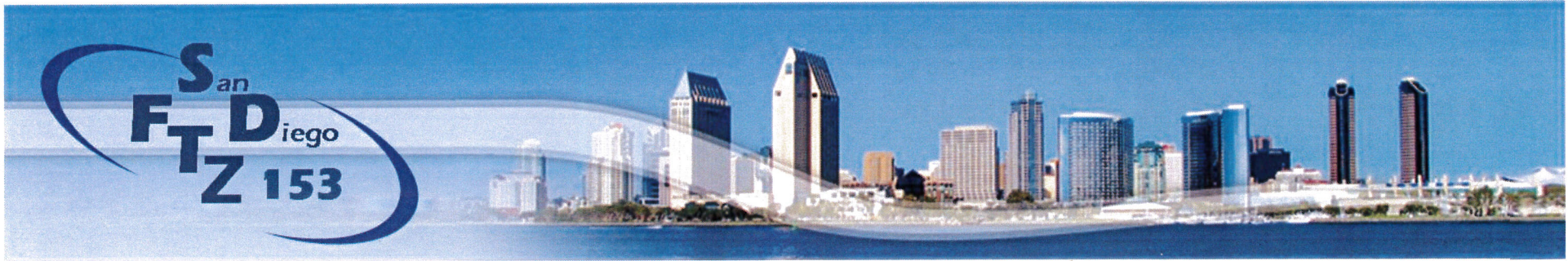


# FOREIGN-TRADE ZONES PROGRAM

## FOR COMPANIES IMPORTING GOODS INTO THE UNITED STATES





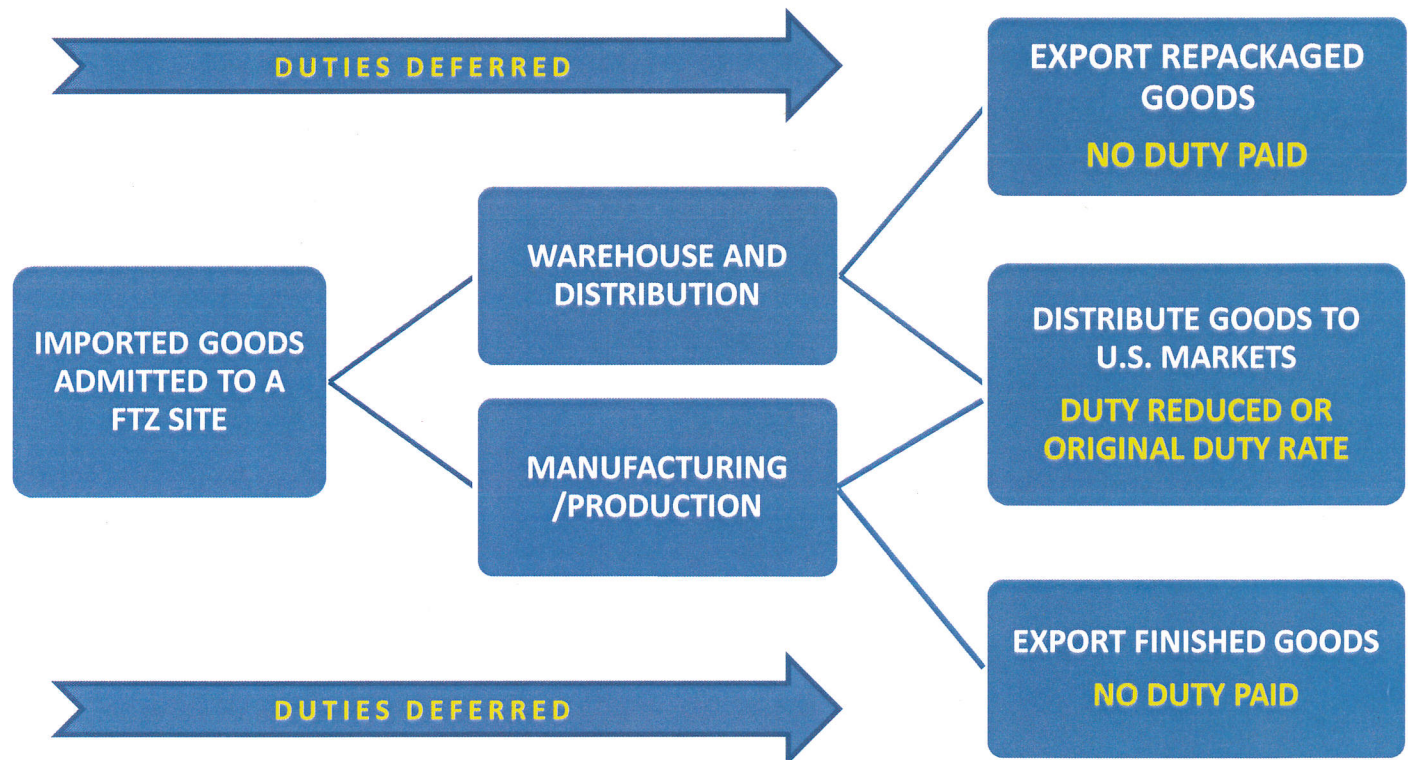


## BENEFITS

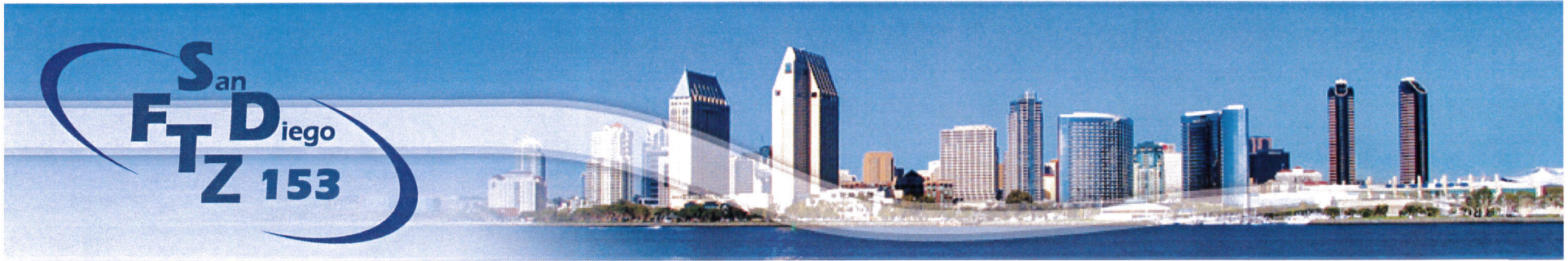
### FOREIGN-TRADE ZONES (FTZ) PROGRAM

- **Duty Deferral.** Customs duties deferred on imports.
- **Duty Exemption.** No duties charged on re-exports.
- **Inverted Tariff.** When manufacturing/production results in a finished product with a lower duty rate than the rates on the foreign imports, the finished product may be entered at the lower duty rate as it leaves the FTZ site.
- **Logistical Benefits.** Access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
- **Other Benefits.** Elimination of duties on waste, scrap and rejected or defective parts.









In a FTZ site, foreign and domestic merchandise may be:

- **Assembled**
- **Cleaned**
- **Exhibited**
- **Stored**
- **Tested**
- **Destroyed**
- **Manipulated**
  - **mixed**
  - **relabeled**
  - **repackaged**
  - **repaired**
  - **salvaged**
  - **sampled**

