

**U.S. CUSTOMS AND BORDER PROTECTION
UNITED STATES-MEXICO-CANADA AGREEMENT (USMCA)
INTERIM IMPLEMENTING INSTRUCTIONS**

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Background

On January 29, 2020, the United States-Mexico-Canada Agreement Implementation Act, H.R. 5430; Public Law 116-113; XXX Stat. XXX; 19 U.S.C. XXXX note (“Act”) was signed into law. The Act provides for the Agreement between the United States of America, the United Mexican States, and Canada, signed on December 10, 2019 and ratified by all three countries, with final ratification on March 13, 2020 (“USMCA” or “Agreement”), to enter into force on Month, XX, 2020. Section 103 of the Act authorizes the President to proclaim the tariff modifications and provide the rules of origin for preferential tariff treatment with respect to goods provided for in the Agreement. The text of the Agreement is posted on the U.S. Trade Representative’s website at the following URL: <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>

The Agreement provides for the immediate or staged elimination of duties and barriers to trilateral trade in goods originating in the United States, Mexico and/or Canada.

This memorandum provides guidance with respect to preferential tariff claims under the USMCA.

Title 19, Code of Federal Regulations (CFR) is being amended to implement the Agreement and the Act. The procedures outlined in this memorandum are in place pending the issuance of the applicable regulations.

It is anticipated that the U.S. Department of Labor will issue regulations related to the high-wage components of the labor value content requirements. Additional information related to the Department of Labor’s treatment of these components is included in Annexes A and B.

Origination

An originating good is one that meets the rules of origin set forth in General Note 11 (GN 11) and all other requirements of the Agreement.

Rules of Origin (RoO)

Section 202 of the USMCA Implementation Act specifies the rules of origin used to determine whether a good qualifies as an originating good under the Agreement. The HTSUS will be amended to include GN 11, which includes both the general and specific rules of origin, definitions, and other related provisions.

In general, under the USMCA a good is originating when:

- a) The good is wholly obtained or produced entirely in the territory of one or more of the Parties, as defined in Article 4.3 of the Agreement;
- b) The good is produced entirely in the territory of one or more of the Parties using non-

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originating materials provided the good satisfies all applicable requirements of product-specific rules of origin;

- c) The good is produced entirely in the territory of one or more of the Parties exclusively from originating materials; or
- d) Except for a good provided for in Chapter 61 to 63, HTSUS: the good is produced entirely in the territory of one or more of the Parties, is classified with its materials or satisfies the “unassembled goods” requirement, and meets a regional value content threshold of not less than 60% if the transaction value method is used or not less than 50% if the net cost method is used (not including RVC for autos); and
- e) The good satisfies all other applicable origin requirements.

Regional Value Content (RVC) Calculation Methods

For most goods, the Agreement provides for two Regional Value Content (RVC) calculation methods: (1) the transaction value method and (2) the net cost method.

The Transaction Value Method: $RVC = (TV - VNM) / TV \times 100$ where

- **RVC** is the regional value content, expressed as a percentage;
- **TV** is the transaction value of the good, adjusted to exclude any costs incurred in the international shipment of the good; and
- **VNM** is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

The Net Cost Method: $RVC = (NC - VNM) / NC \times 100$ where

- **RVC** is the regional value content, expressed as a percentage;
- **NC** is the net cost of the good; and
- **VNM** is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

De Minimis (Non-Textiles)

The USMCA has a 10 percent de minimis provision for most goods, including goods subject to RVC requirements, with certain exceptions for goods classified in Chapters 1-27 and for textile and apparel goods. Under the de minimis rule, a good is an originating good if the value of all non-originating materials used in the production of the good that do not undergo an applicable change in tariff classification set out in GN 11 is not more than 10 percent of either: (1) the transaction value of the good adjusted to exclude any costs incurred in the international shipment of the good; or (2) the total cost of the good. If the good is also subject to an RVC requirement, the value of de minimis materials is included in the total value of the non-originating materials.

A good that is otherwise subject to an RVC requirement is not required to satisfy the requirement if the value of all non-originating materials used in the production of the good is not more than 10 percent of the transaction value of the good, adjusted to exclude any costs incurred in the international shipment of the good, or the total cost of the good, provided that the good satisfies all other applicable requirements.

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Treatment of Sets

Notwithstanding the product-specific rules of origin in GN 11, goods (including textile or apparel goods) put up in sets for retail sale and classified as a result of the application of General Rule of Interpretation 3 (GRI 3) are originating only if each good in the set is originating, and both the set and the goods meet all other applicable requirements, or the total value of the non-originating goods in the set does not exceed 10 percent of the value of the set and the goods meet all other applicable requirements.

Transit and Transshipment

An originating good retains its status as an originating good if the good has been transported to the United States without passing through the territory of a non-Party.

If an originating good is transported outside the territories of the Parties, the good will retain its originating status if the good:

- a) remains under customs control in the territory of a non-Party; and
- b) does not undergo an operation outside the territories of the Parties other than: unloading; reloading; separation from a bulk shipment; storing; labeling or marking required by the importing Party; or any other operation necessary to preserve it in good condition or to transport the good to the territory of the importing Party.

Rules of Origin for Automotive Goods

The Appendix to Annex 4-B (“the automotive appendix”) of the USMCA includes additional requirements that apply to automotive goods, including additional certification requirements. In addition to the general rules, please see APPENDIX I of this document for additional information on the USMCA rules of origin for automotive goods.

Eligible Articles

Tariff items eligible for preferential tariff treatment under USMCA will have a Special Program Indicator (SPI). Note the SPI for USMCA is ‘S’. This SPI will be reflected in the Special column of the HTSUS. USMCA preference may also be claimed on unconditionally free tariff items in order to receive an exemption from Merchandise Processing Fees (MPF), although the SPI ‘S’ will not be listed in the Special column in the HTSUS for those items.

Eligibility for Textiles and Apparel

Textiles and apparel products may qualify as originating under USMCA if they meet the requirements as specified in the Agreement. See **APPENDIX II** of this document for the implementing instructions related to textile and apparel goods.

Merchandise Processing Fees (MPF) Exemption

The USMCA provides that originating goods, and tariff preference level (TPL) goods are exempt

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from MPF if the claim for preferential tariff treatment is made at the time of entry. Although unconditionally free goods will not list the SPI in the Special column of the HTSUS, in order to receive an exemption from MPF, a claim for USMCA preferential tariff treatment must be made by using the SPI, and these claims are subject to the same certification and verification requirements as dutiable goods.

Country of Origin Marking Rules for Goods Imported from Canada and Mexico

The rules of origin contained in 19 CFR Part 102 determine the country of origin for marking purposes of a good imported from Canada or Mexico in accordance with the requirements of 19 CFR Part 134.

Except for certain agricultural goods, a good does not need to first qualify to be marked as a good of Canada or Mexico (as was the case in NAFTA) in order to receive preferential tariff treatment under USMCA.

For most goods, only the product specific rules of origin contained in GN 11 are needed to determine whether a good originates under the USMCA.

Making a Preference Claim

Importers may claim preferential tariff treatment under the Agreement on qualifying goods entered for consumption or withdrawn from warehouse for consumption, on or after Month XX, 2020 using the new special program indicator (SPI) ‘S’.

When the filer transmits the ‘S’ SPI to indicate a USMCA claim, the filer is certifying the goods comply with all RoO and recordkeeping requirements including, as applicable, Labor Value Content (LVC) certification and Steel & Aluminum Certifications (Annex B).

Further, the Automated Commercial Environment (ACE) will accept the new SPI beginning Month, XX, 2020 for entries entered or withdrawn from warehouse:

1. Via ABI on Entry Summary (CBPF 7501); or
2. Via Non-ABI on Entry Summary (CBPF 7501);
3. Via a post-importation claim (19 USC 1520(d)) filed within 1 year of importation as specified under “Post-Importation Claims,” below.

Post-Importation Claims

If a claim for preference was not made at the time of importation and the goods qualify as originating, the USMCA permits importers to make a post-importation preference claim to request a refund of excess duties. MPF paid on entries, for which a post-importation claim for preference under the USMCA is made, will not be refunded.

The importer may make a post-importation claim within one year of importation in accordance with 19 USC 1520(d). The claim must include:

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- 1) A declaration stating that the good qualified as an originating good at the time of importation and the number and date of the entry or entries covering the good,
- 2) A copy of a certification containing the required data elements (Annex 5-A) (see Appendix I) demonstrating that the good originated at or before importation,
- 3) A statement indicating whether the entry summary or equivalent documentation was provided to any other person; and
- 4) A statement indicating whether a protest, petition or request for re-liquidation has been filed relating to the good and identification of such filing(s).

Importers may avail themselves the use of the ACE Reconciliation Prototype to submit post-importation preference claims pursuant to 19 USC 1520(d). All reconciliation entries must follow the reconciliation process and be accepted.

If CBP finds that the certification is illegible, incomplete or contains incorrect information or that the post-importation claim otherwise does not comply with the requirements, the post-importation claim will be denied with a statement specifying the deficiencies. Corrections are allowed on 1520(d) claims, unless the claim has been reviewed and decided, up to the one year expiration period.

Certification or Other Document Requirements

An importer may submit an importer, exporter or producer certification. The importer is responsible for exercising reasonable care concerning the accuracy of all documentation submitted to CBP.

The importer may make a claim for preferential tariff treatment based on a certification of origin completed by the importer, the exporter or the producer, for the purpose of certifying that a good qualifies as an originating good.

If an exporter that is not the producer of the good certifies the origin of the good, the certification may be completed by the exporter on the basis of either: (1) having information, including documents, that demonstrate that a good is originating; or (2) reasonable reliance on the producer's written representation that the good is originating.

