



## Required Reading For Those Who Import...

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Recently, we had the opportunity to research the United States Foreign-Trade Zones program (FTZ). Prior to the investigation, we believed our understanding of FTZ's to be adequate, yet worth brushing up on the "specifics." After reading and analyzing the potential benefits, we now find ourselves asking an alarming question, "If you import on a regular basis, how can you not be in an FTZ?"

The current supply-chain hot topic issues include China, RFID, port capacity, carrier capacity, etc. Where's FTZ? As part of our research, we met with an international 3PL that verified our findings, yet typically did not include FTZ benefits within proposals even though they operate within some FTZ sites. In addition, in speaking with a large importer on the West Coast, they simply stated that they are not located in an FTZ and their customs broker handles any import issues. So, after some frustration, we write this to you, the importers of America, for you to develop your own opinion and to see if you ask yourself, "Why are we not taking advantage of this now?"

The Foreign-Trade Zones Act of 1934 created the U.S. Foreign-Trade Zones program and today there are over 255 FTZ projects throughout the United States. Many FTZ's remain dormant as companies lack understanding of how to realize the program's benefits. Nonetheless, over \$200 billion of merchandise is received at U.S. FTZ's annually. The benefits the Foreign-Trade Zones program offers manufacturers and distributors located in the United States are numerous. However, a few main benefits account for most of the companies that use the Zones program: these include duty deferral, duty exemption of re-exports, duty elimination on waste, and weekly entry.

An FTZ is considered to be outside the commerce of the United States and the U.S. Customs territory. Duty deferral occurs since customs duty is not due until the merchandise enters the commerce of the United States. Therefore, no customs duty is ever due on imported merchandise that is exported back out of the country without entering the U.S. commerce – in other words, duty exemption of re-exports. The same principle applies to duty elimination on waste. Imported materials that are lost or destroyed in the production process never reach the commerce of the U.S. and therefore are exempt of duty. These benefits can be substantial; however in particular, I would like to focus on one new provision to the program that can enormously impact an importers bottom line – Weekly Entry.

On May 18, 2000 an important amendment to the Foreign-Trade Zones Act was passed. FTZ users were provided the opportunity to file weekly customs entries and no longer have to pay for the processing of each and every entry.

Regardless of being within an FTZ or not, every U.S. importer pays a .21% merchandise processing fee for each and every formal entry processed by U.S. Customs – typically, you are paying this through your custom's broker. There is a minimum of \$25 and a maximum of \$485 processing fee per entry. If the entries have a value of over \$230,952, then the processing fee would be the maximum of \$485.

The weekly entries may not seem to be a substantial economic advantage; however assume for example a company that has 20 entries per week, each valued at over \$230,952. Non-FTZ entry payments would equate to \$9,700 (\$485 x 20) per week. Annually the amount would be \$504,400 (\$9,700 x 52). The FTZ weekly payments for the same company would be \$485. The merchandise-processing fee would be equal to the maximum of \$485 total for the week. Annualized, the FTZ total cost utilizing Weekly Entry is \$25,220. The savings provided in this example would be \$479,180 per year.

Don't allow FTZ misconceptions to prohibit determining if they can benefit your operation. Domestic and foreign materials do not have to be physically segregated and may be commingled or stored together within an FTZ. In addition, customs does not have to have an on-site presence; however spot checks can occur on an annual basis. Taking advantage of the FTZ process does require proper due diligence and is not a task to be taken lightly. Proper compliance is critical as well as a degree of comfort with the importer's and distribution center's operations.

Companies physically located within the boundaries of a designated FTZ can access the benefits. It is possible to designate a company's existing site as an FTZ, however the cost and time may be prohibitive. An ideal time to consider implementing an FTZ would be in conjunction with a new industrial development requirement or expansion. Astonishingly, many of the leading site selection tools overlook the FTZ criterion within their methodology even with the savings potential.

NAI Global Logistics, is a specialty practice within NAI Global, the world's leading managed network of commercial real estate firms, with 3,500+ real estate experts in over 300 markets spanning the globe. NAI Global Logistics' team of experts provide real estate and supply chain solutions to warehousing and distribution companies whose warehouse, pick-and-pack, distribution and cross-dock facilities are critical to their success. To learn more about NAI Global Logistics and NAI Global, visit our websites at [www.nailogistics.com](http://www.nailogistics.com) and [www.naiglobal.com](http://www.naiglobal.com)

### DOES YOUR ORGANIZATION QUALIFY TO RECEIVE FOREIGN TRADE ZONE (FTZ) BENEFITS?

The answers to these questions will help us identify the true benefits of your organization being in a Foreign Trade Zone.

All information submitted to NAI Global Logistics and any related affiliate is considered privileged and confidential and will only be used to help us analyze the total benefits. Please contact Adam Roth direct at 630.691.0607, or via E-mail at [aroth@hiffman.com](mailto:aroth@hiffman.com) or complete, detach and mail form to Adam Roth c/o NAI Global Logistics, One Oakbrook Terrace, Suite 600, Oakbrook Terrace, Illinois 60181.

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| 1. Number of custom entries per week, month or year excluding NAFTA countries? | _____ Per _____                         |
| 2. Total import value (rough estimate only)?                                   | \$ _____ per year.                      |
| 3. Duty rate average, across all imports?                                      | _____ %                                 |
| 4. Any exports?  | Yes _____ No _____ If yes, what % _____ |
| 5. Import scrap rate (including Return to Vendor) in the warehouse?            | _____ %                                 |
| 6. Annual growth rate of imports (sales)?                                      | _____ %                                 |

We will need the ability to communicate with you to ask questions relative to this analysis. Please provide your contact information below.

Name: \_\_\_\_\_ Title \_\_\_\_\_  
 Organization: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_ Fax \_\_\_\_\_ E-mail Address: \_\_\_\_\_