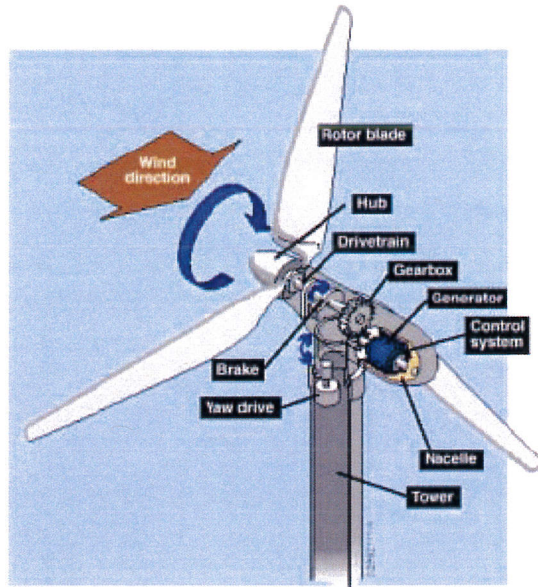
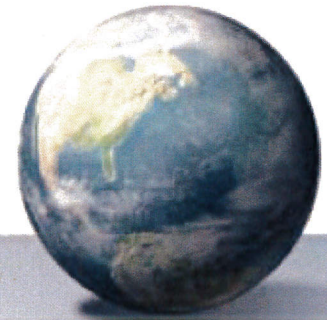


**Manufacturing/Production, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZ Board.**

**Retail trade is prohibited in a FTZ site**  
**Residence is prohibited in a FTZ site**



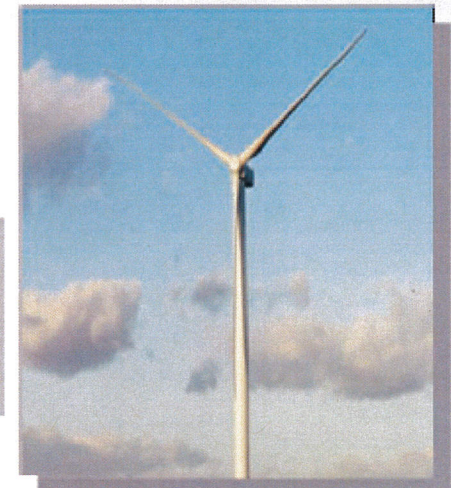
# FTZ Duty Reduction/Elimination



Wind Turbine Parts valued at  
\$10,000  
Average Duty at 5%  
Without FTZ  
 $\$10,000 * 5\% = \$500$  duty owed

Inverted Tariff: Foreign Parts  
Value X Duty Rate of Finished  
Product = Import Duty  
 $\$10,000 * 2.5\% = \$250$  duty  
owed upon entry into U.S.

Manufactured into Finished  
Wind Turbine  
Dutiable at 2.5%



OR...

Withdrawn from FTZ for Export  
**No U.S. Duty Payment**







## Savings Example

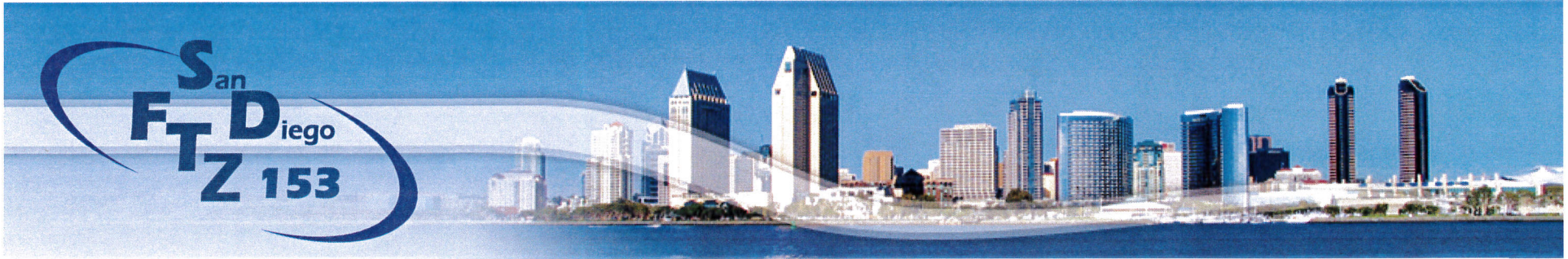
### United States International Trade Commission