If a producer or an importer certifies the origin of the good, the producer or importer must have information, including documents that demonstrate that the good is originating.

The certification need not be in a prescribed format; it may be provided on an invoice or any other document, except a commercial document issued in a non-Party, may be submitted electronically, and may cover a single importation or multiple importations of identical goods within a maximum 12-month period. The certification must contain a set of minimum data elements as set out in Annex 5-A of the Agreement (Appendix III of these Instructions) that indicate that the good is both originating and meets other applicable requirements.

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The certification may be submitted in English, Spanish, or French. If submitted in Spanish or French, CBP may request an English translation.

An importer is required to have a valid certification of origin in its possession at the time the USMCA preference claim is made. If the certification of origin is illegible, is defective on its face, or is incomplete, the importer is granted a period of not less than five working days to provide a copy of the corrected certification of origin.

A certification is not required for importations valued at \$2,500 or less, provided that the importation does not form part of a series of importations that may reasonably be considered to have been undertaken or arranged for the purpose of evading U.S. laws, regulations, or procedures governing claims for preferential tariff treatment. If the Center of Excellence and Expertise (Center) Director determines that an importation described in this section is a part of a series of importations carried out or planned for the purpose of evading compliance with certification requirements, the importer may be required to submit a copy of the certification.

Certification for Certain Vehicles – Passenger Vehicles, Light Trucks, and Heavy Trucks

For certification procedures for passenger vehicles, light trucks, heavy trucks, see Appendix I.

Correction of False/Unsupported USMCA Claims

An importer will not be subject to penalties under 19 USC 1592 for making an incorrect claim that a good qualifies as a USMCA originating good if the importer, in accordance with regulations prescribed by the Secretary of the Treasury, makes a corrected declaration within 30 days of discovery and pays any duties and MPF owed with respect to that good.

Recordkeeping Requirements

Any importer who claims preferential tariff treatment under the Agreement for a good imported into the United States from a USMCA country must keep the following documentation for a period of no less than five years from date of entry:

1. Records and supporting documentation related to the importation;
2. All records and supporting documents related to the origin of the good (including any certifications or copies thereof); and
3. Records and supporting documentation necessary to demonstrate compliance with the transit and transshipment provisions in Article 4.18 of the Agreement.

The importer must render these records for examination and inspection upon request per 19 USC 1508 –1510 and 19 CFR Part 163.6.

Any person who completes a USMCA certification of origin or provides a written representation for a good exported from the United States to a USMCA country must keep all records and supporting documents related to the origin of the good (including the certification or copies thereof), including records related to:

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1. the purchase, cost, value, and shipping of, and payment for, the good;
2. the purchase, cost, value, and shipping of, and payment for, all materials, including indirect materials, used in the production of the good; and
3. the production of the good in the form in which it was exported or the production of the material in the form in which it was sold.

These records must be maintained for a period of no less than five years from date of entry and must be rendered for examination and inspection upon request.

In addition to the recordkeeping requirements denoted above, any vehicle producer, whose good is the subject of a claim for preferential tariff treatment under the USMCA, must keep records and supporting documents related to the labor value content and steel and aluminum purchasing requirements.

The vehicle producer must retain these records for a period of five years and render them for examination and inspection upon request. It is anticipated that the U.S. Department of Labor will issue regulations addressing in more detail recordkeeping requirements related to the high-wage components of the labor value content requirements.

The importer, exporter, or producer may maintain the aforementioned documents, including electronic format, provided that the records or documentation can be readily available upon request.

The requirement on the importer, exporter, and producer to maintain records applies even if the importing Party does not require a certification of origin or if a requirement for a certification of origin has been waived.

Verification by CBP

Pursuant to Article 5.9 of the USMCA, CBP may conduct a verification to determine whether a good entered with a claim for preferential tariff treatment qualifies as originating by one or more of the following:

- (1) a written request or questionnaire, such as a CBP Form 28, Request for Information, seeking information, including documents, from the importer, exporter, or producer of the good;
- (2) a verification visit to the premises of the exporter or producer of the good in order to request information, including documents, and to observe the production process and the related facilities;
- (3) for a textile or apparel good, the procedures set out in Article 6.6 of the Agreement; or
- (4) any other procedure as may be decided by the Parties.

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CBP may initiate the verification to the importer or to the person who completed the certification of origin. If CBP initiates a verification to the exporter or the producer, it will inform the importer of the initiation of the verification.

If CBP requests information from the importer, and the importer does not provide sufficient information to demonstrate that the good is originating, CBP shall request information from the exporter or producer before it may deny the claim for preferential treatment.

When conducting a verification, CBP will accept information, including documents, directly from the exporter, producer, or importer.

As each verification involves a unique set of facts and the requirements of product-specific rules differ widely, CBP does not provide an all-inclusive list of documents required to substantiate that a good qualifies as an originating good. Information that may be helpful during a verification includes but is not limited to the following:

- Flow-charts, technical specifications and other documents explaining the manufacturing process.
- An explanation of how the good meets the specific rule of origin in GN 11;
- A bill of materials showing the classification number, origin, and cost of each material;
- Certifications or affidavits from the producer of each originating material attesting to the country of manufacture and its originating status;
- Purchase orders and proof of payment to substantiate values;
- Documentation pertaining to assists, inventory management methods, indirect materials, etc.;
- Raw materials invoices;
- Production records; and
- Export documents.

If CBP intends to deny preferential tariff treatment based on information submitted during the verification, CBP will inform the importer, and any exporter or producer who is the subject of the verification and provided information during the verification. CBP will allow additional information to be submitted 30 days after CBP has informed the parties of its intent to deny the claim.

Issuing a Determination

CBP will provide the importer, exporter, or producer, that certified the good was originating and is the subject of a verification, with a written determination of origin, either positive or negative, that includes the findings of facts and the legal basis for the determination. If the importer is not the certifier, CBP will also provide the written determination to the importer.

If the importer provides CBP with sufficient information to demonstrate the goods origin, CBP

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will notify the importer via a CBP Form 29, Notice of Action. If the certification of origin for the goods subject to the verification was completed by the exporter or producer, CBP will also notify that exporter or producer. The CBP Form 29 will indicate the positive determination, and include the HTSUS number, description of the good, and the rule of origin that applies to the good.

If the importer does not adequately substantiate the claim, CBP will notify the importer, and any exporter or producer who is subject to the verification, via a CBP Form 29, Notice of Action, "Proposed Action." The importer and any other party receiving the notice will have 30 days to submit additional information to substantiate that the imported goods meet the requirements for preferential duty treatment under USMCA. (Article 5.9.16)

If CBP does not receive additional information supporting the claim for preferential treatment within 20 days, CBP will issue a negative determination to the importer, and the exporter or producer, as appropriate, via a CBP Form 29, Notice of Action, "Action Taken." CBP will deny the preference claim and liquidate the entries with the applicable duties, taxes, and fees.

Impact of a Negative Determination on a Blanket Certification

If a preference claim is made on a good covered by a blanket certification, and a negative determination is issued, CBP shall deny preference to all importations of identical goods covered by that blanket certification and liquidate the entries with the applicable duties, taxes and fees.

Pattern of Conduct

When CBP finds through two or more verifications that an importer continues to claim preference on a good previously the subject of a negative determination, CBP may deny preference on identical goods imported by such importer until compliance with the rules of origin is established.

When the verifications indicate a pattern of conduct by an exporter or a producer of false or unsupported representations that a good qualifies as an originating good, CBP may deny preferential tariff treatment from identical goods exported or produced by such entity, until compliance with the rules of origin is established.

Protest Rights

Importers or other authorized parties may file a protest to contest a denial of preferential tariff treatment of a claim made at entry pursuant to 19 U.S.C 1514 within 180 days of liquidation. If approved, the protestant will be eligible for preferential treatment.

Questions regarding this guidance can be directed to Maya Kamar, Director, Textiles and Trade Agreements Division at 202 945 7228 or email FTA@CBP.DHS.GOV.

Supporting Documents - Web Links:

Federal Register Notice:

TBD

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United States-Mexico-Canada Agreement (USMCA) Final Text:

<https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>

United States-Mexico-Canada Agreement (USMCA) Bill HR 5430:

<https://www.congress.gov/116/bills/hr5430/BILLS-116hr5430enr.pdf>

U.S. Trade Representative (USTR) - USTR.gov:

<https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>

U. S. Customs and Border Protection (CBP) - CBP.gov:

<https://www.cbp.gov/trade/priority-issues/trade-agreements/free-trade-agreements/USMCA>

U.S. International Trade Commission-Harmonized**Tariff Schedule of the United States:**

<http://www.usitc.gov>

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APPENDIX I - Automotive Rules of Origin and Procedures

The Appendix to Annex 4-B (“the automotive appendix”) of the USMCA includes additional provisions that apply to automotive goods.

“Automotive good” means a passenger vehicle, light truck, or heavy truck (“covered vehicle”); or a part, component, or material listed in table A.1, A.2, B, C, D, or E of the automotive appendix.

I. Regional Value Content

Notwithstanding the product specific rules of origin contained in the automotive appendix, passenger vehicles, light trucks, and parts thereof are subject to the RVC requirements contained in Article 3 of the automotive appendix; heavy trucks and parts thereof are subject to the RVC requirements contained in Article 4 of the automotive appendix; and certain other vehicles are subject to the RVC requirements contained in Article 10 of the automotive appendix.

