How to Determine If Your Customs Broker Can Be the Importer of Record

Key Takeaways

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- Not all customs brokers are willing or permitted to serve as the importer of record; verify their license and filer code before engaging.
- A written indemnity agreement is essential to define liability sharing for duties, penalties, and audits when a broker acts as IOR.
- Bond coverage must align with shipment type and value; inadequate bonds are a common cause of entry rejections.
- Regular audits and POA renewals help sustain the IOR arrangement and catch errors before CBP takes action.
- Quick response to holds or disputes—armed with the right documentation—prevents costly supply chain disruptions.

What a Customs Broker Does and Their Role in the Import Process

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When you import goods into the United States, a licensed customs broker often serves as your filing agent, handling documentation, duties, and clearance. The **importer of record** (IOR) is the party legally responsible for ensuring that all entry requirements are met and that duties and fees are paid. By default, this is the owner or purchaser of the goods. However, there are situations where a customs broker may step into this role, which shifts liability and requires specific agreements. Understanding this distinction is the first step in deciding who should be the IOR for your shipments.



(https://www.youtube.com/watch?v=m8oa2ZD4ehg)

► Watch video: https://www.youtube.com/watch?v=m8oa2ZD4ehg(https://www.youtube.com/watch?v=m8oa2ZD4ehg)

Importer of Record (IOR) Explained: CBP Penalties, Duties & Liability You Need to Know— by Ask The Customs Manager on YouTube

What does IOR mean and why should every importer care? This video breaks down everything about Importer of Record liability,u00a0…

Before You Start: Requirements and Compliance Considerations

Before you designate a customs broker as your importer of record, confirm that you have a clear written agreement, such as a valid **power of attorney** (POA) or a customs brokerage contract, specifically authorizing them to act in this capacity. Both parties must assess the **bond requirements**: the IOR needs a continuous or single-entry bond to guarantee duties to U.S. Customs and Border Protection (CBP). If the broker becomes the IOR, they may need to secure the bond under their own name, which can affect their risk exposure and your costs. Also verify that the broker holds an active license and is in good standing with CBP. Finally, ensure your product classification, valuation, and origin documentation are accurate — because as IOR, the broker (or you, if you retain the role) bears responsibility for any compliance errors.

Step-by-Step: Determining Who Can Be the Importer of Record

Review the legal definition. Under U.S. customs regulations, the importer of record is typically the owner or purchaser of the merchandise. However, a licensed customs broker may be designated as the IOR when acting as the agent of the owner or purchaser with a properly executed power of attorney.

Check the terms of your brokerage agreement. Look for clauses about importer of record status. Not all brokers offer this service, and they may require additional fees, a separate bond, or indemnification.

Assess liability and compliance risk. The IOR is answerable for duty payments, recordkeeping, and regulatory violations. Discuss with potential brokers how they handle audits, penalties, and liability sharing to avoid surprises later.

Confirm bond and insurance coverage. If the broker becomes the IOR, they must either use your bond (if allowed) or supply their own. Verify that the bond amount meets CBP requirements for your shipment’s value and type.

Document the arrangement. Execute a written authorization, often a specific POA, that names the broker as the importer of record for designated transactions. Keep copies for your records and provide them alongside entry filings.

Optimizing the Importer of Record Setup for Compliance and Efficiency

When a customs broker accepts importer of record (IOR) responsibilities, the arrangement must be structured to minimize risk and maintain full CBP compliance.

Validate the broker’s license and filer code. Ensure the broker holds an active US customs license and has a valid filer code in good standing. Request a copy of their CBP-issued permit if necessary.

Align bond coverage with shipment characteristics. The bond amount must suit the entry type and commodity value. For high-value or regulated goods, work with the broker to secure a continuous bond at an adequate level.

Formalize indemnity and liability sharing. Draft a written agreement that explicitly limits your exposure and clarifies how penalties, liquidated damages, or seizures will be handled. Avoid verbal understandings.

Maintain a central communication channel. Designate contacts on both sides for real-time updates on entry filings, requests for information (CBP Form 28), and notices of action (CBP Form 29).

