



## Frequently Asked Questions

*Prepared for Economic Development Associates*

### What is a Foreign-Trade Zone (FTZ)?

Foreign-Trade Zones (FTZ) are secured, designated locations around the U.S. in or near a U.S. Customs Port of Entry where foreign and domestic merchandise is considered to be in international commerce and outside of U.S. Customs territory. The basic premise of an FTZ is import duties are not paid until and unless the goods enter the commerce of the U.S. As a result, activated businesses in an FTZ can reduce or eliminate duty on imports and take advantage of other benefits that encourage firms to maintain and expand their business in the U.S.

### What can a company do in an FTZ?

In an FTZ, merchandise may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed. Retail trade is prohibited.

### Are there different types of FTZs?

Yes, General Purpose Zone and Subzone.

- **General Purpose** is often an industrial park or port complex whose facilities are available for use by the public. It must be located within 60 miles or 90 minutes from U.S. Customs office.
- **Subzones** are normally single-purpose sites when the operations cannot feasibly be moved to/or accommodated in a general-purpose zone. Subzones can be located outside of the 60-mile/90-minute limit. Frequently, this is an established manufacturing or large distribution operation. 3PLs with a physical presence can also be subzones.

### What are the benefits of an FTZ?

Benefits of an FTZ to companies include:

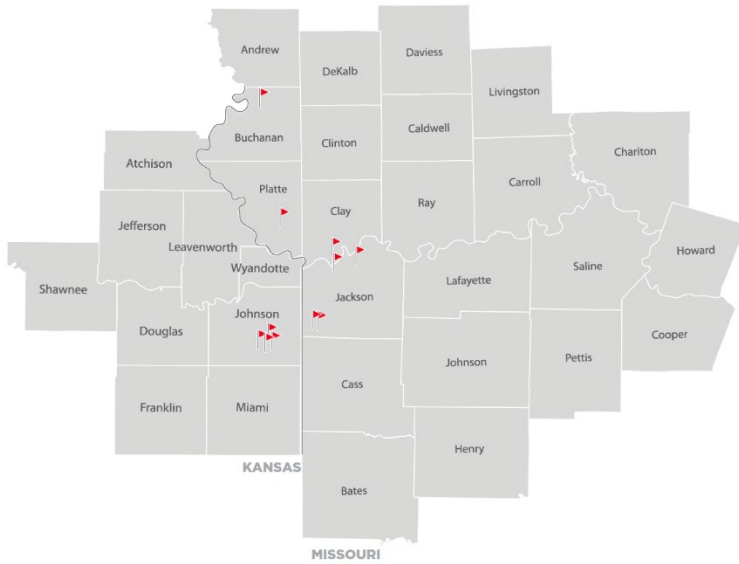
- *Duty deferral* - Imported merchandise admitted to an FTZ pays no US Customs Duties until it enters the Commerce of the United States (Cash-flow/time –value of money benefits; reduced inventory borrowing costs)
- *Duty elimination* - Goods may be exported from a zone free of duty and federal excise tax, and goods may be destroyed in a zone without payment of duty and federal excise tax.
- *Duty reduction (inverted tariff relief)* - When merchandise is admitted into the zone, the importer may elect a zone status which requires payment of the: 1) Duty rate applicable to either the materials as admitted, OR 2) Duty rate applicable to the finished product as removed from the zone = Whichever is lower.
- *Improved inventory and security processes* – There are no duties applicable until goods leave the FTZ and enter the commerce of the U.S.; additional security in FTZ's reduce theft and insurance premiums; no time limit on length of time merchandise can in the FTZ.
- *Reduced Customs and Brokerage Fees* - Lower Merchandise Processing Fees (MPF) with “Weekly Entry”, quarterly payment of Harbor Maintenance Fees, and elimination of “duty drawback” costs.

Community benefits:

NAFTZ's 2019 FTZ Economic Impact Study showed multiple benefits for communities with FTZ's vs those without. Economic diversification and cost savings resulting from companies being able to obtain products and components at competitive prices from both domestic and foreign sources, while keeping important value-added employment activities in the US increases opportunities for new private investment by suppliers to invest in the community. New investments in transportation and other public infrastructure occur as well as increased purchases of local goods and services.



## What is the FTZ territory in Kansas City and who manages it?



The Greater Kansas City Foreign Trade Zone (GKCFTZ) is a regional grantee of the national FTZ program, serving the Kansas City area. GKCFTZ sponsors both Foreign-Trade Zone No. 15, which includes 22 contiguous counties in the western side of Missouri, and Zone No. 17, which includes 9 counties in the eastern side of Kansas. One of the largest Inland FTZ in the Nation.

### Quick facts: (SOURCE-2019 Annual report to Congress)

- 488,192,166 square feet of approved Foreign Trade Zone space spread among 25 designated FTZ Sites.
- 11 active FTZ Operations using 13,908,577 square feet for distribution and production activities employing over 3,100 people creating \$3.874B of value added activity to merchandise in GKCFTZ Zones in the form of payroll, overhead, and profit.

## What industry sectors are typically a good fit for an FTZ?

Companies utilizing an FTZ are typically either a warehouse/distributor or a producer/manufacturer. Companies in the following industries are the top FTZ operators:

- Vehicles / vehicle parts
- Oil/Petroleum
- Electronics
- Machinery/Equipment
- Textiles/Footwear
- Pharmaceuticals
- Consumer Products
- Chemicals/Processed Products

## What should I look for in a company?

- Is the company's business growing?
- Does the company import raw materials, component parts, or finished products?
- Does the company use a freight forwarder or custom broker for shipping their products inbound to the U.S. or outbound from the U.S.?
- Is their location a storage facility or a manufacturing site?
- Do they have inventory control processes and technology?

## How does a company know what the potential savings will be if they implement an FTZ?

GKCFTZ produces an initial analysis that identifies potential savings based on the company's current import volumes and value, duties and MPF fees, export volumes, scrap losses, potential inverted duty savings and other elements. The analysis also estimates costs to participate in the FTZ program, which differ, based on the size and nature of the FTZ operation. Costs include first year application and activation, personnel training costs, grantee fee and U.S. Customs Bond. If the company proceeds with an FTZ, GKCFTZ would support an application and activation process.

## What are some current companies that utilize the FTZ program?

- Bayer Crop Science
- Hunt Midwest -Subtropolis
- Kawasaki Motors Mfg.
- Blount International
- MRG Design (Columbia Sportswear and Addis)
- Spectrum Brands Hardware & Home Improvement
- Kubota Tractor Co.
- Coleman Company
- OMNi Apparatech

## How do I engage the GKCFTZ if I identify a company that might be a good fit?

Contact GKCFTZ (Al Figuly, [alfiguly@gkcftz.com](mailto:alfiguly@gkcftz.com)) for a confidential discussion. Feel free to contact Al with any questions.

Learn more at [www.gkcftz.com](http://www.gkcftz.com).