II. Labor Value Content Requirement

In addition to the product-specific rules of origin in the automotive appendix or other requirements in the automotive appendix, a passenger vehicle is originating only if the vehicle producer certifies that its production meets a Labor Value Content (LVC) requirement. For 2020 and 2021, the LVC requirement is:

- (a) 30 percent, consisting of at least 15 percentage points of high-wage material and manufacturing expenditures, no more than 10 percentage points of high-wage technology expenditures, and no more than 5 percentage points of high-wage assembly expenditures, beginning on January 1, 2020, or the date of entry into force of this Agreement, whichever is later;
- (b) 33 percent, consisting of at least 18 percentage points of high-wage material and manufacturing expenditures, no more than 10 percentage points of technology expenditures, and no more than 5 percentage points of high-wage assembly expenditures, beginning on January 1, 2021, or one year after the date of entry into force of this Agreement, whichever is later;

In addition to the product-specific rules of origin in the automotive appendix or other requirements in the automotive appendix, a light truck or heavy truck is originating only if the vehicle producer certifies that its production meets an LVC requirement of 45 percent, consisting of at least 30 percentage points of high-wage material and manufacturing expenditures, no more than 10 percentage points of high-wage technology expenditures, and no more than 5 percentage points of high-wage assembly expenditures.

A. DEFINITIONS

Advanced battery packs means a or battery assembly used as the primary source of electrical power for the propulsion of an electric passenger vehicle, light truck, or heavy truck;

Annual purchase value (APV) means the value of a high-wage material purchased by a producer for use in the production of passenger vehicles, light trucks or heavy trucks in a plant located in the territory of a USMCA country;

High-wage assembly plant for passenger vehicle or light truck parts means a qualifying wage rate production plant, operated by a producer, or by a supplier with whom the producer has a supply contract, of at least three years for the materials listed in sub-paragraphs (a) through (c), provided that the plant is located in the territory of a USMCA country and that it has a production capacity of at least:

- (a) 100,000 or more engines of heading 84.07 or 84.08 that qualify as originating under Annex 4-B (Product-Specific Rules of Origin),
- (b) 100,000 or more transmissions of subheading 8708.40 that qualify as originating under Annex 4-B (Product-Specific Rules of Origin), or
- (c) 25,000 or more advanced battery packs that qualify as originating under Annex 4- B (Product-Specific Rules of Origin).

Such engines, transmissions, or advanced battery packs need not separately qualify as originating;

High-wage assembly plant for heavy truck parts means a qualifying wage rate production plant, operated by a producer, or by a supplier with whom the producer has a supply contract of at least three years, for the materials listed below, provided that the plant is located in the territory of a Party and that it has a production capacity of:

- (a) 20,000 or more engines of heading 84.07 or 84.08 that qualify as originating under Annex 4-B (Product-Specific Rules of Origin),
- (b) 20,000 or more transmissions of subheading 8708.40 that qualify as originating under Annex 4-B (Product-Specific Rules of Origin), or
- (c) 20,000 or more advanced battery packs that qualify as originating under Annex 4- B (Product-Specific Rules of Origin).

Such engines, transmissions, or advanced battery packs need not separately qualify as originating;

High-wage labor costs means the sum of wage expenditures, not including benefits, for direct production workers at a qualifying wage-rate vehicle assembly plant;

High-wage material means a material that is produced in a qualifying wage-rate production plant;

High-wage technology expenditures means wage expenditures by a producer in the territory of one or more of the USMCA countries on:

- (a) research and development, including prototype development, design, engineering,

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or testing operations and any work undertaken by a producer for the purpose of creating new, or improving existing, materials, parts, vehicles or processes, including incremental improvements thereto, or

- (b) information technology, including software development, technology integration, vehicle communications, or information technology support operations.

Expenditures on capital or other non-wage costs for R&D or IT should not be included. No minimum wage rate is associated with high-wage technology expenditures;

High-wage transportation or related costs for shipping means costs incurred by a producer for transportation, logistics, or material handling associated with the movement of high-wage parts or materials within the territories of the Parties, provided that the transportation, logistics, or material handling to direct production employees involved in these services. High-wage transportation or related costs for shipping may be included in high wage material and manufacturing expenses if those costs are not otherwise included;

Qualifying wage-rate vehicle assembly plant means a passenger vehicle, light truck or heavy truck assembly plant located in a in a USMCA country, at which the average hourly base wage rate for hours worked in direct production is at least:

- (a) US\$16 in the United States,
- (b) CA\$20.91 in Canada, and
- (c) MX\$304.31 for Mexico;

Qualifying wage-rate production plant means a passenger vehicle, light truck or heavy truck assembly plant or facility located in a Party, or a plant that produces materials for passenger vehicles, light trucks or heavy trucks located in a USMCA country, at which the average hourly base wage rate for hours worked in direct production is at least:

- (a) US\$16 in the United States,
- (b) CA\$20.91 in Canada, and
- (c) MX\$304.31 for Mexico; and

Total vehicle plant assembly annual purchase value means the sum of the values of parts or materials purchased on an annual basis by a producer for use in the production of passenger vehicles, light trucks or heavy trucks in a plant located in the territory of a USMCA country;

B. CALCULATION OF LVC REQUIREMENT

- (1) For purposes of meeting the LVC requirement for a passenger vehicle, light truck or heavy truck as specified in the Appendix to Chapter 4 of the Agreement (“automotive appendix”), a vehicle producer may use one of the following formulas:

- (a) Formula based on Net Cost

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$$LVC = \frac{HWLC \text{ (if the producer elects)} + HWME}{NC + HWLC \text{ (if in the numerator)}} \times 100 + HWT + HWA$$

(b) Formula based on Total Vehicle Plant Annual Purchase Value (APV)

$$LVC = \frac{HWLC \text{ (if the producer elects)} + HWME}{Total APV + HWLC \text{ (if in the numerator)}} \times 100 + HWT + HWA$$

Where,

LVC is the labor value content, expressed as a percentage;

HWLC is the high-wage labor costs;

HWME is the high-wage material and manufacturing expenditures;

HWT is the credit for high-wage technology expenditures;

HWA is the credit for high-wage assembly expenditures;

NC is the net cost of the vehicle; and

Total APV is the total vehicle plant assembly annual purchase value

HIGH WAGE MATERIAL OR MANUFACTURING EXPENDITURES

(2) The high wage material or manufacturing expenditures may be calculated as sum of the following values:

- (a) the annual purchase value (APV) of a self-produced high-wage material used in the production of a vehicle from a qualifying-wage rate production plant;
 - (b) the APV of an imported or acquired high-wage material used in the production of a vehicle from a qualifying-wage rate production plant; or
 - (c) the APV of a high-wage material used in the production of a part or material that is used in the production of an intermediate or self-produced part that is subsequently used in the production of a vehicle
- (3) It is suggested, but not required, that the vehicle producer calculate the high-wage material and manufacturing expenditures in the order describe in paragraph (2). A vehicle producer need not calculate the elements in paragraph 2(b) or in 2(c) if the previous element or elements is sufficient to meet the LVC requirement.

VALUE OF A HIGH-WAGE PART OR MATERIAL

- (4) For the purposes of calculating high-wage material or manufacturing expenditures, the APV of a high-wage part or material is:
- (a) for a material imported or acquired in the territory of a USMCA country:
 - (i) the price paid or payable by the producer in the USMCA country where the producer is located;
 - (ii) the net cost of the material at the time of importation; or
 - (iii) the transaction value of the material at the time of importation.
 - (b) for a part or material that is self-produced:
 - (i) all costs incurred in the production of materials, which includes general expenses, and
 - (ii) an amount equivalent to the profit added in the normal course of trade, or equal to the profit that is usually reflected in the sale of goods of the same class or kind as the self-produced material that is being valued
- (5) If not included in paragraph 4(a) or 4(b), the value of a high-wage part or material may, at the producer's discretion, include high-wage transportation or related costs for shipping.
- (6) A plant engaged in the production of a passenger vehicle, light truck or heavy truck may be certified as a qualifying wage-rate vehicle assembly plant or a qualifying-wage-rate production plant based on the average wage paid to direct production workers at the plant over the period between entry into force of the Agreement and the beginning of the next calendar year, or a 12-month period. The certification of a qualifying-wage-rate production plant based on period less than 12 months is valid for the following period of the same length. The certification of a qualifying-wage-rate production plant based on a 12-month period is valid for the following 12 months.

HIGH-WAGE TECHNOLOGY EXPENDITURES CREDIT

- (7) To determine the high-wage technology expenditures credit, the following formula may be used:

$$HWT = \frac{\text{Annual producer expenditures for R\&D or IT}}{\text{Total annual vehicle production expenditures}} \times 100$$

where

HWT is the credit for high-wage technology expenditures, expressed as a percentage;

Annual producer expenditures for R&D or IT means the annual high-wage technology

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expenditures in all three USMCA countries; and

Total annual vehicle production expenditures means the total annual expenditures by the vehicle producer on production wages in all three USMCA countries.

HIGH-WAGE ASSEMBLY CREDIT

- (8) A high-wage assembly (HWA) credit of five percentage points may be included in the LVC for passenger vehicles or light trucks produced by a producer that operates a high-wage assembly plant for passenger vehicle or light truck parts or has a long-term supply contract for those parts (i.e. a contract with a minimum of three years) with such a plant.
- (9) A high-wage assembly (HWA) credit of five percentage points may be included in the LVC for heavy trucks produced by a producer that operates a high-wage assembly plant for heavy truck parts or has a long-term supply contract (i.e. a contract with a minimum of three years) for those parts with such a plant.
- (10) A high-wage assembly plant for passenger vehicle, light truck, or heavy truck parts need only have the capacity to produce the minimum amount of originating parts specified in the definition. There is no need to maintain or provide records or other documents that certify such parts are originating, as long as information demonstrating the capacity to produce these minimum amounts is maintained and can be provided.

