



FOREIGN-TRADE ZONES

A BASIC OVERVIEW

WHAT IS A FOREIGN-TRADE ZONE?

Foreign-Trade Zones (FTZ) are secure areas under U.S. Customs and Border Protection (CBP) supervision that are generally considered outside CBP territory upon activation. Located in or near CBP ports of entry, they are the United States' version of what are known internationally as free-trade zones.

Authority for establishing these facilities is granted by the Foreign-Trade Zones Board under the Foreign-Trade Zones Act of 1934. The Foreign-Trade Zones Act is administered through two sets of regulations, the FTZ Regulations and CBP Regulations.

- Department of Homeland Security

THE ESTABLISHMENT OF AN FTZ

The Foreign-Trade Zones Board reviews and approves applications to establish, operate, and maintain foreign-trade zones. The Board may approve any zone or subzone which it deems necessary to serve adequately "the public interest".

The Board also regulates the administration of foreign-trade zones and the rates charged by zone "grantees". CBP must approve activation of the zone before any merchandise is admitted under the Foreign-Trade Zones Act.

- Department of Homeland Security

WHAT HAPPENS IN AN FTZ?

Foreign and domestic merchandise may be moved into zones for operations including:

- Storage
- Exhibition
- Assembly
- Manufacturing
- Processing

Foreign-trade zone sites are subject to the laws and regulations of the United States as well as those of the states and communities in which they are located

- Department of Homeland Security

THE ADVANTAGES OF USING AN FTZ

- CBP duty and federal excise tax, if applicable, are paid when the merchandise is transferred from the zone for consumption.
- While in the zone, merchandise is not subject to U.S. duty or excise tax. Certain tangible personal property is generally exempt from state and local ad valorem taxes.
- Goods may be exported from the zone free of duty and excise tax.
- CBP security requirements provide protection against theft.
- Merchandise may remain in a zone indefinitely, whether or not subject to duty.
- The rate of duty and tax on the merchandise admitted to a zone may change as a result of operations conducted within the zone. Therefore, the zone user who plans to enter the merchandise for consumption to CBP territory may normally elect to pay either the duty rate applicable on the foreign material placed in the zone or the duty rate applicable on the finished article transferred from the zone whichever is to his advantage.
- Merchandise imported under bond may be admitted to a FTZ for the purpose of satisfying a legal requirement of exporting the merchandise. For instance, merchandise may be admitted into a zone to satisfy any exportation requirement of the Tariff Act of 1930, or an exportation requirement of any other Federal law (and many state laws) insofar as the agency charged with its enforcement deems it so.

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COMPETITIVE MANUFACTURING



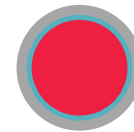
1

The duty on a product manufactured abroad and imported into the U.S. is assessed on the finished product rather than on its individual parts, materials, or components. The U.S. based manufacturer finds itself at a disadvantage compared with its foreign competitor when it must pay a higher rate on parts, materials, or components imported for use in a manufacturing process.



2

The FTZ program encourages U.S.-based operations by removing certain disincentives associated with manufacturing in the United States because the FTZ program corrects this imbalance by treating products made in the zone, for the purpose of tariff assessment, as if it were manufactured abroad.



3

The United States benefits from the FTZ program because the zone manufacturer uses U.S. labor, services, and inputs instead of outsourcing. The FTZ Program encourages both job retention and development.

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COMPANY USE OF THE ZONE



1

Before a company can conduct FTZ activity at a site authorized by the FTZ Board, the company must obtain CBP approval for “**activation**” of the space to be used.



2

Companies operating in FTZs must meet CBP requirements for security and inventory control.



3

The company is responsible for all of the fees associated with activating & running the site.