Official Harmonized Tariff Schedule 2016

<https://www.usitc.gov/tata/hts/index.htm>

Duty Savings Estimator for Foreign-Trade Zones Program							
<b>DISCLAIMER:</b> This worksheet is provided as a courtesy to assist parties in conducting a general assessment of potential FTZ savings that relate directly to import duties. Overall evaluation of potential participation in the FTZ Program should also include an analysis of the likely costs (e.g., personnel, software, zone fees) that could be involved. These calculations do not include other categories of potential savings, such as logistical benefits, which can also yield substantial FTZ-related savings for many companies.							
Finished Product	HEADSET			8518.30.20	HTS - Harmonized Tariff Schedule		
Finished Product Duty Rate				2.00%			
% of Production Exported to NAFTA Countries				40.00%			
% of Production Exported to Non-NAFTA Countries				10.00%			
Estimated Interest Rate				7.50%			
Input Name	Duty Rate %	Scrap/Waste %	Avg. Days in Inventory	Annual Value of Input in Finished Product			
Earphone-other	4.90%	1.00%	60	\$1,000,000			
<b>Summary of Savings</b>							
By Input:					Export Related		
					NAFTA		Non-NAFTA
Input Name	Inverted Tariff	Scrap/Waste	Duty Deferral	Export Related	Duty Deferral	Inverted Tariff	Tariff Not Paid
Earphone-other	\$14,355.00	\$490.00	\$299.03	\$16,574.23	\$239.23	\$11,484.00	\$4,851.00
<b>By Type:</b>							
Inverted Tariff =		\$14,355.00		Scrap/Waste =		\$490.00	
Export Related =		\$16,574.23		Duty Deferral =		\$299.03	
Total =				\$31,718.26			





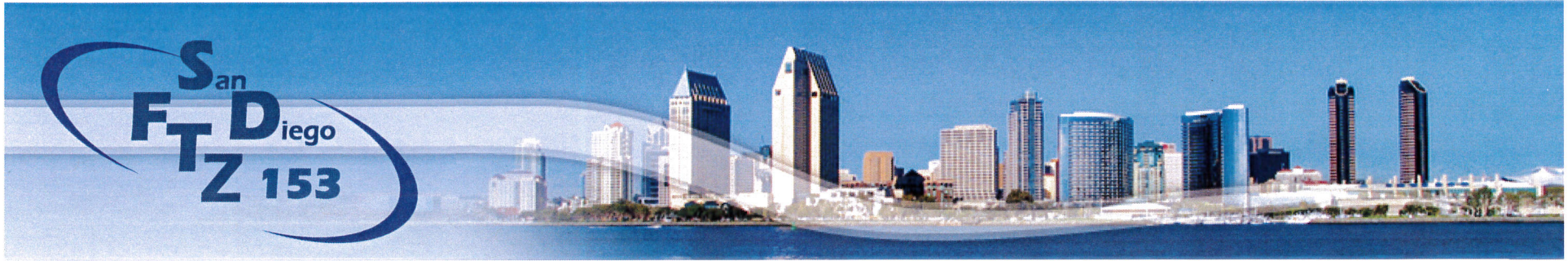
## **What is a Foreign-Trade Zone (FTZ) Site ?**

**A Foreign-Trade Zone (FTZ) Site is a facility that has been activated by U.S. Customs and Border Protection (CBP) for FTZ use by the applicant company at its facility. The FTZ site is physically inside the United States but merchandise imported into a FTZ site is exempt from Customs' Tariff while it remains in the FTZ site.**

## **Where can a FTZ Site be Located ?**

**FTZ sites must be within 60 statute miles or 90 minutes driving time from the outer limits of a U.S. Customs and Border Protection (CBP) Port of Entry (POE) boundary as verified by the CBP Port Director**





## Service Area

**FTZ No.153 Service Area includes the entire San Diego County plus the expansion area of the south west corner of Riverside County.**  
**(Meets CBP's 60 miles or 90 minutes driving time from POE requirement).**



