

Foreign Trade Zone No. 174



What are Foreign Trade Zones?

Foreign Trade Zones (FTZs) are designated areas licensed by the Foreign Trade Zone Board at which special customs procedures may be used. The FTZ program was established to encourage and expedite U.S. participation in international trade, and is a mechanism for companies to manage duty payments. FTZs are considered outside the U.S. Customs territory so goods received into FTZs are generally not subject to duties, tariffs or quotas until, and if, they leave the zone.

A site which has been granted zone status may not be used for zone activity until the site has been separately activated by local U.S. Customs and Border Protection (CBP) officials. Zone activity remains under the supervision of CBP.

Types of Foreign Trade Zones:

- Magnet Site (for multiple users)
- Usage-Driven Site (for single user)
- Subzone (for single user)

ZONE REQUIREMENTS

- City Council and Board of Supervisors approval from community where zone is located
- Application fee and annual fee payable to Sun Corridor Inc. per current zone schedule
- Concurrence letters from affected local tax jurisdictions (if applicable)
- Approval by Port Director for activation
- Operators Agreement
- Submission of Annual Report
- Operations subject to requirements of U.S. FTZ Act, FTZ Board Regulations and U.S. Customs Regulations

ZONE BENEFITS

- **Duty Exemption:** Merchandise may be exported out of U.S. duty free.
- **Duty Deferral:** Customs duties and federal excise tax deferred on imports until goods enter U.S. Customs territory.
- **Inverted Tariff:** In situations where zone manufacturing results in a finished product that has a lower duty rate than the rates on foreign inputs, the user may pay the lower duty rate.
- **Logistical Benefits:** Companies using FTZ procedures may have access to streamlined customs procedures (i.e. "weekly entry" or "direct delivery")
- **Other Benefits**
 - No inventory tax.
 - No duties on goods that are obsolete, damaged, defected, scrapped or wasted.
 - Arizona offers up to a 75% reduction in real and personal property taxes for activated FTZs. Negotiations with taxing entities required.

Service Area:



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