



Mechanics of the Foreign-Trade Zone Program

FTZs are defined in the Regulations of the Foreign-Trade Zones Board (19 CFR Part 400.2):

“A foreign-trade zone is a restricted-access site, in or adjacent to a Customs port of entry, operated pursuant to public utility principles under the sponsorship of a corporation granted authority by the Board and under supervision of the Customs Service.”

Merchandise entering a zone may be:

Assembled	Repaired	Salvaged	Repackaged
Displayed	Manufactured	Relabeled	Cleaned
Stored	Sampled	Mixed	Processed
Tested	Manipulated	Destroyed	

- Foreign and domestic merchandise may be admitted into zones for operations such as storage, exhibition, assembly, manufacture and processing, without being subject to formal Customs entry procedures, payment of Customs duties or payment of federal excise taxes.
- When merchandise is removed from an FTZ, Customs duties may be eliminated if the goods are then exported from the U.S. If the merchandise is formally entered into U.S. commerce, Customs duties and excise taxes are due at the time of transfer from the FTZ.
- For merchandise that is manufactured in an FTZ, the importer may choose to pay Customs duties at the lower rate of either the finished product or its foreign components. In this manner, use of an FTZ can result in the reduction of Customs duties owed by companies that manufacture products in an FTZ.

Application & Activation:

- Designation as an FTZ is granted by the Foreign-Trade Zones Board, an independent agency within the U.S. Department of Commerce.
- Applicants are usually state or local government entities, port or airport authorities, economic development agencies or not-for-profit corporations.
- Subzone applications are submitted by the grantee of an FTZ on behalf of a private corporation seeking zone benefits.
- Applications are published in the Federal Register and subject to public comment.
- If approved, the designated grantee either operates the zone itself or designates a firm to operate the zone on its behalf under an operating agreement approved by Customs.

Factors the FTZ Board Considers in Evaluating Zone Applications:

- How the zone fits into the overall economic development plan of the community.
- The potential use of the zone by existing and new business firms.
- The adequacy of operational and financial plans and suitability of proposed sites.
- The extent of local and state support and views of persons or firms likely to be affected.

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