



# What is a Foreign–Trade Zone?

- ▶ A restricted–access site that is treated, as it relates to tariffs and Customs procedures, as being outside the Customs territory of the United States
- ▶ Merchandise may enter the FTZ without a formal Customs entry, payment of Customs duties, or payment of federal excise taxes





# FTZ Benefits

- ▶ Duties may be:
  - Deferred –
    - Only paid if/when merchandise is transferred into U.S. Customs territory
  - Reduced –
    - Pay the lower duties, either the foreign inputs or the finished product manufactured in the zone
  - Eliminated –
    - No customs duties paid on merchandise exported from an FTZ
    - Duties are reduced or eliminated on materials subject to defect, damage, obsolescence, waste and scrap



# FTZ Benefits

- ▶ **Supply Chain Advantages:**
  - Shipments can be expedited
  - Transportation costs can be reduced
    - Items may be moved from one Zone to another without duties
  - Documentation paperwork may be reduced
    - Weekly entries result in saved time and money
  - Quota restricted material can be brought into a Zone





# FTZ Benefits

- ▶ **Money Management Tools:**
  - Tariffs can be reduced or avoided
  - State and local inventory taxes may be reduced, delayed, or eliminated (Not applicable in Ohio)
  - Duties can be reduced, deferred, or eliminated
  - Weekly entries reduce processing fees for merchandise





# What is the ASF?

- ▶ The Alternative Site Framework (ASF) is a new FTZ approach that enables the zone to be marketed and the FTZ benefits brought to companies at their existing place of business
- ▶ A service area is defined in the initial application
- ▶ Magnet sites and Usage-Driven sites
- ▶ Streamlined application process





# Foreign-Trade Zone 100

- ▶ Organized under the Alternative-Site Framework
  - Able to have new sites approved in as little as 30 days at your place of business
- ▶ Conveniently administered at the Dayton International Airport
- ▶ Existing staff to support and assist FTZ users





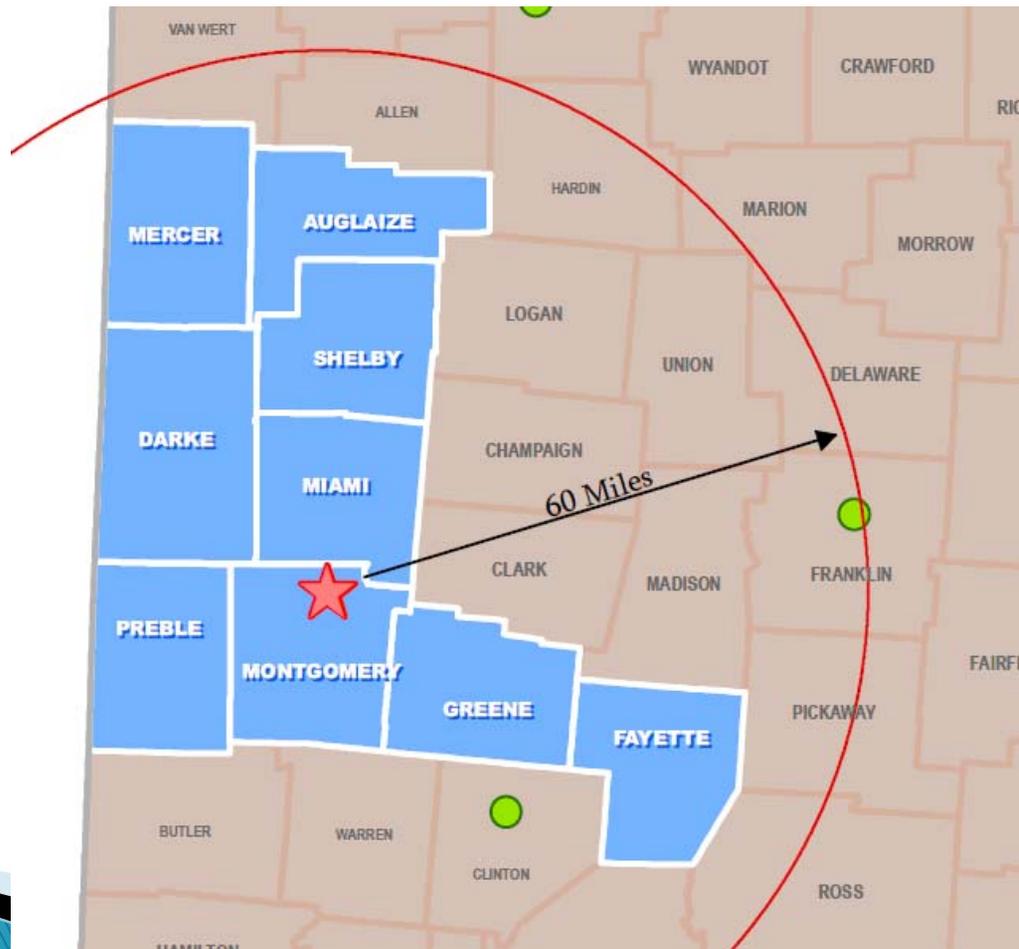
# Foreign-Trade Zone 100

- ▶ Grantee:
  - Greater Dayton Foreign Trade Zone, Inc.
  
