

## Foreign Trade Zone

### Summary:

A Foreign Trade Zone (FTZ) is a secure, access-restricted, Customs & Border Protection privileged area in or near a U.S. port of entry where merchandise both foreign and domestic may be admitted, stored, exhibited, manipulated, temporarily removed, manufactured, or destroyed duty-free! Duties, certain user fees and taxes are only assessed on products that are transferred out of the FTZ and into the United States for consumption purposes. Products that are transferred out of the FTZ and exported abroad are exempt from any duty, user fees or taxes.

### Benefits:

1. **Duty Deferral** – Duties are only paid when imported merchandise is entered into the U.S. Customs territory.
2. **Duty Elimination** – There are no duties paid on merchandise that is exported from an FTZ, transferred to another zone, or destroyed. This eliminates the need to manage costly and time-consuming Duty Drawback programs.
3. **Weekly Entry** – Customs allow for a weekly entry processing, which benefits importers because the Merchandise Processing Fees are capped at \$538.40 on a weekly basis, versus per shipment basis.
4. **Manipulation** – All manipulations are authorized and completed without physical Customs supervision. Goods are allowed to enter an FTZ and have the following manipulations: clean, repair, fix, improve in value, amend, exhibit, pick & pack, and many other functions.
5. **Inverted Tariff** – In FTZ manufacturing, the imported goods can have higher duty rates than the finished product entering the US commerce. The FTZ Board may allow the manufacturer to apply the lower finished product duty rate to the foreign inputs.

*Note: Inverted tariff benefits may be precluded by restrictions on certain imported goods; either case specific or implemented in trade measures.*