customs imports bonds

A QUICK GUIDE

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SHIPPING

background

To import merchandise into the United States, a shipper needs to provide security to Customs Border Patrol (CBP) to guarantee they will comply with rules and regulations. This includes the guarantee of paying the total taxes, duties, and fees related to your entries. Known as a Customs or surety bond, the main purpose is to insure the payment of import duties and taxes; however, if the importer cannot pay, the Insurance/Surety Company who issued the bond will reconcile remaining costs, or face an insufficient bond.

WHAT IS A CUSTOMS BOND?

A Customs surety bond is a contract used for guaranteeing that a specific obligation will be fulfilled between Customs and an importer for any given import transaction. Per regulations, CBP requires all importers to file an Activity Code 1 - Import Bond in order to clear their entries, even if the goods are duty free. The Customs Import Bond guarantees CBP will collect all import duties, taxes, fines, or penalties from the importer.

TYPES OF CUSTOMS BONDS

Customs bonds are keyed to specific types of Customs transactions, the bond conditions vary with the type of activity being secured by a bond.

Bonds are required for almost all formal CBP entries, and may be required for some informal entries and Temporary Importation under Bond (TIB) entries. There are also bonds covering the activities of CBP warehouse proprietors, carriers, cartage operators, masters of vessels, drawback filers, etc.

- Activity Code 1 - Import Bond
- Activity Code 1a - Drawback Payment Refunds Bond
- Activity Code 2 - Custodian of Bonded Merchandise Bond
- Activity Code 3 - International Carrier Bond
- Activity Code 3a - Instruments of International Traffic
- Activity Code 4 - Foreign Trade Zone Bond
- Activity Code 11 - Airport Security Bond
- Activity Code 16 - Importer Security Filing Bond

SHOULD I HAVE A SINGLE OR CONTINUOUS BOND?

You have the option of obtaining a “single entry” or “continuous bond”. The type of bond you elect to obtain ultimately depends on how often you import into the U.S.. For instance, if you import frequently and through various ports of entry, the continuous bond is beneficial and economically the best choice.

HOW ARE CONTINUOUS AND SINGLE ENTRY BOND AMOUNTS DETERMINED?

A continuous bond is 10% of duties, taxes and fees paid for the 12 month period. The formula is as follows:

(Duties, Taxes, & Fees x 10%) = Bond Amount
from the (previous 12 months)

A single entry bond is generally in an amount not less than the total entered value, plus any duties, taxes and fees. The amount of any CBP bond must not be less than $100, except when the law or regulation expressly provides that a lesser amount may be taken.

WHY ARE SOME BONDS DECLARED INSUFFICIENT?

Continuous bonds may be rendered insufficient for the following reason(s):
(1) Outstanding debt issues related to any of the entities on the bond (including unpaid bills and debit vouchers);
(2) Failure to comply in a timely fashion with a formal demand letter from CBP to increase the bond;
(3) Use of an invalid or ‘non-deliverable’ address for any entity using the bond;
(4) Failure to comply with the rejection of a termination request;
(5) Missing or misplaced bond paperwork ;
(6) Use of an invalid importer of record number on the bond (ex. an entity using an EIN that is not assigned to that party by the IRS);
(7) Failure to provide any required bond paperwork (ex. Reconciliation rider,bond rider for importation into the U.S. Virgin Islands, surety approval for participation in deferred tax payment, etc.);

(8) Failure to annually deposit the required cash-in-lieu of surety for a continuous bond obtained under 19 CFR 113.40;
(9) Failure to comply with specific mandates / requests from the Office of Administration;

Additionally, a Customs bond can be deemed insufficient if the client has imported more product and paid more duty than is allowed by their current bond valuation. A bond is valued at 10% of the total duty paid annually. Therefore, if the imported value surpasses the 10% mark, the bond will be considered insufficient.

HOW DO I REMEDY AN INSUFFICIENT BOND?

Customs will perform periodic reviews on bonds to make sure that the bond amount is sufficient to protect the revenue of the United States. Once Customs deems a Continuous Bond to be insufficient, it can no longer be used for entries.

This means your shipment cannot be cleared and will be held at port until a new sufficient bond is filed. Furthermore, a bond with egregious deficiencies will be rendered by Customs as insufficient immediately.

Even though a bond is deemed insufficient the bond still needs to be terminated and the termination process takes at least 15 days. The dilemma lies in the fact that you cannot have two Continuous Bonds on file at the same time with the same importer number.

Consequently, if a bond is needed in the meantime, a Single Transaction Bond (STB) must be filed.

Insufficient Customs bonds will not be returned to sufficient status until all issues with the bonds are addressed with the U.S. Revenue Division.

HOW DO I AVOID AN INSUFFICIENT BOND?

You can avoid delays of your bonded merchandise by utilizing licensed Customs brokers to handle your imports swiftly and properly.

Other measures include:
(1) Posting the proper bond amount
(2) Increasing bond amounts as needed
(3) Having the proper address and updated contact information
(4) Utilizing the proper types of Customs bonds
(5) Addressing issues with claims promptly

WHAT HAPPENS IF THE INSUFFICIENT BONDS ARE NOT RESOLVED?

Failure to resolve insufficient issues outlined by the Revenue Division, the following actions may be taken:

(1) The release of goods will be stopped.
(2) Other continuous bonds an importer may be using will be evaluated and will also likely be labeled insufficient.
(3) The importer record may be voided.

Licensed Customs Brokers can help you avoid the hassles of insufficient bonds.

To avoid delay, it's highly suggested that importers work with a Customs Bond partner, like Green Worldwide Shipping!

Contact your Green freight experts to avoid trade tariffs impacting supply chain flow through Customs Bond insufficiency.

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