
Frequently Asked Questions

FOREIGN-TRADE ZONES

September 22, 2014

What is a Foreign-Trade Zone?

A foreign-trade zone (FTZ) is a defined physical area within the United States that, for customs purposes, is treated as if it is outside U.S. borders. FTZs are often at ports, airports, or industrial parks. Companies may use FTZs for both storage/distribution activities or, after specific approval by the U.S. FTZ Board (FTZB), for manufacturing.

A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials, and the zone activity remains under the supervision of CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies. The Port of Moses Lake administers a multi-county FTZ in Grant County to increase competitiveness to area businesses through this economic development tool.

What are the public benefits?

When companies increase their cash flow, save taxes and improve their bottom line by locating their operations in FTZs, communities benefit in several important ways.

- Economic growth and development are stimulated because jobs are retained and created in the community.
- Opportunities are created for suppliers and service providers to locate in the community.
- An FTZ project can be a valuable asset when a community is trying to attract new business investment to its area.
- Finally, a community with a FTZ may experience an improved infrastructure and expanded tax-base as a result of higher employment and the influx of new businesses.

For all of these reasons, more than 250 communities throughout the United States support and rely on the benefits that the FTZ program offers public as well as private entities.

What are the international trade benefits?

FTZs benefit the trade community in several important ways.

- Help facilitate and expedite international trade.
- Provide special customs procedures as a public service to help firms conduct international trade related operations in competition with foreign plants.
- Encourage and facilitate exports.
- Help attract offshore activity and encourage retention of domestic activity.
- Assist state/local economic development efforts.
- Help create employment opportunities.

What are the benefits to a zone user?

- **Duty Exemption.** No duties on or quota charges on re-exports.

- **Duty Deferral.** Customs duties and federal excise tax deferred on imports.
- **Inverted Tariff.** In situations where zone production results in a finished product that has a lower duty rate than the rates on foreign inputs (inverted tariff), the finished products may be entered at the duty rate that applies to its condition as it leaves the zone.
- **Logistical Benefits.** Companies using FTZ procedures may have access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
- **Other Benefits.** Foreign goods and domestic goods held for export are exempt from state/local inventory taxes. FTZ status may also make a site eligible for state/local benefits which are unrelated to the FTZ Act.

What are the types of zone sites?

- **Magnet Sites** are usually located at ports or industrial parks. They are open to multiple zone users.
- **Usage-driven sites** are approved for a specific company/use.

What Type of Activity is permitted in Zones?

- Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.
- Manufacturing, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZB.
- Retail trade is prohibited in zones.

Where can a Zone be Located?

Zone sites must be within or adjacent to a U.S. Customs and Border Protection (CBP) port of entry – specifically, within 60 statute miles of, or within 90 minutes' driving time from, the outer limits of the Port of Moses Lake, the CBP port of entry. Subzone sites that are outside the 60 miles/90 minutes driving time from the outer limits of the CBP port of entry may alternatively qualify to be considered adjacent if they work with the CBP Port Director to ensure that proper oversight measures are in place.

What is the application process for new sites?

1. **Pre-Docketing.** A pre-docketing copy of a complete application must be submitted to the FTZB. The original and paper copy of the application is submitted when the FTZB staff analyst has reviewed the electronic draft and notified the applicant that the draft is sufficient.
2. **Docketing.** When an application is docketed by the FTZB staff, a notice is published in the Federal Register for public comment on the proposal. The public comment period usually lasts 60 day.
3. **Review.** During this period the application is being reviewed by an analyst on the FTZB staff.
4. **Interagency Clearance.** Once the analyst completes their review and recommendation, the application is sent to CBP headquarters and the Department of the Treasury for review. If there is concurrence with the recommendation, the application will be returned to the Department of Commerce for final review by the Board member or designee who has the authority to sign the Board Order. The Board Order is then published in the Federal Register.

How many zones exist now?

There are about 250 general-purpose zones and over 500 subzones approved in the U.S. & Puerto Rico. In the state of Washington, 11 Grantees have active zones.

