Top 10 Benefits of the U.S. Foreign Trade Zone (FTZ) Program

1 Inverted Tariff Relief

- Duty rates applicable to imported finished products are often lower than the tariffs applicable to foreign materials, parts, or components.
- For production operations that use foreign inputs, FTZ operators can apply either the foreign input duty rate or the resulting finished item duty rate. In many cases, the finished item is duty-free. Choosing the lower finished item duty rate eliminates the payment of duty in such cases.

2 Merchandise Processing Fee (MPF) Savings

- MPFs are collected on imported merchandise at the time consumption entries are filed by U.S. Customs and Border Protection (CBP). The collection rate is .3464% of customs value, capped at $485 **per consumption entry**. [North American Free Trade Agreement (NAFTA) qualifying goods from Mexico and Canada are not subject to MPFs.]
- Because U.S. FTZ operators may file **weekly** consumption entries ($485 x 52 weeks = $25,220 maximum annual FTZ MPF payable), high-volume import distributors that currently file thousands of entries annually can gain significant MPF savings by flowing import products through a U.S. FTZ.

3 Defer Payment of Duties/Taxes

- Imported goods are admitted into an FTZ without payment of import duties/taxes/fees. Indirect taxes are deferred until the actual time of filing an FTZ consumption entry.
- Calculation of the FTZ duty deferral is based on the time value of money for the average deferral time period.

4 Avoid Payment of Duties/Taxes on Exports

- Imported goods admitted into an FTZ, which are directly exported from that FTZ, avoid indirect taxation. No FTZ consumption entry is required for direct export transactions.

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5 Defer, Reduce, or Avoid Duties on Imported Production Equipment

- Merchandise admitted into an FTZ for production use within that zone is not subject to duty until completely assembled, installed, tested, and used in the production for which it was admitted.
- This merchandise is subject to tariff classification according to its character, condition, and quantity at the applicable duty rate at the time production use begins.

6 Simplify and Accelerate Drawback Claims

- Drawback-qualifying products may be admitted into an FTZ in Zone Restricted (ZR) status and "deemed" exported.
- Immediate drawback claims can be filed on these ZR status goods, even if they remain in the FTZ indefinitely.
- Unlike the CBP's typical "proof of export" documentation requirements, FTZ-deemed exports only require a copy of the CBPF 214 admission document citing the ZR status to support drawback claims.
- Drawback is payable based on the quantity and condition of goods on the date the ZR admission is CBP accepted.

7 Delay or Avoid Other Government Agency (OGA) Import Reporting/ Release Requirements

- Because FTZ admissions are not tied to the CBP import consumption entry process, they are not typically subject to advance release by U.S. government agencies. Only when the goods are withdrawn from the FTZ for U.S. consumption are they open to agency review and release.

8 Reduce Certain Property Taxes

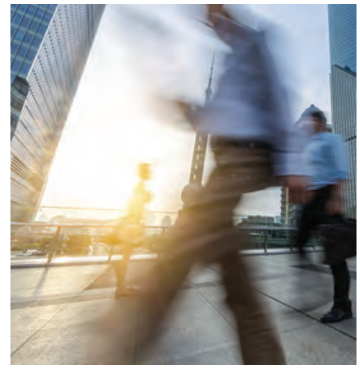
- The U.S. Foreign Trade Zone Act exempts imported inventory held in an FTZ from state and local ad valorem taxation [19 U.S.C. 81o(e)].
- Domestic goods being held for exportation are also exempt.
- In addition, Arizona State and Puerto Rico Commonwealth provide for reductions of real property ad valorem taxation for qualified FTZ projects.

9 Lower Inventory "Book" Value

- FTZs provide a financial ratio reporting advantage.
- Within a U.S. Customs Territory import "landed cost" model, duties/fees must be added to post entry inventory value due to the recognized liability.
- Because FTZs are considered outside of the U.S. Customs Territory, no duty or fee liability is payable for imported goods until the inventory is removed from the FTZ and entered for consumption into U.S. commerce. Thus, the duty and import taxes do not need to be recognized for inventory valuation purposes until the inventory is transferred from the FTZ.

10 Homeland Security Recognized Supply Chain "Best Practice"

- U.S. Department of Homeland Security, through CBP, has designated use of FTZ inbound admission procedures a secure supply chain "Best Practice."



U.S. Foreign Trade Zones:

A CBP Recognized "Best Practice"

- Operators are thoroughly vetted
- Facilities are secure
- Compliance oversight is monitored by CBP
- FTZ-destined goods receive priority electronic inbound release by CBP at the U.S. port of first arrival

Award-Winning Tax Services

For additional information

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