Foreign-Trade Zone No. 153 - Service Area

**A company located anywhere within the Service Area can apply to participate in the FTZ Program.**





## **How is CBP Involved ?**

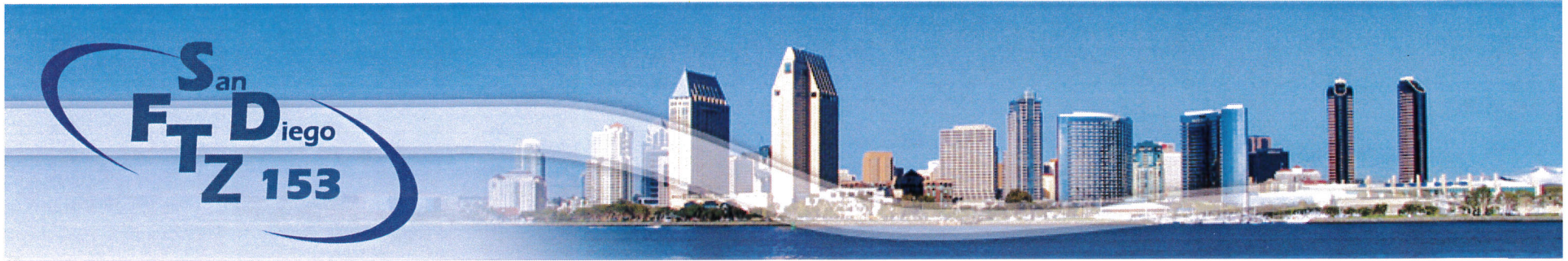
**CBP handles the day-to-day monitoring of FTZ activity as it relates to merchandise admitted and removed from FTZ sites.**

- **CBP is consulted on every application for a FTZ site or all FTZ activity.**
- **Merchandise in a FTZ site is under CBP control and subject to spot checks, facility and document audits, and other verifications at any time.**
- **After a FTZ site has been designated/approved by the FTZ Board, the FTZ site operator must activate with CBP.**

## **What kind of Merchandise Can Be Placed in a FTZ Site ?**

**Any foreign or domestic merchandise not prohibited by law, whether dutiable or not.**





## **History**

**June 18, 1934**

**The U.S. Foreign-Trade Zones Program was enacted by the 73<sup>rd</sup> Congress to expedite and encourage international trade thereby stimulating economic growth and creating new jobs.**

**October 19, 1988**

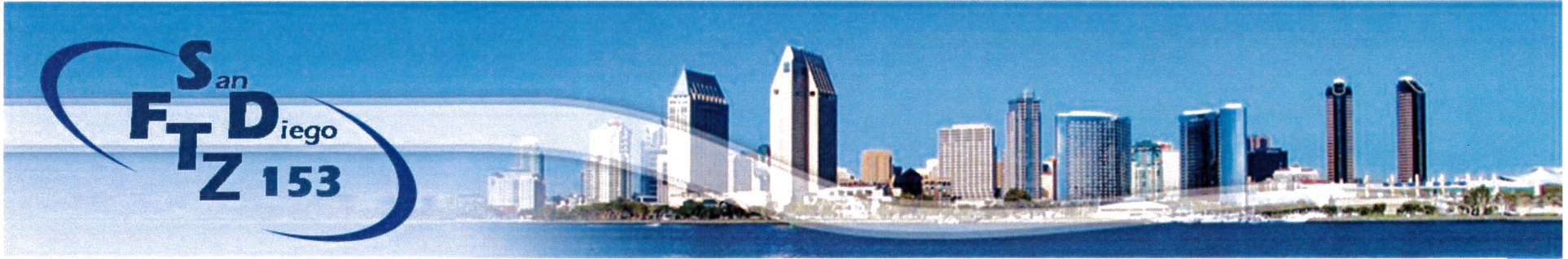
**San Diego Foreign-Trade Zone (FTZ) No.153 was established by Grant of Authority to the City of San Diego (Grantee) from the Foreign-Trade Zones Board (U.S. Department of Commerce).**

**June 3, 2011**

**FTZ No.153 received approval for Alternative Site Framework reorganization and Service Area expansion.**







# FOREIGN-TRADE ZONES PROGRAM

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## QUESTIONS ?