Current Statistics

- ▶ U.S. communities with zones: over 200
- ▶ States with zone projects: 50
- ▶ Pending cases for new zones, expansions, subzones and manufacturing: 60
- ▶ Value of merchandise handled by zones: over \$640 billion
- ▶ Employment at active zone facilities: approximately 340,000
- ▶ Exports: \$54.3 billion
- ▶ Of incoming zone shipments, 57% is of domestic status (most of this figure represents domestic origin goods, but a small percentage would be duty paid/duty free foreign items).

Who is the Foreign-Trade Zones Board?

The FTZ Act of 1934 ([19 U.S.C. 81a-81u](#)) established the FTZ Board (Commerce / Treasury) to license and regulate FTZ's. The Foreign-Trade Zones Board is comprised of the Secretary of Commerce and the Secretary of the Treasury. The Board is chaired by the Secretary of Commerce. The Commissioner of U.S. Customs and Border Protection also plays a key role, as it did prior to its recent move from Treasury to the Department of Homeland Security, providing a position during the FTZ Board voting process with respect to customs security, control, and resource matters. The Board has delegated action authority on most matters to a Committee of Alternates, which is composed of the Assistant Secretary of Commerce for Import Administration and the Deputy Assistant Secretary of the Treasury for Tax, Trade, and Tariff Policy. The FTZ Board regulations are published ([15 CFR Part 400](#)).

How is Customs & Border Protection Involved?

U.S./ Customs & Border Protection (CBP) publish regulations ([19 CFR Part 146](#)) and handle the day-to-day monitoring of zone activity. Merchandise is brought into a zone (admitted) on CBP form 214 and is removed from the zone through CBP entry or transportation under bond procedures. CBP is consulted on every application for a zone or zone activity. Merchandise in a zone is under customs control and merchandise and zone records are subject to spot check and other verifications at any time. After a zone or subzone has been approved by the FTZ Board, the zone operator must activate with CBP.

Why would one want to consider manufacturing in a FTZ?

When one manufactures in a FTZ, its company is treated (for purposes of customs duties) like it's located outside the United States. That can mean that U.S. import duties don't have to be paid on imported components coming to the factory. If finished product is ultimately shipped to the U.S. market, users have the option of paying the finished product duty rate rather than the component duty rate. (Many finished products have lower duty rates – or are duty-free – than their components.) And if the finished product is re-exported, there are no duties on the component materials. There are other potential savings, too, like avoiding duties on imported materials that become scrap, and possible administrative savings and efficiencies.

What is involved in getting authority to manufacture in a FTZ?

To manufacture in a FTZ, one works with its local foreign trade zone to put together an application. The U.S. FTZB has created simplified procedures to make the benefits of the FTZ program accessible to a broad range of companies. The FTZB can then use the information from those forms to make decisions on whether to approve individual applications.

What does the FTZ Board base its decisions about applications on?

The FTZ Board reviews applications to make sure they are not inconsistent with U.S. trade policy and that the proposed activity would have a positive impact on the U.S. economy.

Is there a fee for a zone?

Certain applications to the FTZ Board do have fees. Applications combining requests for more than one type of approval are subject to the fee for each category:

1. Additional general-purpose zones within a port of entry: \$3,200
2. Special-purpose subzones:
 - a. Non-manufacturing/processing or less than 3 products: \$4,000
 - b. Manufacturing/processing 3 or more products: \$6,500
3. Expansions: \$1,600

The Port of Moses Lake FTZ publishes a tariff with its service fees. Application and annual fees range from \$9,900 to \$19,800 per application, depending on the type of zone activity.

There are also indirect costs associated with zone projects.

Where is the Port of Moses Lake Zone Located?

The Port's FTZ #203 Alternative Site Framework allows business in the following Washington counties to benefit from FTZ status:

Benton County
Chelan County
Columbia County
Douglas County

Franklin County
Grant County
Kittitas County
Lincoln County

Okanagan County
Walla Walla County
Yakima County



How do I get more information on a local FTZ?

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FTZ Application Process

(For FTZ Board Review: New Zones, Expansions, Reorganizations, Certain Subzone Applications, and Production Applications)

