

# What Is A Foreign Trade Zone?

**Foreign Trade Zones (FTZ)** are a federal economic incentive program to enhance the ability of local companies to compete successfully in international trade.

FTZs are designated by the Department of Commerce and U.S. Customs and Border Protection agencies as a location where goods are admitted and are considered outside the stream of international commerce or trade.



## What Are the Benefits?

Payment of duties and excise taxes on foreign merchandise admitted to a Foreign Trade Zone are deferred until the goods are transferred from the zone to U.S. commerce for consumption. Foreign Trade Zones (FTZ) are a federal economic incentive program to enhance the ability of local companies to compete successfully in international trade.

Businesses located in an FTZ service area receive customs-related benefits that help them compete more efficiently with offshore companies. Main benefits include:

### Duty Deferral

Delay payment of duty until goods enter U.S. market

### Duty Exemption

No duties on imported goods that are re-exported, destroyed, or scrapped

### Inverted Tariff

Choose to pay tariff either on components or on finished product

### Reduced Processing Fees

File a single customs entry per week rather than multiple entries

### Additional benefits of FTZ participation include:

- Businesses located at any fixed site in the 16 counties can become part of the FTZ program.
- Businesses can be approved by U.S. Customs and Border Protection and Department of Commerce in 30 - 45 days.
- Businesses can benefit from increased cash flow and inventory control.
- Business can operate warehouses as a means to reduce operating costs, improve supply chain velocity and manage security at distribution facilities.
- Users can defer, delay or eliminate payment of some duties and taxes on goods manufactured or processed within the FTZ.

## What Counties Does Our FTZ Serve?

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, TN are the grantees of the Greater Knoxville Foreign Trade Zone, or FTZTN 148, with a 16-county service area. FTZ benefits are available to businesses located at the Knoxville Metropolitan Airport or can be extended to a business' fixed site anywhere in the 16-county region.

The 16-county zone is more flexible than many other FTZs. It is organized under the Alternative Site Framework program. This designation allows businesses to activate anywhere within zone.



**Ready to boost your business?**

Contact Bruce Kerr at the Blount Partnership by emailing at [bkerr@blountpartnership.com](mailto:bkerr@blountpartnership.com) or calling **(865)-983-2241** to help you understand the advantages you can gain through this program.

## Is a Foreign Trade Zone Right for Your Business?

Any company can apply to be part of an FTZ, regardless of industry. However, industries that often benefit from becoming a zone user or operator include manufacturing, distribution, retail, and research and development firms. The commonality is that many of these industries are involved in international trade, receive imported products, manufacture, assemble, or test and scrap products before they are sold to consumers in the U.S. or exported to global consumers.

### If any of the following apply to your business, the FTZ may be a good fit:

- You need to store imported goods, or show them to prospective buyers.
- Your merchandise may be processed, cleaned, tested, relabeled, repackaged, scrapped or otherwise manipulated before it is released into the United States or exported.
- Your domestic goods will be sold abroad and carry a high excise tax burden.
- Some of your imported goods are damaged or destroyed, or some of the raw material you import is destroyed in the finishing process. In an FTZ, you only pay fees on products that enter U.S. commerce.
- Your final product is taxed at a lower rate than the imported materials used in production.
- Your finished product is subject to U.S. quota restrictions.
- You have a fixed site within the 16-county service area.

## FTZ Glossary

### Foreign Trade Zone Board

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, even with the 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. Grants authorization to establish, operate, maintain or expand zones.

### General Purpose Zone

An industrial park or airport or water port complex whose facilities are available for use by the general public.

### Subzone

Fixed locations sponsored by the General Purpose Zone and are normally single purpose sites for operations that cannot be feasibly moved to, or accommodated in a General Purpose Zone.

## Let's Look at the Facts.

There are many myths about FTZs and how they work. The FTZ Program provides communities and companies a way to increase cash flow, remain competitive with foreign markets, and grow the job base within a region.

### FTZs Are Expensive.

**FALSE.** Costs for activating a location within the FTZ vary depending on the security and inventory controls in place at the facility. The initial long-term duty deferral benefit to the business often exceeds the activation costs. The business also realizes ongoing benefits through delayed payment of duties and inverted tariffs. In addition, no duties are paid on re-exported products, waste, scrap, and rejected or defective products.

### FTZs Are Complicated And Require A Lot of New Paperwork.

**FALSE.** FTZ users are often able to file a single customs entry per week rather than making multiple entries during the course of the week.

### FTZs Are Only for International Companies.

**FALSE.** FTZs are for companies that either buy or receive imported products from foreign or domestic vendors or have merchandise that is processed, cleaned, tested, relabeled, repackaged, scrapped or otherwise manipulated before it is released into the U.S. or re-exported; or have domestic goods to be sold abroad that carry a high excise tax burden (such as beer, wine or spirits).

### Grantee

A private entity organized for the purpose of establishing a zone; the Industrial Development Board of Blount County and Cities of Maryville and Alcoa is the grantee for the Greater Knoxville FTZ #148. Responsible for maintaining public utility access to the zone for all users.

### Operator

A company that performs or operates the zone and performs zone activities such as receipt, storage, handling, shipment, record keeping, reporting and marketing of the zone.

### U.S Customs and Border Protection

Responsible for the control of merchandise in a zone. Controls admission, activity and release of goods from a zone. Oversees procedures and compliance with all appropriate federal laws and regulations.

### User

A person or firm using a zone for storage, handling, manufacturing or assembly of merchandise.