

TUCSON & SOUTHERN ARIZONA: FOREIGN TRADE ZONE

Q: 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.

Q: Who uses Foreign Trade Zones?

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

Sun Corridor Inc. is the administrator of Foreign Trade Zone No. 174, serving Pima & southern Pinal Counties



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 zone schedule
- ✓ Concurrence letters from affected local tax jurisdictions (if applicable)
- ✓ Operations subject to requirements of U.S. FTZ Act, FTZ Board Regulations and U.S. Customs Regulations
- ✓ Approval by Port Director for activation
- ✓ Operators Agreement
- ✓ Submission of Annual Report

ZONE BENEFITS

Duty Elimination: 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

Duty Reduction "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

Streamlined Logistics: Companies using FTZ procedures may have access to streamlined customs procedures (i.e. "weekly entry")

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.

SUN CORRIDOR INC

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