C. AVERAGING FOR LVC REQUIREMENT

AVERAGING CATEGORIES

- (11) For the purposes of calculating the LVC of a passenger vehicle, light truck or heavy truck, the producer may elect to average the calculation using any one of the following categories, on the basis of either all vehicles in the category or only those vehicles in the category that are exported to the territory of one or more of the other USMCA countries:
 - (a) the same model line of vehicles in the same class of vehicles produced in the same plant in the territory of a USMCA country;
 - (b) the same class of vehicles produced in the same plant in the territory of a USMCA country;
 - (c) the same model line of vehicles or same class of vehicles produced in the territory of a USMCA country;
 - (d) all vehicles produced in one or more plants in the territory of a USMCA country; or
 - (e) any other category as the USMCA countries may decide.

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- (12) An election made under paragraph (11) shall
- (a) state the category chosen by the producer, and
 - i. where the category referred to in paragraph 11(a) is chosen, state the model line, model name, class of vehicle and tariff classification of the vehicles in that category, and the location of the plant at which the vehicles are produced,
 - ii. where the category referred to in paragraph 11(b) is chosen, state the model name, class of vehicle and tariff classification of the vehicles in that category, and the location of the plant at which the vehicles are produced,
 - iii. where the category referred to in paragraph 11(c) is chosen, state the model line, model name, class of vehicle and tariff classification of the vehicles in that category, and the locations of the plants at which the vehicles are produced, and
 - iv. where the category referred to in paragraph 11(d) is chosen, state the model line, model name, class of vehicle and tariff classification of the vehicles in that category, and the locations of the plants at which the vehicles are produced;
 - (b) state whether the basis of the calculation is all vehicles in the category or only those vehicles in the category that are exported to the territory of one or more of the other USMCA countries;
 - (c) state the producer's name and address;
 - (d). state the period with respect to which the election is made, including the starting and ending dates;
 - (e) state the estimated labor value content of vehicles in the category on the basis stated under paragraph (b);
 - (f) be dated and signed by an authorized officer of the producer; and
 - (g) be filed with the customs administration of each USMCA country to which vehicles in that category are to be exported during the period covered by the election, at least 10 days before the first day of the calendar or producer's fiscal year, or such shorter period as that customs administration may accept.
- (13) An election filed for the vehicles referred to in paragraph 11 may not be
- (a) rescinded; or
 - (b) modified with respect to the category or basis of calculation.
- (14) For purposes of this section, where a producer files an election under paragraph 12, the net costs incurred and the APV of the producer's passenger vehicles, light trucks or heavy trucks, with respect to
- (a) all vehicles that fall within the category chosen by the producer; or
 - (b) those vehicles to be exported to the territory of one or more of the USMCA countries that fall within the category chosen by the producer

shall be included in the calculation of the labor value content under any of the categories set out in paragraph 11.

ABILITY TO AVERAGE PASSENGER VEHICLES AND LIGHT TRUCKS IF HIGHER REQUIREMENT IS MET

- (15) If a producer's LVC calculation is based on an average that includes both passenger vehicles and light trucks produced in the territory of a USMCA country, the applicable LVC requirement shall be 45%, in accordance with paragraph 14.

LVC PERIODS

- (16) For the purposes of determining the LVC in paragraph 14, the producer may base the calculation on the following periods:
- (a) the previous fiscal year of the producer;
 - (b) the previous calendar year;
 - (c) the quarter or month to date in which the vehicle is produced or exported;
 - (d) the producer's fiscal year to date in which the vehicle is produced or exported; or
 - (e) the calendar year to date in which the vehicle is produced or exported.

D. OTHER INFORMATION

EXCESS LVC MAY BE USED TOWARDS RVC REQUIREMENT FOR HEAVY TRUCKS

- (17) For the period ending seven years after entry into force of the Agreement, if a producer certifies a Labor Value Content for a heavy truck that is higher than 45 percent by increasing the amount of high wage material and manufacturing expenditures above 30 percentage points, the producer may use the points above 30 percentage points as a credit towards the regional value content percentages under Article 4.1 of the automotive appendix, provided that the regional value content percentage is not below 60 percent.

TRANSPORTATION AND RELATED COSTS

- (18) The amount that can be included for high-wage transportation or related costs for shipping may be included in a producer's LVC calculation. Alternatively, a producer may aggregate such costs within the territories of one or more of the USMCA countries. Based on this aggregate amount, the producer may attribute an amount for transportation or related costs for shipping for purposes of the LVC calculation. Transportation or related costs for shipping incurred in transporting a material from outside the territories of the USMCA countries to the territory of a USMCA country should not be included in this calculation.

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VALUE OF MATERIALS FOR LVC PURPOSES

- (19) The value of both originating and non-originating materials shall be taken into account for the purposes of calculating the labor value content. The entire value of a material that has undergone production in a qualifying-wage-rate production plant may be counted towards the LVC.

III. STEEL AND ALUMINUM PURCHASE REQUIREMENT

In addition to the product-specific rules of origin in the automotive appendix or other requirements in the automotive appendix, a passenger vehicle, light truck, or heavy truck is originating only if at least 70 percent of:

- (a) the vehicle producer's purchases of steel by value in the territories of the Parties; and
- (b) the vehicle producer's purchases of aluminum by value in the territories of the Parties are of originating goods.

Article 6 of the automotive appendix provides additional requirements including the time period over which the calculation may be made and the duration of the calculation's validity.

The steel and aluminum purchasing requirement will apply to a North American vehicle producer's corporate purchases of the products listed in Table A.1 (Steel and Aluminum Codes) throughout the territories of the Parties, including purchases made outside North America, including if the producer has more than one location in a Party where steel and aluminum is purchased. Such purchases of steel and aluminum include direct purchases, purchases through a services center, and purchases contracted through a supplier. Such purchases must also include steel and aluminum purchases for major stampings that form the "body in white" or chassis frame, as defined in Table A.2 (core parts), regardless of the producer that makes such purchases.

IV. TRANSITIONS AND ALTERNATIVE STAGING REGIMES

Article 8 of the automotive appendix provides that a passenger vehicle or light truck may be originating pursuant to an alternative staging regime during a period ending no later than January 1, 2025 or five years after entry into force of the USMCA, whichever is later [update from FRN if necessary].

In addition to the other requirements contained in Article 8 of the automotive appendix, an alternative staging regime for eligible passenger vehicles or light trucks must meet the following requirements:

- a) the regional value content for such vehicles must not be lower than 62.5 percent, under the net cost method, and must be 75 percent by no later than January 1, 2025 or five years after

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entry into force of this Agreement, whichever is later;

- b) the regional value content for a good listed in Table A.1 of the automotive appendix, except for a battery of subheading 8507.60,83 that is for use in a passenger vehicle or light truck must not be lower than 62.5 percent under the net cost method or 72.5 percent under the transaction value method, if the corresponding rule includes a transaction value method, and must be 75 percent under the net cost method or 85 percent under the transaction value method, if the corresponding rule includes a transaction value method by no later than January 1, 2025 or five years after entry into force of this Agreement, whichever is later;
- c) the steel and aluminum requirement under Article 6 of the automotive appendix must be met, unless the Parties agree to change that requirement for vehicles subject to this alternative regime; and
- d) the LVC requirements under Articles 7.1 or 7.2 of the automotive appendix must not be reduced by more than 5 percentage points for high wage material and manufacturing expenditures unless the Parties agree to change that requirement for vehicles subject to this alternative staging regime.

In [citation to FRN], the United States Trade Representative published requirements, procedures, and guidance required to implement the USMCA alternative staging regime.

TABLE A.1 - Description and HTSUS Codes for Steel and Aluminum

SUBJECT TO USMCA STEEL AND ALUMINIUM PURCHASING REQUIREMENTS
(ARTICLE 6 OF THE APPENDIX TO CHAPTER 4) ¹

The following provides guidance on the HS codes, at the 6-digit level, for steel and aluminum subject to the USMCA steel and aluminum purchasing requirements. These codes and descriptions are for guidance only and may change based on changes in nomenclature or other classification information or rulings. Such descriptions are meant to cover structural steel or aluminum purchases by vehicle producers used in the production of passenger vehicles, light trucks, or heavy trucks, including all steel or aluminum purchases used for the production of major stampings that form the “body in white” or chassis frame as defined in Table A.2 (Parts and Components for Passenger Vehicles and Light Trucks). These requirements are not intended to cover structural steel or aluminum purchased by parts producers or suppliers used in the production of other automotive parts.

