



Alliance®
Operating Services

Foreign Trade Zones

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What is a Foreign Trade Zone?

- A secure area located in or near a Customs Port of Entry
- An area deemed to be outside the US Customs Territory

National Statistics of FTZs

- 286 activated zone sites
- 555 subzones within the activated sites
 - Figures reflect subzone applications approved by the FTZ Board since 1963. Some are no longer active or have not been activated for use¹

¹Retrieved from the World Wide Web, May 30, 2013, <http://www.ia.ita.doc.gov/ftzpage/letters/szlist.html>

Historical Statistics of FTZs

- Only 3 zones activated prior to 1980 are still active.
- More activations occurred during 1980's and 1990's.
 - 1980's: mainly automobile and ship building industry
 - 1990's: mainly pharmaceutical (early 90's) and refinery (late 90's)
 - 2000's: more focus from B2C and distribution industry
- Since 2000, activations have significantly increased year over year
 - 2011 \$650 Billion, up from \$200B in 2000;
 - highest was in 2008 at \$690 Billion)

Is a Zone Right for You?

Key Indicators:

- Does your company/IOR import products into the US?
- Does your company/IOR process or manufacture imported products?
- Does your company/IOR export any of these imported products?

Types of FTZs

■ General Purpose Zone

- Industrial park or zoned facility available for use by the general public

■ Subzone

- Commonly special-purpose sites where the operations cannot feasibly be moved to or accommodated in a general purpose zone (usually only one user)

Alternate Site Framework



- **New option for Grantees**
- **Flexible General Purpose Zone boundaries**
 - Designated FTZ boundaries can be moved within an already approved larger footprint
 - Eliminates the need for formal FTZ Board approval for geographical areas that land outside the core framework
- **Focused Oversight by Grantee/Operator**
- **Predictable Boundaries**
 - Flexible footprint area already accepted by local counties and approved by FTZ Board in Washington DC
 - Significantly reduces time and cost to incorporate new sites as FTZs when located in ASF approved areas and Grantees
 - FTZ #94, Laredo, is an approved ASF zone
 - **160 Approved ASF FTZ currently (approved 9/2012)**

What Type of Zone Will You Need?

- How much of your total inventory is imported?
- What percentage of the total inventory that is imported is re-exported?
- What functions are performed on the imported product?
 - Assembly
 - Manufacturing
 - Distribution, etc

Is Your Facility Currently in a Designated FTZ Area?

To determine if the pending facility is currently located in a designated FTZ you will need the following:

- Physical address of the location where the goods will be stored and/or processed
- Type of commodity
- All activities that will be performed within the zone

Allowable Operations within the FTZ

Merchandise within a zone may be:

- stored
- broken down and distributed
- repacked
- assembled
- sorted
- cleaned
- exhibited
- mixed with foreign and domestic merchandise
- title transferred
- destroyed
- manufactured or cleaned
- manipulated

Benefits

MPF Reduction (Merchandise Processing Fee)

- Utilizing Weekly Entry Filing reduces MPF that is assessed per entry, 0.3464% of total invoice value for each formal entry (Effective Oct 1, 2011).
- (minimum of \$25, maximum of \$485 per entry, per shipment)

Ad Valorem Tax Exemption

- The FTZ Act prohibits state and local governments from taxing inventory held in FTZ on:
 - Imports; and
 - Domestic merchandise held for export.
- There must be a bona-fide customs purpose for using the zone.

Duty Deferral

Customs duty and federal excise tax are paid only when the merchandise is transferred from an FTZ to the Customs territory for consumption.

Cash flow savings

Duty Abatement

- Goods may be exported from a zone free of duty and federal excise tax.
- Goods may be destroyed in a zone without payment of duty and federal excise tax.

Replaces Drawback

Duty Reduction

- When merchandise is admitted to the zone, the importer may elect a zone status which requires payment of the:
 - Duty rate applicable to the goods as admitted (PF)
- OR**
- Duty rate applicable to the product as removed from the zone (NPF)
- Depending on which is lower.

Inventory Control and Recordkeeping Systems

Systems may be manual, automated, or a combination of both.

They must be able to:

- Account for all merchandise at all times
- Generate timely and accurate reports
- Provide all necessary information to make entry into the US Commerce
- Provide an accurate audit trail from admission to entry to US Commerce

Services offered by Alliance

We offer third party FTZ logistics operations through:

- Merchandise storage for multi-user clients or independent users; assembly, kitting, manipulation, distribution, etc.
- Pick-and-pack operations and transportation
- Inventory reconciliation
- Customs compliance and audit support
- Build complete infrastructure to support zone requirements, including supporting documentation
- File application and expansion for activation
- Full systems integration

Bonded Warehouse vs. FTZ

Differences

Bonded Warehouse

- No inventory tax exemption
- Entry of merchandise (prior)
- Removal – 5 year time limit
 - Remove shipments only*
 - Cannot commingle with non-FTZ
- Minimal manipulation
 - Stored, cleaned, sorted, repacked
 - NO manufacture
- No special bond required

FTZ

- Inventory tax exemption
- Admission of merchandise (post)*
- Removal – no time limit
 - Remove pieces/parts
 - Commingle with non-FTZ product
- Expanded manipulation
 - Stored, cleaned, sorted, repacked
 - Manufacture (tariff shift to lower duty)
 - Changed in condition
- FTZ Operator Bond Required
- Temporary removal
- Weekly entry (cap MPF)
- Weekly export
- Delayed title transfer

Bonded Warehouse vs. FTZ

Similarities

Bonded Warehouse

- Duty due upon consumption entry
- Export from warehouse exempts duty
- Items subject to restriction may be stored in a bonded warehouse
- Full accountability of all merchandise is required

FTZ

- Duty due upon type 06 consumption removal (weekly; cap MPF)
- Export from warehouse exempts duty (weekly export)
- Items subject to restriction may be stored in a bonded warehouse
- Full accountability of all merchandise is required

***So you want to be
in a zone?***

Zone Activation Process

- 1/Where is the current facility? (Local or Federal?)
 - Facility is in an existing zone – Activate with CBP
 - Facility is NOT in an existing zone – ASF or Subzone

- 2/Activate facility with CBP (Local)

Activation with CBP

- NDA!!
- Application Letter (including request for waivers)
- Security Maps (facility layout and security)
- Procedures Manual (outline waivers)
- Background Request Letter
- Site Inspection Request Letter
- Blanket CF216 for Manipulation
- Direct Delivery Request Letter (if applicable)
- Special circumstances (temp removal, local zone to zone, etc)
- FTZ Operator Bond (limit set by CBP)

Q&A



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Thank You!