

Foreign Trade Zones

A Foreign Trade Zone (FTZ) is a designated geographic area considered to be officially outside of U.S. Customs territory. Foreign Trade Zones incentivize companies to maintain and expand their operations in the United States. Sites remove or reduce tariffs, minimize processing fees and expedite the transportation of goods from the Port of Entry.

The FTZ program helps U.S. based companies remain competitive in a global marketplace through deferral, reduction or even elimination of Customs duties on products admitted to the zone

Benefits for locating your business in a FTZ :

- The area is treated as though legally outside of the U.S. Custom's territory.
- Merchandise may be brought in duty-free for purposes such as storage, repackaging, display, assembly or manufacturing.
- Imports may be landed and stored quickly without full customs formalities.
- In addition, Arizona is the only state that has enacted special legislation that makes businesses located in a zone, or sub-zone, eligible for an 80 percent reduction in state real and personal property taxes.

Activities Permitted Within a Foreign Trade Zone:

- Assembly
- Repackaging
- *Manufacturing
- Testing
- Storage
- Destruction of Merchandise
- Sampling
- Salvage
- Mixing
- Relabeling
- Processing
- Other Manipulation of Merchandise

For a company to qualify for operation in an FTZ, it must:

- Have a facility located in the United States.
- Import parts, materials, or components for manufacturing.
- Import finished goods or parts for distribution.

FTZ operation will prove most useful to firms that:

- Import products on which they pay U.S. Customs duties
- Import large numbers of shipments (regardless of whether or not the goods are tariffed are paid)
- Export domestic products on which federal excise taxes are paid
- Maintain large dollar value inventories subject to state and local ad valorem taxes

Additional Ways Your Company Can Benefit From Using a Foreign-Trade Zone

- Country of Origin Marking and Labeling - No country-of-origin labels are required on merchandise admitted to the FTZ, saving a complicated procedure and up-front expense. If needed, the labels can be applied in the FTZ.
- Transfer of Title - Title to merchandise may be transferred in the FTZ, as long as there is no "retail" sale. The global supplier can own it until it is shipped just-in-time to local manufacturers.
- Quotas: U.S. quota restrictions do not apply to merchandise admitted to zones, although quotas will apply if and when the merchandise is subsequently entered into U.S. commerce. Merchandise subject to quota, with the permission of the Foreign-Trade Zones Board, may be substantially transformed in a FTZ to a non-quota article that may then be entered into U.S. Customs and Border Protection territory, free of quota restrictions. Quota merchandise may be stored in a FTZ so that when the quota opens, the merchandise may be immediately shipped into U.S. Customs and Border Protection territory.