STEEL - DESCRIPTION	6-DIGIT HS SUBHEADING(S)
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated:	
Other, in coils, not further worked than hot-rolled, pickled	7208.25
	7208.26
	7208.27
Other, in coils, not further worked than hot-rolled	7208.36
	7208.37
	7208.38
	7208.39
Other, not in coils, not further worked than hot-rolled	7208.51
	7208.52
	7208.53
	7208.54
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated:	
In coils, not further worked than cold-rolled (cold-reduced):	7209.15
	7209.16
	7209.17
	7209.18

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Not in coils, not further worked than cold-rolled (cold-reduced):	7209.25 7209.26 7209.27 7209.28
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated:	
Otherwise plated or coated with zinc, Other (Not Corrugated)	7210.49
Other: Clad; Other: Electrolytically coated or plated with base metal, Other	7210.90
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated:	
STEEL - DESCRIPTION	6-DIGIT HS SUBHEADING(S)
Other, of a thickness of 4.75 mm or more	7211.14
Other:	7211.19
Not further worked than cold-rolled (cold-reduced), Containing by weight less than 0.25 percent of carbon:	7211.23
Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated:	
Otherwise plated or coated with zinc	7212.30
Flat-rolled products of other alloy steel, of a width of 600 mm or more	
Other, not further worked than hot-rolled, in coils:	7225.30
Other, not further worked than hot-rolled, not in coils:	7225.40
Other, not further worked than cold-rolled (cold-reduced):	7225.50
Other: Otherwise plated or coated with zinc	7225.92
Other: Other	7225.99
Flat-rolled products of other alloy steel, of a width of less than 600 mm:	
Other: Not further worked than hot-rolled: Of tool steel (other than high-speed steel):	7226.91
Otherwise plated or coated with zinc	7226.92

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Other: Other	7226.99
Other tubes, pipes and hollow profiles (for example, open seamed or welded, riveted or similarly closed), of iron or steel:	
Other, welded, of circular cross section, of iron or non-alloy steel:	7306.30
Other, welded, of circular cross section, of other alloy steel:	7306.50
Other, welded, of noncircular cross section:	7306.61 7306.69
Other: Other	7306.90
Parts and accessories of the motor vehicles of headings 8701 to 8705:	
Body stampings or chassis frames, composed of steel, as referenced in Table A.2 (Parts and Components for Passenger Vehicles and Light Trucks), not otherwise classified in the above subheadings	ex. 8708.29 ex 8708.99

ALUMINUM - DESCRIPTIONS	6-DIGIT HS SUBHEADING(S)
Unwrought aluminum:	
Aluminum, not alloyed	7601.10
Aluminum, alloyed	7601.20
Aluminum bars, rods and profiles	
Of aluminum, not alloyed:	7604.10
Of aluminum alloys:	7604.21
Other:	7604.29
Aluminum plates, sheets and strip, of a thickness exceeding 0.2 mm:	
Rectangular (including square), of aluminum, not alloyed:	7606.11
Rectangular (including square), of aluminum alloys:	7606.12
Other, of aluminum, not alloyed:	7606.91
Other, of aluminum alloys:	7606.92

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Aluminum tubes and pipes	
Of aluminum, not alloyed:	7608.10
Of aluminum alloys:	7608.20
Parts and accessories of the motor vehicles of headings 8701 to 8705:	
Body stampings or chassis frames, composed of aluminum, as referenced in Table A.2 (Parts and Components for Passenger Vehicles and Light Trucks), not otherwise classified in the above subheadings.	ex. 8708.29 ex 8708.99

¹ Based on HS2017 nomenclature.

TABLE A.2 - Parts and Components for Passenger Vehicles and Light Trucks¹

The following provides guidance on the HS codes at the 6-digit level and at the HTSUS national tariff line level for the core parts and components listed in the Table A.2 of the Appendix to Chapter 4 of the Agreement. These codes are for guidance only and may change based on changes in nomenclature or other classification information or rulings. This guidance should only be used for such parts, and components used to produce such parts, that are for the production of a passenger vehicle or light truck in order to meet the requirements under Article 3 of the Appendix. Other parts, or components that are not used in the production of such parts, that happen to be classified in these codes should not be used in order to meet to requirements under Article 3.

PARTS	COMPONENTS	6-DIGIT HTS SUBHEADING	U.S. TARIFF ITEM
ENGINES	Spark-ignition reciprocating or rotary internal combustion piston engines and Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	ex 8407.33 ex 8407.34 ex 8408.20	8407.33.6080 8407.34.1800 8407.34.4800 8408.20.2000 8408.20.9000
	Heads	ex 8409.91 ex 8409.99	8409.91.3000 8409.91.5085 8409.99.9190
	Blocks	ex 8409.91 ex 8409.99	8409.91.5085 8409.99.1040 8409.99.9190
	Crankshafts	ex 8483.10	8483.10.1030 8483.10.1050 8483.10.3010
	Crankcases	ex 8409.91 ex 8409.99	8409.91.5085 8409.99.9190
	Pistons	ex 8409.91	8409.91.5085
	Rods	ex 8409.91 ex 8409.99	8409.91.5010 8409.91.5085 8409.99.9110

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	Head subassembly	ex 8409.91 ex 8409.99	8409.91.5085 8409.91.3000
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PARTS	COMPONENTS	6-DIGIT HTS SUBHEADING	U.S. TARIFF ITEM
			8409.99.9190
TRANSMISSIONS	Gear boxes	ex 8708.40	8708.40.1110 8709.40.1150
	Transmission cases	ex 8708.40	8708.40.7000 8708.40.7570 8708.40.7580
	Torque converters	ex 8708.40	8708.40.7000 8708.40.7580
	Torque converter housings	ex 8708.40	8708.40.7000 8708.40.7570 8708.40.7580
	Gears and gear blanks	ex 8708.40 ex 8483.90	8708.40.7570 8708.40.7580 8483.90.5010 8483.90.5090
	Clutches	ex 8708.93	8708.93.6000 8708.93.7500
	Valve body assembly	ex 8481.90	8481.90.9020 8481.90.9060
BODY AND CHASSIS	Major stampings that form the “body in white” or chassis frame	ex 8707.10 ex 8707.90 ex 8708.29 ex 8708.99	8707.10.0020 8707.10.0040 8707.90.5060 8708.99.0000
	Major body panels	ex 8708.10 ex 8708.29	8708.29.2500 8708.29.5060 8708.29.1500 8708.29.2500 8708.29.5010
	Secondary panels	ex 8708.29	8708.29.5010 8708.29.5060

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	Structural panels	ex 8708.29 ex 8708.99	8708.29.5010 8708.29.5060 8708.99.8180
	Frames	ex 8708.29 ex 8708.99	8708.29.5060 8708.99.8180

PARTS	COMPONENTS	6-DIGIT HTS SUBHEADING	U.S. TARIFF ITEM
AXLES	Drive-axles with differential, whether or not provided with other transmission components, and non-driving axles	ex 8708.50	8708.50.5110 8708.50.5150 8708.50.6100 8708.50.6500
	Axle shafts	ex 8708.50	8708.50.7900 8708.50.8500 8708.50.8900 8708.50.9150 8708.50.9300 8708.50.9500 8708.50.9900
	Axle housings	ex 8708.50	8708.50.7900 8708.50.8100 8708.50.8900 8708.50.9150 8708.50.9300 8708.50.9900
	Axle hubs	ex 8482.10 ex 8482.20 ex 8708.50 ex 8708.99	8482.10.5016 8482.10.5024 8482.20.0020 8482.20.0030 8708.50.7900 8708.50.8900 8708.50.9900 8708.99.5800 8708.99.8180

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	Carriers	ex 8708.50	8708.50.8100 8708.50.8900 8708.50.9150 8708.50.9300 8708.50.9900
	Differentials	ex 8708.50	8708.50.5110 8708.50.5150 8708.50.6100 8708.50.6500
SUSPENSION SYSTEMS	Suspension systems (including shock	ex 8708.80	8708.80.1300 8708.80.1600

PARTS	COMPONENTS	6-DIGIT HTS SUBHEADING	U.S. TARIFF ITEM
	absorbers)		
	Shock absorbers	ex 8708.80	8708.80.1600
	Struts	ex 8708.80	8708.80.1300
	Control arms	ex 8708.80	8708.80.6590
	Sway bars	ex 8708.80	8708.80.6590
	Knuckles	ex 8708.80	8708.80.6590
	Coil springs	ex 7320.20	7320.20.1000
	Leaf springs	ex 7320.10	7320.10.3000 7320.10.6015 7320.10.6060
STEERING SYSTEMS	Steering wheels, steering columns and steering boxes	ex 8708.94	8708.94.5000
	Steering columns	ex 8708.94	8708.94.5000
	Steering gears/racks	ex 8708.94	8708.94.7000 8708.94.7510 8708.94.7550
	Control units	ex 8537.10 ex 8543.70	8537.10.9170 8543.70.9960

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ADVANCED BATTERIES	Batteries of a kind used as the primary source of electrical power for electrically powered vehicles for passenger vehicles and light trucks	ex 8507.60 ex 8507.8040	8507.60.0010 8507.60.0020 8507.80.4000 8507.80.8100
	Cells	ex 8507.60 ex 8507.80 ex 8507.90	8507.60.0010 8507.60.0020 8507.80.4000 8507.80.8100 8507.90.8000
	Modules/arrays	ex 8507.60 ex 8507.80 ex 8507.90	8507.60.0010 8507.60.0020 8507.80.4000 8507.80.8100 8507.90.8000

PARTS	COMPONENTS	6-DIGIT HTS SUBHEADING	U.S. TARIFF ITEM
	Assembled packs	ex 8507.10 ex 8507.20 ex 8507.30 ex 8507.40 ex 8507.60 ex 8507.80	8507.10.00 8507.20.40 8507.30.40 8507.40.40 8507.60.0010 8507.60.0020 8507.80.4000 8507.80.8100

¹Based on HS2017 nomenclature.

APPENDIX II – Textile and Textile Apparel Rules of Origin Procedures

USMCA Eligibility for Textiles and Apparel

Textiles and apparel products may qualify as originating under USMCA if they meet the requirements as specified in the Agreement. Products eligible for preferential tariff treatment will be identified in “special” column of the HTSUS by SPI code ‘S’.

The rules of origin for sewing thread, pocketing, narrow elastics and certain coated fabrics, require that these secondary components originate in one or more of the Parties to the agreement.

In general, the USMCA textile/apparel rules of origin are based on the yarn forward concept. The yarn forward concept requires that the formation of yarn, weaving or knitting of fabric, and cutting and sewing of a garment must occur in one or more of the Parties to the agreement.