- ▶ City of Dayton
- ▶ Dayton Area Chamber of Commerce
- ▶ Montgomery County





# Our Regional Partners FTZ-100





# Magnet Sites

- ▶ Magnet Sites are designated to attract future business
- ▶ Very similar to current GPZ sites, both in function and application process; up to 10 months for approval
- ▶ 5 year sunset limit





# Usage-Driven sites

- ▶ Usage-Drive sites are designated specifically for one company
- ▶ Very brief and easy application process; can be approved in as little as 30 days
- ▶ 3 year sunset limit





# FTZ Activities

Merchandise can be:

- ▶ Assembled
- ▶ Relabeled
- ▶ Displayed
- ▶ Manipulated
- ▶ Cleaned
- ▶ Salvaged
- ▶ Tested
- ▶ Sampled
- ▶ Repackaged
- ▶ Repaired
- ▶ Mixed
- ▶ Stored
- ▶ Destroyed
- ▶ Manufactured\*

\*Manufacturing requires a separate request

# Duty Deferral

- ▶ Customs duty & federal excise tax only paid when merchandise is transferred out of the FTZ for domestic competition
- ▶ Example:

Annual Volume of Imports	\$12,000,000
Inventory Turns/Year	÷ 2
Duty Rate	× 5%
Opportunity Cost of Capital	× 7%
Savings	\$21,000





# Duty Reduction

- ▶ In an FTZ you decide which duty rate to pay
  - Rate on component parts admitted to the FTZ
  - Rate on finished products removed from FTZ
- ▶ Example:

Imported components duty rate:		5%
Finished product duty rate:		3%
$\$3,000,000 \times 5\%$	=	\$150,000
$\$3,000,000 \times 3\%$	=	\$90,000
Savings	=	\$60,000





# Duty Elimination

- ▶ Goods may be imported and re-exported from the FTZ free of duty and federal excise taxes
- ▶ Example:

Annual volume of imports	\$6,000,000
% of imports re-exported	100%
Duties on imported goods	\$60,000
Savings	\$60,000
- ▶ Goods may be destroyed in an FTZ without payment of duty or federal excise taxes
- ▶ Duty is not paid on waste or scrap in an FTZ
  - This includes scrap exported to a buyer





# Improved Logistics

- ▶ Imports can be delivered directly to the site
  - With approval from U.S. Customs
- ▶ Users may request permission to break and affix Customs seals
- ▶ A single entry may be filed for seven consecutive days worth of entries and exports
- ▶ Transfer from zone to zone without paying duties





# Reduced Paperwork

- ▶ Sites can submit weekly entry reports
- ▶ Merchandise Processing Fee (MPF) is 0.21% of the Total Estimated Value, with a maximum fee of \$485 per entry
  - Weekly entries can eliminate MPF expenses
  - Fewer entries can also reduce brokerage fees





# Application

- ▶ Site address
- ▶ Site's acreage
- ▶ Company at the site and company's activities
- ▶ Type of site, zoning, and existing/planned buildings
- ▶ Site owner
- ▶ Legal description for site's land
- ▶ Site plan, including map with legible landmarks or streets





# Activation

- ▶ U.S. Customs on-site evaluation
  - Site inspected for FTZ suitability
- ▶ Blueprint of area to be activated
- ▶ Procedure Manual
  - Documents inventory control and record-keeping
- ▶ Written Activation request





# Costs

- ▶ **Application fee (one time):**  
**\$10,000**
  - **Covers:**
    - Legal Fees
    - Operating Agreement
    - Employee Oversight
- ▶ **Activation fee (one time):**  
**\$5,500**
  - **Covers:**
    - Written request for site inspection
    - Blueprint of area to be activated
    - On-site inspection by U.S. Customs
- ▶ **Annual fee (annually):**  
**\$10,000**
  - **Covers:**
    - Zone Maintenance: Marketing, Training, Insurance, Bonds, Fees.



# FAQ

- ▶ Why do global companies use Foreign–Trade Zones?
  - To maintain the cost competitiveness of their U.S. based operations. FTZs provide an opportunity to avoid certain costs associated with a U.S. location that are avoided when operating from a foreign site.





# FAQ

- ▶ Is a Foreign–Trade Zone right for your company?
  - Each company needs to conduct their own internal evaluation to determine if an FTZ is correct, but consider:
    - Companies with as few as 15 employees use an FTZ
    - FTZs are useful for a number of industries, from pharmaceuticals to footwear companies to electronics
    - If you already use other Customs tariff–reducing programs, an FTZ may be a method to streamline operations by reducing paperwork, saving additional money, and increasing flexibility





# Contact

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(For initial request and to get started)
- ▶ Mary Faulkner, Administrator [mfaulkner@flydayton.com](mailto:mfaulkner@flydayton.com)  
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(When you are preparing for activation site tours etc.)

