

# RFZ



## Economic Development



## Global Competiveness



## Reduced Duties

### What is a Foreign-Trade Zone?

A foreign-trade zone (FTZ) is a tool that companies can use to increase their global competitiveness. It is a secure, defined site inside the U.S. that is legally considered outside of Customs territory, so goods may be brought into the site duty-free and without formal customs entry.

Foreign-trade zones were authorized by the Foreign-Trade Zones Act of 1934 (the FTZ Act). Oversight is provided by the Foreign-Trade Zone Board, an independent agency within the Department of Commerce. The local U.S. Customs & Border Protection office provides supervision and control as the representative of the FTZ Board. The Greater Rockford Airport Authority is the Grantee or administrator - an entity with the grant of authority to operate FTZ #176. The Grantee submits applications (for territory modifications and new subzones), executes Operator Agreements with activated locations, maintains a Zone Tariff schedule (fees and regulations), and annually reports to the FTZ Board within the Zone.

There are two types of foreign-trade zones:

- General Purpose Zone (GPZ) - Established for multiple activities by multiple users.
- Subzone - Special purpose zones for use by one company for specific activity.

### FTZ Activities:

Merchandise entering a zone may be:

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

### Benefits of a Foreign-Trade Zone:

By utilizing a FTZ, companies can defer, reduce and in some cases eliminate duties imposed by the Customs and Border Protection on foreign goods. If the goods are re-exported, no duties are paid on the "foreign" component(s).

#### Benefits for the Community

- Companies located in and around an FTZ may attract expanded business opportunities
- Economic development through international trade
- Job retention and creation
- Indirect employment
- New business investment
- Infrastructure and expanded tax base

#### Benefits for the Business

The FTZ program provides a means of improving the competitiveness and profitability of companies involved in importing or exporting activities. The basic benefit offered by the FTZ program is the ability to defer, reduce or even eliminate Customs duties on products admitted to the zone.

- Deferral of duties: cash flow savings by paying duties if and when merchandise enters U.S. customs territory.
- Reduction of duties (i.e. inverted tariff)
- Elimination of duties (i.e. most scrap, re-export)
- Other savings: labor, overhead (value added) are excluded from the dutiable value of foreign merchandise.
- Other savings: special Customs procedures (direct delivery, weekly entries); quotas and ad valorem taxes may produce bottom-line benefits.