Ongoing Review of the Broker-IOR Relationship

An IOR setup is not a one-time task. Periodic checks prevent compliance drift and keep the partnership current.

Reassess bond adequacy annually. As transaction volumes or commodity types evolve, confirm the bond amount continues to meet CBP requirements. Increase coverage proactively rather than waiting for a rejected entry.

Renew powers of attorney on schedule. POAs often expire or become stale. Schedule a review every 12 months and re-execute any documents that no longer reflect the current parties or scope.

Audit entry records together. At least twice a year, request a sample of filed entries and cross-check the declared values, classifications, and duty payments. Early discrepancy detection avoids larger problems during a CBP audit.

Update when business changes. If your company changes its legal name, address, or EIN, notify the broker immediately. The IOR is still accountable, and outdated information can trigger penalties.

Troubleshooting Common Challenges When a Broker Is the Importer of Record

Even with careful planning, obstacles arise. Here are frequent issues and how to address them.

Broker declines IOR status after cargo is en route. *Likely cause:* Newly discovered liability or insufficient bond. *Solution:* Immediately contact a ***China freight forwarder*** ***(https://freightquotechina.com/)*** who may recommend an alternative IOR service or assist with a last-minute bond increase.

CBP holds the shipment for missing documentation. *Likely cause:* The broker, acting as IOR, did not receive a complete packet in time. *Solution:* Provide all commercial invoices, packing lists, and permits directly to the broker before cargo arrival. Set a checklist to avoid gaps.

Disagreement over duty or penalty liability. *Likely cause:* Unclear indemnification terms. *Solution:* Revisit the written agreement, and if needed, engage a customs attorney to mediate. Do not ignore a CBP penalty; the IOR is ultimately named and must respond.

Broker's bond is insufficient midyear. *Likely cause:* A surge in shipment values or new product lines. *Solution:* Ask the broker to file a bond rider or you can purchase a separate single-entry bond. Confirm coverage before the next entry.

Audit reveals inconsistent entry data. *Likely cause:* The broker used incorrect HTS codes or valuations. *Solution:* Conduct a joint post-entry review and file a prior disclosure with CBP if necessary. Correct internal data-sharing practices to prevent recurrence.

Key Considerations at a Glance

Article Section	Critical Action	Why It Matters
Before You Start	Understand IOR obligations under 19 CFR	Liability cannot be transferred completely
Step-by-Step Evaluation	Check POA, broker terms, bond, and written authorization	Verifies broker willingness and legal framework
Optimizing the Setup	Validate license, align bond, formalize indemnity	Reduces compliance gaps from day one
Ongoing Review	Reassess bond, renew POA, audit entries regularly	Maintains a healthy, low-risk relationship
Troubleshooting	React quickly to holds, bond issues, or documentation failures	Minimizes delays and financial exposure

Frequently Asked Questions

Can any US customs broker automatically become the importer of record for my shipment?

No. Brokers must hold an active license and filer code, but they are not obligated to assume importer of record responsibilities. Many brokers explicitly exclude IOR services from their standard terms due to the financial and legal risks involved.

What happens if the broker acting as IOR fails to pay duties or respond to a CBP notice?

CBP will hold both the broker and the actual owner financially liable. Even with an indemnity agreement, you could face penalties, shipment delays, or seizure because the underlying obligation remains with the party who caused the importation.

Is a separate bond required when a customs broker serves as importer of record?

Often, yes. The broker may use their own continuous bond, but if the bond amount is insufficient for your shipment, you must either increase coverage through a rider or obtain a single-entry bond. Discuss this before the entry is filed.

How can I confirm that my broker has proper IOR authorization in place?

Request a copy of the signed power of attorney specifically naming the broker as IOR, and verify that the document includes the transaction scope, effective dates, and indemnification clauses. Also check that the broker’s filer code has not been revoked by CBP.

What should I do if my broker refuses to continue as IOR after several successful shipments?

Start by looking for changes in your merchandise or compliance record that may have increased perceived risk. If no resolution is found, you may need to engage a different broker who offers dedicated IOR services or consider becoming the IOR yourself, which requires securing your own bond.