There are, however, exceptions even to these requirements, depending on the product being imported. For more specific information, refer to Annex I of the Modification to the HTS to implement USMCA, USITC Publication XXX or GN XX to the HTS. Below is a summary of the types of processes required to occur within the Parties for some of the more basic textile products in order for them to be considered eligible for preferential tariff treatment under USMCA.

- a) Yarn – generally follows the fiber-forward rule of origin, which means that the fiber must originate in the United States, Mexico or Canada and the yarn must be spun or extruded and finished in one or more Party countries to qualify for preferential tariff treatment.
- b) Fabric – generally follows the yarn-forward rule of origin, which means that the yarn must be spun or extruded and finished in one or more Party countries to qualify for preferential tariff treatment. The fibers may be of any origin.
- c) Apparel and made-up articles– generally follow the yarn-forward rule. The yarn used to form the fabric used to produce wearing apparel or other textile articles must originate in the United States, Mexico and/or Canada to qualify for preferential tariff treatment.

Exceptions to the yarn-forward rule of origin include textile and apparel goods produced using cut-and-sew (single transformation), the Short Supply provisions, tariff preference levels (TPLs) and the U.S./Mexico Assembly provision. Each of these exceptions are briefly described below

- The cut-and-sew (single transformation) provision allows foreign-made fabric and/or yarns to be used to produce an apparel or textile article. All of the production steps beginning with the cutting of the fabric or knitting-to-shape and sewing and/or assembly of all the components must occur in one or more partner countries.

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- The Short Supply provision allows use of certain foreign fibers, yarns, and fabrics that have been determined not to be available in commercial quantities in a timely manner to be used to produce qualifying textile and apparel products.
- The tariff preference levels allows preferential tariff treatment for specified quantities of certain yarns, fabrics, apparel and made-up textiles goods, to be traded among the Parties, that do not meet the rules of origin of the USMCA Agreement, but which have undergone significant processing in one or more USMCA countries.
- The U.S./Mexico assembly provision allows preferential tariff treatment on textile and apparel goods that are assembled in Mexico from fabrics that are wholly formed and cut in the U.S. The wholly formed and cut fabrics are exported and assembled in Mexico and reimported into the U.S. using the provisional HTS number 9802.00.90 in conjunction with the HTS number of the finished textile or apparel good.

De Minimis (Textiles)

A textile or wearing apparel good classified in Chapters 50 through 60 or heading 9619 that is not an originating good because certain non-originating materials used in the production of the good do not undergo an applicable tariff classification change as noted in Annex I or GN 11, shall nonetheless be considered to be an originating good if the total weight of all those non-originating materials is not more than 10% of the total weight of the good. Within the overall 10% de minimis limit, the total weight of elastomeric content may not exceed 7%.

The de minimis also applies to textile and apparel goods classified in Chapters 61 through 63. A textile or wearing apparel good of Chapters 61 through 63 that is not an originating good because certain fibers or yarns used in the production of the component of the good that determines the tariff classification of the good do not undergo an applicable change in tariff classification set out in Annex I or GN 11, shall nonetheless be considered to be an originating good if the total weight of all such fibers or yarns in that component is not more than 10% of the total weight of that component, of which the total weight of elastomeric content may not exceed 7%.

Treatment of Sets (Textile)

Textile and/or apparel goods that are put up in sets for retail sale, classified as result of the application of Rule 3 of the General Rules of Interpretation under the HTSUS, shall be considered originating goods if each of the goods in the set is an originating good or the total value of the non-originating goods in the set does not exceed 10 percent of the value of the set [determined under GN 11].

Visible Linings

Fabric used for visible linings in certain apparel, such as suits, coats and skirts (apparel classified in Chapters 61 and 62 (knit and woven apparel)) may be sourced from outside of the United States, Mexico and Canada.

Narrow Elastic Fabric

Upon entry into force of the agreement, narrow elastic fabric of subheading 5806.20 or heading 6002 may be sourced from anywhere. However, effective 18 months after the date of entry into force of

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the agreement, apparel containing narrow elastic fabrics of subheading 5806.20 or heading 6002 will be considered originating only if such fabrics are both formed and finished from yarn in the territory of one or more of the Parties. The apparel article must also satisfy the tariff shift requirement(s) that apply(ies) to the good.

Sewing Thread

Upon entry into force of the agreement, sewing thread of headings 5204, 5401 or 5508, or yarn of heading 5402 used as sewing thread may be sourced from anywhere. However, effective 12 months after the date of entry into force of the agreement, apparel containing sewing thread of headings 5204, 5401 or 5508, or yarn of heading 5402 used as sewing thread shall be considered originating only if such sewing thread is both formed and finished in the territory of one or more of the Parties.

Pocket Bag Fabric

Upon entry into force of the agreement, the pocket bag fabric may be sourced from anywhere. However, effective 18 months after the date of entry into force of the agreement, if an apparel or other finished product, contains a pocket or pockets, the pocket bag fabric must be both formed and finished in one or more of the Parties from yarn that was wholly formed in one or more of the Parties. The component must also satisfy the tariff change requirement(s) that apply to the good.

For apparel made of blue denim fabric of subheadings 5209.42, 5211.42, 5212.24, and 5514.30, the pocket bag fabric rule is effective 30 months from the date of entry into force of the agreement.

Coated Fabrics

Upon entry into force of the agreement, coated or laminated fabrics used in the assembly of a textile article of Chapter 63 are exempt from the USMCA rules of origin. However, effective 18 months after the date of entry into force of the agreement, a good of Chapter 63 made of fabric classified in 5903, is considered to be originating only if all the fabrics used in the production of the fabrics of heading 5903 are formed and finished in Canada, Mexico or the United States.

However, this does not apply to the following goods.

- 6305 – Bags,
- 6306.12 – Tarpaulins, awnings, and sun-blinds of synthetic fibers,
- 6306.22 – Tents of synthetic fibers, and miscellaneous made-up articles of subheading 6307.90 that are not surgical towels or national flags.

(Fabrics of heading 5903 are coated, laminated or impregnated.)

Rayon Fiber and Rayon Filament

Rayon fibers, other than lyocell or acetate, of heading 5503 or 5405, and rayon filaments, other than lyocell or acetate, of heading 5502, 5504, or 5507, may be of any origin when used in a good classified in Chapter 50 through 63, provided that the good otherwise meets the applicable product specific rule.

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Short Supply

Fibers, yarns, and fabrics determined not to be available in commercial quantities in a timely manner may be sourced from outside the countries for use in qualifying textile and apparel products. For example, a fabric that is determined not to be commercially available may come from a third party, be cut-and-assembled into a garment in the partner country, and imported to the U.S. duty-free. The Short Supply items are noted below and can be found in the rules of origin Chapter 62 of the HTS and Chapter 4-Rules of Origin within the USMCA Agreement.

When short supply is used, the Chapter rules governing narrow elastic fabrics, sewing thread and pocket fabric do not apply.

Apparel goods of Chapter 62 of the HTSUS shall be considered to originate if they are both cut and sewn or otherwise assembled in the territory of one or more of the Parties and if the fabric of the outer shell, exclusive of collars or cuffs, is wholly of one or more of the following:

- a. Velveteen fabrics of subheading 5801.23, containing 85 percent or more by weight of cotton;
- b. Corduroy fabrics of subheading 5801.22, containing 85 percent or more by weight of cotton and containing more than 7.5 wales per centimeter;
- c. Fabrics of subheading 5111.11 or 5111.19, if handwoven, with a loom width of less than 76 cm, woven in the United Kingdom in accordance with the rules and regulations of the Harris Tweed Authority, Ltd., and so certified by the Authority;
- d. Fabrics of subheading 5112.30, weighing not more than 340 grams per square meter, containing wool, not less than 20 percent by weight of fine animal hair and not less than 15 percent by weight of manmade staple fibers; or
- e. Batiste fabrics of subheading 5513.11 or 5513.21, of square construction, of single yarns exceeding 76 metric count, containing between 60 and 70 warp ends and filling picks per square centimeter, of a weight not exceeding 110 grams per square meter.

Furthermore, products of sub-headings 6205.20-6205.30, when made of fabrics described below, are considered to originate if they are both cut and sewn or otherwise assembled in the territory of one or more of the Parties and if the fabric of the outer shell, exclusive of collars or cuffs, is wholly or one or more of the following:

- (a) Fabrics of subheading 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52 or 5208.59, other than 3-thread or 4-thread twill, including cross twill, fabric of subheading 5208.59 of average yarn number exceeding 135 metric;
- (b) Fabrics of subheading 5513.11 or 5513.21, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, of average yarn number exceeding 70 metric;

- (c) Fabrics of subheading 5210.21 or 5210.31, not of square construction, containing more than 70 warp ends and filling picks per square centimeter, of average yarn number exceeding 70 metric;
- (d) Fabrics of subheading 5208.22 or 5208.32, not of square construction, containing more than 75 warp ends and filling picks per square centimeter, of average yarn number exceeding 65 metric;
- (e) Fabrics of subheading 5407.81, 5407.82 or 5407.83, weighing less than 170 grams per square meter, having a dobby weave created by a dobby attachment;
- (f) Fabrics of subheading 5208.42 or 5208.49, not of square construction, containing more than 85 warp ends and filling picks per square centimeter, of average yarn number exceeding 85 metric;
- (g) Fabrics of subheading 5208.51, of square construction, containing more than 75 warp ends and filling picks per square centimeter, made with single yarns, of average yarn number 95 or greater metric;
- (h) Fabrics of subheading 5208.41, of square construction, with a gingham pattern, containing more than 85 warp ends and filling picks per square centimeter, made with single yarns, of average yarn number 95 or greater metric, and characterized by a check effect produced by the variation in color of the yarns in the warp and filling; or
- (i) Fabrics of subheading 5208.41, with the warp colored with vegetable dyes, and the filling yarns white or colored with vegetable dyes, of average yarn number greater than 65 metric.