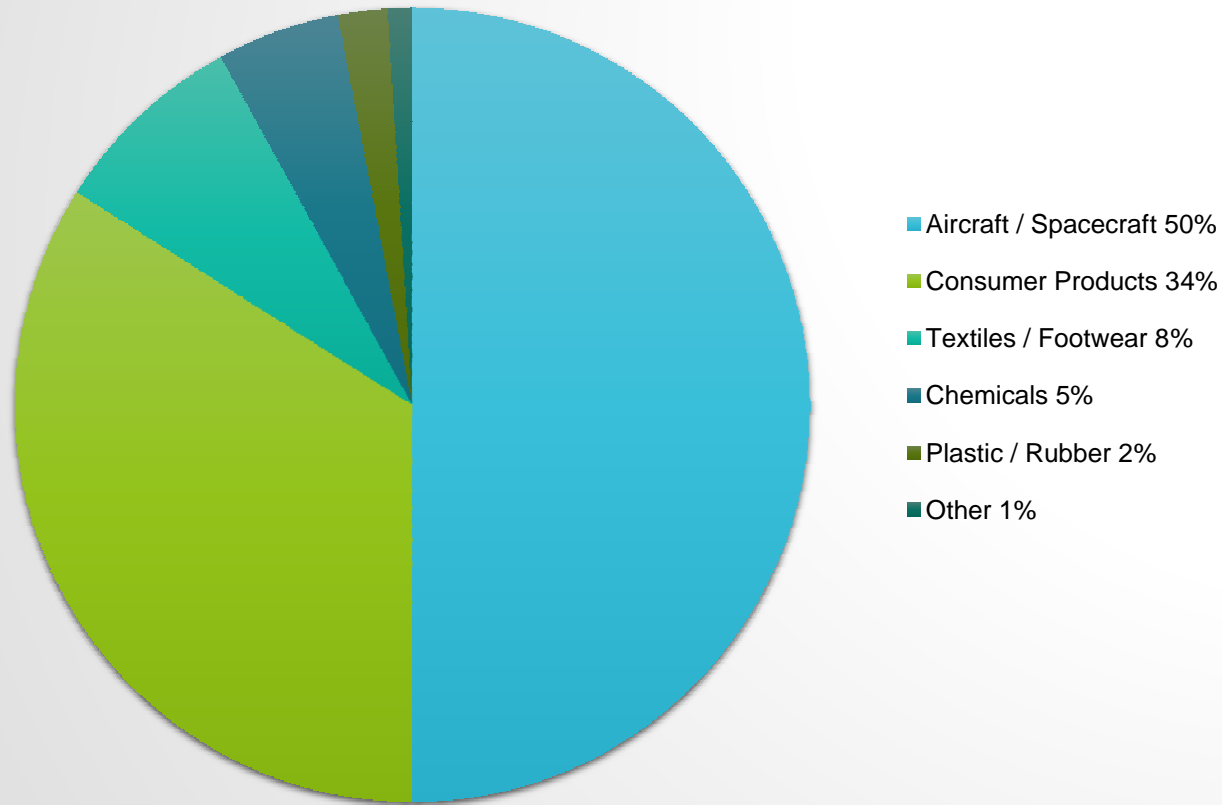
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All FTZ activity is under CBP supervision.

ZONE USE FEES



ARIZONA PRODUCTS BY VALUE



STATE SUMMARY

Merchandise Received
\$25,000-\$50,000 MIL

Exports
\$10,000-\$25,000 MIL

Total Shipments
\$25,000-\$50,000 MIL

Employees
16,001-17,000

- Foreign-Trade Zone Board – 2015

TARGETED OPERATIONS

- Foreign Trade-Zone 139 will require a considerable amount of time, connection-building, and monetary support before it is operational.
- This will need to be accomplished by reaching out to organizations within the city, county & state that have the expertise and resources applicable to move the zone forward.
- The placement of companies that are cohesive with the culture, resources & strengths within Cochise County is pivotal to its success.
- For this reason, research will need to be done and a targeted marketing / action plan will need to be developed prior to soliciting companies for activation within the zone.

MAIN BENEFITS FOR ZONE USERS

- **DUTY DEFERRAL:** Customs duties & federal excise tax deferred on imports. Increased cash flow from keeping the goods out of US Customs territory. Duties are paid on merchandise when it is entered into US Customs Territory. By deferring this payment, the business has the use of its money for the interim period thereby keeping these funds available for its operations.
- **DUTY ELIMINATION:** No duties on or quota charges on re-exports. Cargo may be exported, transferred from zone to zone, stored indefinitely or destroyed without the payment of any duties.
- **DUTY REDUCTION:** Inverted tariff relief – company can elect to pay duty on the component parts or the finished product, whichever rate is lower.
- Arizona is the only state in the nation that links a property tax reclassification to the activation of a FTZ.
- Criteria for a property tax reduction number: number of new jobs, wage levels, capital investment & overall economic impact.
- The United States benefits from the FTZ program because it encourages both job retention and development by removing deterrents that would otherwise cause companies to outsource certain functions.

FTZ-139 COUNTY SERVICE AREA

