconciliation must be filed no later than 15 months from the date of the first entry summary filed under that reconciliation.

A reconciliation permits the liquidation of an entry summary/summaries despite the fact that undetermined information will be transmitted to Customs at a later time through the reconciliation process. Assuming there are no other outstanding issues, the entry summaries will be liquidated for all purposes other than that which is identified by the importer as pending reconciliation. The reconciliation will be liquidated in accordance with 19 U.S.C. 1500. The liquidation of the reconciliation may be protested, in accordance with 19 U.S.C. 1514, but the protest may only pertain to issues covered by the liquidated reconciliation.

Description of Test

This test will be limited to participants who meet the eligibility criteria set forth below. It will cover entry summaries filed by those participants from October 1, 1995 to March 31, 1996 or the end of the participant's tax year, whichever comes first. By statute, reconciliation must be filed within 15 months of the entry summary. For purposes of this test, participants must file the reconciliation within 15 months of the filing of the first affected entry summary or by December 31, 1996, whichever comes first.

Application

Applications will be submitted to Mr. William F. Inch, Director, Office of Regulatory Audit, United States Customs Service, 1301 Constitution Ave. N.W. Room 2311, Washington D.C. 20229-0001. All applicants will be notified in writing of approval or disapproval regarding test participation. All applicants who meet the eligibility criteria will be chosen to participate in this test. The application must address the ability to meet the eligibility requirements. The applicant must consent, in the application, to all the

conditions set forth in the description of this test and eligibility criteria. The applicant must set forth in the application the date on which the applicant's tax year ends.

By applying, applicants agree that the value for merchandise covered by all entry summaries filed by them or on their behalf on or after October 1, 1995 until the end of the tax year or March 31, 1996, whichever comes first, shall be finally determined by the liquidation of the reconciliation filed in accordance with the test. The Office of Regulatory Audit will review the application to determine that the applicant has met all eligibility requirements.

Documentation Required To Support Reconciliation

The approved participant shall maintain and produce upon Customs request all relevant documentation to support the change in the entered value. The reconciliation shall include the following information:

1. The entry numbers and dates of all entries filed with Customs during the period.
2. A cumulative list of units imported by classification number and the change (final entered value) to that entered value.

In order to support the reconciliation, the approved applicant shall maintain and produce upon Customs request all relevant documentation to support the change in entered value. The approved applicant may be required to provide any or all of the following documentation:

1. The IRS Schedule M-1, and the Form 1120 Corporate Tax Return.
2. Any and all other supporting documentation filed along with the M-1 and the Form 1120 that was furnished to the IRS.
3. Any or all IRS documents or communications with the participant regarding the relevant 482 adjustment.
4. Any and all documentation including any books and records or computerized data to relate the 482 adjustment to the entries filed with Customs.

Such information and supporting material should be provided in a format or electronic media commonly in use. Examples are an IBM compatible computer 3.5 disk utilizing a software product such as Access or Excel or other similar spreadsheet or database application such as Lotus 1, 2, 3.

Verification

Customs Regulatory Audit, in conjunction with other Customs disciplines, will determine if any verification effort is necessary to

establish the accuracy of the details submitted. The extent of the verification will be determined by Regulatory Audit, and if an audit is required, established Regulatory Audit procedures will be followed.

Eligibility Criteria

In order to qualify for this test of reconciliation, importers must have reason to believe they may invoke the IRS regulations to make upward adjustments to the price of the imported merchandise. Importers must have the capability to provide, on an entry-by-entry basis, the electronic entry of merchandise and the electronic entry summary of required information (ABI). Other requirements and conditions are as follows:

1. The test only applies to the related party transactions engaged in by participants who qualify under Internal Revenue Service Section 482 requirements to make upward adjustments and which are not subject to Antidumping/Countervailing Duty proceedings.
2. Participants' tax year must end between October 31, 1995 and March 31, 1996.
3. Customs decision to allow a company to participate in the test program will be made in consultation with the Internal Revenue Service.
4. Each participant must provide U.S. Customs with the methodology that will be used to arrive at the final price of the imported merchandise.
5. Each participant agrees that appraisement is under section 402(f) of the Tariff Act of 1930, as amended by the Trade Agreements Act of 1979, if, in fact, an upward section 482 adjustment is made for tax purposes.
6. Entries involving merchandise under this test will not be eligible for drawback.

Selectivity Criteria

The Office of Regulatory Audit, in conjunction with other Customs disciplines, will review the application to ensure the eligibility requirements are met. All applicants who meet the eligibility criteria will be allowed to participate, provided no other Customs office objects.

Objectives of the Test

The objectives of this test are:

1. To work with the trade community to further compliance in the value area regarding related party transactions.
2. To allow companies intending to make Internal Revenue Service Section 482 adjustments, which may ultimately result in an upward adjustment to the price for merchandise, the opportunity