Men's or boys' boxer shorts of cotton of subheading 6207.11 shall be considered to originate if they are both cut and sewn or otherwise assembled in the territory of one or more of the Parties, and if the plain weave fabric of the outer shell, exclusive of waistbands, is wholly of one or more of the following:

- (a) Fabrics of subheading 5208.41, yarn-dyed, with a fiber content of 100 percent cotton, 95 to 100 grams per square meter, of average yarn number 37 to 42 metric;
- (b) Fabrics of subheading 5208.42, yarn-dyed, with a fiber content of 100 percent cotton, weighing not more than 105 grams per square meter, of average yarn number 47 to 53 metric;
- (c) Fabrics of subheading 5208.51, printed, with a fiber content of 100 percent cotton, 93 to 97 grams per square meter, of average yarn number 38 to 42 metric;
- (d) Fabrics of subheading 5208.52, printed, with a fiber content of 100 percent cotton, 112 to 118 grams per square meter, of average yarn number 38 to 42 metric;
- (e) Fabrics of subheading 5210.11, greige, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 100 to 112 grams per square meter, of average yarn number 55 to 65 metric;

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- (f) Fabrics of subheading 5210.41, yarn-dyed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 77 to 82 grams per square meter, of average yarn number 43 to 48 metric;
- (g) Fabrics of subheading 5210.41, yarn-dyed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 85 to 90 grams per square meter, of average yarn number 69 to 75 metric;
- (h) Fabrics of subheading 5210.51, printed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 107 to 113 grams per square meter, of average yarn number 33 to 37 metric;
- (i) Fabrics of subheading 5210.51, printed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 92 to 98 grams per square meter, of average yarn number 43 to 48 metric; or
- (j) Fabrics of subheading 5210.51, printed, with a fiber content of 51 to 60 percent cotton, 49 to 40 percent polyester, 105 to 112 grams per square meter, of average yarn number 50 to 60 metric.

Tariff Preference Levels (TPL)

Tariff Preference Levels provide duty-free access for specified quantities of yarns, fabrics, apparel and made-up textile goods that do not meet the origin criteria (i.e., non-originating goods), but undergo significant processing in one or more Party countries. When imports exceed the established annual quantitative levels, the imported goods are subject to most-favored nation (MFN) rates of duty. TPLs are exempt from merchandise processing fees.

PREFERENTIAL TARIFF TREATMENT FOR NON-ORIGINATING APPAREL

Imports into United States:

- (a) Cotton or Man-made fiber apparel
- (b) Wool apparel

	from Canada	from Mexico
(a) Cotton or Man-made fiber apparel	40,000,000 SME	45,000,000 SME**
(b) Wool apparel	4,000,000 SME*	1,500,000 SME

- (*Of the 4,000,000 SME annual quantity of wool apparel imports from Canada into the United States, no more than 3,800,000 SME shall be men's or boys' wool suits of U.S. category 443.)
- (**(a) Apparel made of the following headings and subheading are **not eligible** for preferential tariff treatment between Mexico and the United States for this TPL:
 - (i) blue denim: subheading 5209.42 or 5211.42; U.S. tariff items 5212.24.60.20, 5514.30.32.10, or 5514.30.39.10; Mexican tariff items 5212.24.01, or 5514.30.02; or any successor provision to these tariff items, and
 - (ii) fabric woven as plain weave where two or more warp ends are woven as one (oxford cloth) of average yarn number less than 135 metric number: subheading 5208.19, 5208.29, 5208.39, 5208.49, 5208.59, 5210.19, 5210.29, 5210.39, 5210.49, 5210.59, 5512.11, 5512.19, 5513.13, 5513.23, 5513.39, or 5513.49, or any successor provision to these tariff items;
- (b) apparel goods of U.S. tariff items 6107.11.00, 6107.12.00, 6109.10.00 or 6109.90.10; Mexican tariff items 6107.11.02, 6107.11.99, 6107.12.02, 6107.12.99, 6109.10.02, 6109.10.99, 6109.90.03, or 6109.90.91; or any successor provision to these tariff items, if they are composed chiefly of circular knit fabric of yarn number equal to or less than 100 metric number;

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- (c) apparel goods of subheading 6108.21 or 6108.22 if they are composed chiefly of circular knit fabric of yarn number equal to or less than 100 metric number; and
- (d) apparel goods of U.S. tariff items 6110.30.10.10, 6110.30.10.20, 6110.30.15.10, 6110.30.15.20, 6110.30.20.10, 6110.30.20.20, 6110.30.30.10, 6110.30.30.15, 6110.30.30.20, or 6110.30.30.25; apparel goods of those tariff items are classified as parts of ensembles in U.S. tariff items 6103.23.00.30, 6103.23.00.70, 6104.23.00.22, or 6104.23.00.40; apparel goods of Mexican tariff item 6110.30.01; or apparel goods of that tariff item that are classified as parts of ensembles in subheading 6103.23 or 6104.23, or any successor provision to these tariff items)

PREFERENTIAL TARIFF TREATMENT FOR NON-ORIGINATING COTTON OR MAN-MADE FIBER FABRICS AND MADE-UP GOODS

Imports into United States	from Canada	from Mexico
Non-Originating Cotton or Man-Made Fiber fabrics and Made-Up Goods	71,765,252 SME*	22,800,000 SME**

- (*Of the 71,765,252 SME annual quantity of imports from Canada into the United States, no more than 38,642,828 may be in goods of Chapters 52 through 55, 58, or 63 (other than subheading 6302.10, 6302.40, 6303.12, 6303.19, 6304.11, or 6304.91) of the HS; and no more than 38,642,828 may be in goods of Chapter 60 or subheading 6302.10, 6302.40, 6303.12, 6303.19, 6304.11, or 6304.91 of the HS.)
- (**Of the 22,800,000 SME annual quantity of imports from Mexico into the United States, no more than 18 million SMEs of that quantity in a calendar year may be in goods of Chapter 60 and subheading 6302.10, 6302.40, 6303.12, 6303.19, 6304.11, or 6304.91 of the HS; and no more than 4,800,000 SMEs of that quantity in any given year may be in goods of Chapters 52 through 55, 58, and 63 (other than subheading 6302.10, 6302.40, 6303.12, 6303.19, 6304.11, or 6304.91) of the HS.)

PREFERENTIAL TARIFF TREATMENT FOR NON-ORIGINATING COTTON OR MAN-MADE FIBER SPUN YARN

Imports into United States	from Canada	from Mexico
Non-Originating Cotton or Man-Made Fiber Spun Yarn	6,000,000 kg*	700,000 kg

- (*Of the 6,000,000 kilograms annual quantity of imports from Canada into the United States, no more than 3,000,000 kilograms may be of yarns classified in headings 55.09 or 55.11 predominantly of acrylic by weight, and no more than 3,000,000 kilograms may be of other yarns in heading 52.05 through 52.07, 55.09 through 55.11, or 56.05 of the HS.)

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APPENDIX III – Certification of Origin, Minimum Data Elements

A certification of origin that is the basis for a claim for preferential tariff treatment under this Agreement shall include the following elements:

1. Importer, Exporter, or Producer Certification of Origin

Indicate whether the certifier is the exporter, producer, or importer in accordance with Article 5.2 (Claims for Preferential Tariff Treatment).

2. Certifier

Provide the certifier's name, title, address (including country), telephone number, and email address.

3. Exporter

Provide the exporter's name, address (including country), e-mail address, and telephone number if different from the certifier. This information is not required if the producer is completing the certification of origin and does not know the identity of the exporter. The address of the exporter shall be the place of export of the good in a Party's territory.

4. Producer

Provide the producer's name, address (including country), e-mail address, and telephone number, if different from the certifier or exporter or, if there are multiple producers, state "Various" or provide a list of producers. A person who wishes for this information to remain confidential may state "Available upon request by the importing authorities". The address of a producer shall be the place of production of the good in a Party's territory.

5. Importer

Provide, if known, the importer's name, address, e-mail address, and telephone number. The address of the importer shall be in a Party's territory.

6. Description and HS Tariff Classification of the Good

- a) Provide a description of the good and the HS tariff classification of the good to the 6-digit level. The description should be sufficient to relate it to the good covered by the certification; and
- b) If the certification of origin covers a single shipment of a good, indicate, if known, the invoice number related to the exportation.

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7. Origin Criteria

Specify the origin criteria under which the good qualifies, as set out in Article 4.2 (Originating Goods).

8. Blanket Period

Include the period if the certification covers multiple shipments of identical goods for a specified period of up to 12 months, as set out in Article 5.2 - Claims for Preferential Tariff Treatment.

9. Authorized Signature and Date

The certification of origin must be signed and dated by the certifier and must be accompanied by the following statement:

I certify that the goods described in this document qualify as originating and the information contained in this document is true and accurate. I assume responsibility for proving such representations and agree to maintain and present upon request or to make available during a verification visit, documentation necessary to support this certification.

ANNEX A – Labor Value Content

As noted above, the U.S. Department of Labor will issue regulations related to the high-wage components of the labor value content requirements.¹ The information in this Annex is related to the Department of Labor’s treatment of these components.

Calculating the average hourly base wage rate

(a) The average hourly base wage rate (also referred to as the production wage rate) is calculated by dividing the total base wages paid for all hours worked in direct production by the total number of hours worked in direct production. The average hourly base wage rate must be at least US\$16 per hour to count toward a producer’s labor value content obligation.

(b) The three components of this calculation are computed as follows:

- (1) “Hourly base wage rate” is the rate of compensation a worker is paid for each hour of direct production work performed, and excludes benefits, bonuses, incentive pay, and all other similar payments.
- (2) “Hours worked in direct production” means all time a worker spends personally involved in the production of passenger vehicles, light trucks, heavy trucks, or component parts used in the production of these vehicles at a plant or facility located in North America, or involved in the operation or maintenance of equipment or tools necessary to the production of those vehicles or parts at that plant or facility. Other than activities that are ancillary to a worker’s direct production work, hours worked not in direct production are not included in the average hourly base wage rate calculation.
- (3) “Total base wages” is calculated using a two-step process. First, multiply each worker’s hourly base wage rate (for the appropriate category and time period described below) by that worker’s number of hours worked in direct production at that rate. Second, total the values calculated in step one.

(c) The producer must elect one of the following categories to calculate the average hourly base wage rate, and may choose to include in the calculation all vehicles in the category or only those vehicles in the category that are exported to the territory of one or more of the other USMCA Countries:

- (1) the same model line of vehicles in the same class of vehicles produced in the same plant in the territory of a USMCA Country;
- (2) the same class of vehicles produced in the same plant in the territory of a USMCA Country;

¹ The information in Annex A and Annex B is subject to change based on Department of Labor regulations. *This document is for advance informational and advisory purposes only. It is not final and is subject to further revision. It is not intended to have legal or binding effect. Any decisions a reader makes based on this draft document are made with the understanding that the information in this document is advisory only and may change. The reader is responsible for monitoring the CBP website to ensure awareness of the status of any revisions to this document.*

- (3) the same model line of vehicles or same class of vehicles produced in the territory of a USMCA Country;
- (4) all vehicles produced in one or more plants in the territory of a USMCA Country; or
- (5) any other category as the USMCA Countries may decide.

(d) The producer must elect one of the following periods to calculate the average hourly base wage rate:

- (1) the producer's previous fiscal year;
- (2) the previous calendar year;
- (3) the quarter or month to date in which the vehicle is produced or exported;
- (4) the producer's fiscal year to date in which the vehicle is produced or exported; or
- (5) the calendar year to date in which the vehicle is produced or exported.

Examples of direct production work

Work that constitutes "direct production work" includes manufacture or assembly of vehicles and parts as well as the operation or maintenance of equipment used in the manufacture or assembly of vehicles and parts. The work may take place on a production line, at a workstation, on the shop floor, or in another production area. Direct production work includes material handling of vehicles or parts, inspections of vehicles or parts, including inspections that are normally categorized as quality control, and maintaining and ensuring the operation of the production line or production area and the operation of tools and equipment used in the production of vehicles or parts, including the cleaning of the line or production area and the places around it.

Ancillary activities

Activities that are ancillary to a worker's direct production work are considered hours worked in direct production for purposes of calculating the average hourly base wage rate. Such activities include, for example, paid time spent donning and doffing clothing and equipment, receiving on-the-job training, and attending safety and production meetings for workers on the production line related to direct production work. Direct production work for line workers who spend virtually all of their time on the production line or its equivalent also includes such activities as paid lunch and break time.

Part-time, temporary, and seasonal workers, and workers who are not employed by producers

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(a) *Part-time, temporary, and seasonal workers.* Part-time workers, temporary workers, and seasonal workers are treated the same as full-time workers for purposes of calculating the average hourly base wage rate.

(b) *Employees.* The average hourly base wage rate calculation includes workers regardless of whether they have an employment relationship with the producer. Such workers are included in the average hourly base wage rate calculation.

Treatment of workers who perform both direct production work and work not in direct production

(a) *Line supervisors and team leads.* Line supervisors and team leads are considered engaged in direct production work during the time they provide on-the-job training regarding the execution of a specific production task or relieve a worker in the performance of direct production duties.

(b) *Executive or management staff.* Work generally performed by executive, management, or administrative staff, workers engaged in research and development, engineering personnel, and other workers not directly involved in the operation or maintenance of equipment used in the production of vehicles or parts is not considered direct production work. However, hours worked in direct production by such workers can be included in the average hourly base wage rate calculation.

ANNEX B – Labor Value Content Certification

In order for a covered vehicle to be eligible for preferential tariff treatment under the USMCA, the producer must certify to CBP that it complies with the Labor Value Content (“LVC”), requirements of the Appendix to Annex 4-B (“the automotive appendix”) of the USMCA. The producer must also submit information to the U.S. Department of Labor as described below.

Labor Value Content Certification

A covered vehicle shall be eligible for preferential tariff treatment only if the producer of the covered vehicle:

- i. provides a certification to the U.S. Customs and Border Protection that the production of the covered vehicles by the producer meets the labor value content requirements, including
 - a. the high-wage material and manufacturing expenditures,
 - b. high-wage technology expenditures, and
 - c. high-wage assembly expenditures, as set forth in Article 7 of the automotive appendix or, if the producer is subject to the alternative staging regime, Articles 7 and 8 of that appendix, and includes the calculations of the producer related to the labor value content requirements; and
- ii. has information on record to support those calculations.

Information to Submit to the U.S. Department of Labor

(a) To satisfy its certification obligation under section 202A(c) of the USMCA Implementation Act pertaining to the high-wage components of the labor value content requirements, a producer of the covered vehicle (as defined in these instructions) must submit the following information in its certification relating to the high-wage components of the labor value content requirement:

- (1) The names, addresses, Federal Employer Identification Numbers (for U.S. plants and facilities), and points of contact for the plants or facilities the producer of the covered vehicle is relying on to meet the high-wage components of the labor value content requirement.
- (2) The vehicle category the producer of the covered vehicle is using for its labor value content calculations. For purposes of calculating the labor value content, a producer of the covered vehicle may use any one of the categories used for calculating the average hourly base wage rate, as described in these instructions.
- (3) The time period the producer of the covered vehicle is using for its labor value content calculations. For purposes of calculating the labor value content, a producer of the covered vehicle may use any one of the time periods used for calculating the average hourly base wage rate, as described in these instructions.

This document is for advance informational and advisory purposes only. It is not final and is subject to further revision. It is not intended to have legal or binding effect. Any decisions a reader makes based on this draft document are made with the understanding that the information in this document is advisory only and may change. The reader is responsible for monitoring the CBP website to ensure awareness of the status of any revisions to this document.

- (4) Calculations of the producer of the covered vehicle (as stated in section 202A(c)(1)(A)(i) of the USMCA Implementation Act) related to the high-wage components of the labor value content requirements, including the material and manufacturing expenditures, technology expenditures (if claimed by the producer), and assembly expenditures requirements (if claimed by the producer). All calculations shall be clearly labeled and explained. A calculation for high-wage transportation or related costs for shipping shall also be included if such costs are claimed.
- (5) Producers of covered vehicles must keep on record information to support the calculations submitted under subsection (a)(4).

(b) To be eligible for preferential tariff treatment immediately upon the USMCA entering into force, producers of covered vehicles must meet the high-wage components of the labor value content requirements set forth in article 7 of the automotive appendix of the USMCA or, if the producer is subject to the alternative staging regime, under Articles 7 and 8 of that appendix, on the date the USMCA enters into force. A producer's initial certification relating to the high-wage components of the labor value content requirement, containing the information described in subsection (a), shall be filed with the Secretary of Labor by the date provided in the Department of Labor's forthcoming regulations. The Secretary of Labor shall review certifications for omissions and errors.

(c) The requirements in this section apply to all producers of covered vehicles during the alternative staging regime period and after the alternative staging regime period ends.

For purposes of meeting these requirements:

- a) Labor shall ensure that the certification of a producer does not contain omissions or errors before the certification is considered properly filed; and
- b) a calculation based on a producer's preceding fiscal or calendar year is valid for the producer's subsequent fiscal or calendar year, as the case may be, as set forth in Articles 7 and 8 of the automotive appendix.

Further details on LVC Certification submissions will be published in US Department of Labor rule-making process. For any Labor related questions, please contact:

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ANNEX C – Steel and Aluminum Certification

In order for a covered vehicle to be eligible for preferential tariff treatment under the USMCA, the producer must certify to CBP that it complies with the Steel and Aluminum (“S&A”) requirements of the automotive appendix.

A covered vehicle shall be eligible for preferential tariff treatment only if the producer of the covered vehicle:

- (i) provides a certification to CBP that the production of covered vehicles by the producer meets the steel and aluminum purchase requirements set forth in Article 6 of the automotive appendix or, if the producer is subject to the alternative staging regime, Articles 6 and 8 of that appendix; and
- (ii) has information on record to support the calculations relied on for the certification.

For purposes of meeting these requirements:

- (i) CBP shall ensure that the certification of a producer does not contain omissions or errors before the certification is considered properly filed; and
- (ii) a calculation based on a producer’s preceding fiscal or calendar year is valid for the producer’s subsequent fiscal or calendar year, as the case may be, as set forth in Articles 6 and 8 of the automotive appendix.

Any vehicle producer, whose good is the subject of a claim for preferential tariff treatment under the USMCA, must keep records and supporting documents related to the labor value content and steel and aluminum purchasing requirements.

The vehicle producer must retain these records for a period of five years and render them for examination and inspection upon request.

When the filer transmits the ‘S’ SPI to indicate a USMCA claim, the filer is certifying the goods comply with all RoO and recordkeeping requirements including, as applicable, LVC certification and Steel & Aluminum Certifications.