

# FOREIGN TRADE ZONE #244

## Advantages



## Choose the Moreno Valley Foreign Trade Zone for Significant Savings

**DEFERRAL OF DUTIES:** Customs duties are paid only when and if merchandise is transferred into U.S. Customs and Border Protection territory. This benefit equates to a cash flow savings that allows companies to keep critical funds accessible for their operating needs while the merchandise remains in the zone. *No time limit on how long merchandise can remain in a zone.*

**REDUCTION OF DUTIES:** With the permission of the Foreign Trade Zone (FTZ) Board, users are allowed to elect a zone status on merchandise admitted to the zone that determines the duty rate to be applied to foreign merchandise if it is eventually entered into U.S. commerce from the FTZ. This process allows users to elect the lower duty rate of that applicable to either the foreign inputs or the finished product manufactured in the zone. *Thereby, companies receive the lesser rate.*

**ELIMINATION OF DUTIES:** No duties are paid on merchandise exported from a FTZ. Therefore, duty is eliminated on foreign merchandise admitted to the zone but eventually exported from the FTZ. *Generally, applies to merchandise that is scrapped, wasted, destroyed or consumed in a zone.*

**ELIMINATION OF DRAWBACK:** Eligible duties previously paid on exported merchandise may be refunded through a process called drawback. The drawback law has become increasingly complex and expensive to administer. *Therefore, the need for drawback may be eliminated allowing these funds to remain in the operating capital of the company.*

**ESTIMATED WEEKLY ENTRY & MERCHANDISE PROCESSING FEE (MPF):** The Customs broker collects fees for preparing and filing each entry with U.S. Customs and Border Protection; Customs collects the MPF, which is assessed (with a minimum of \$25 and a maximum of \$485) against each entry filed. *The FTZ program allows consolidation from daily or per-container entries into weekly entries, often resulting in substantial savings.*

**LABOR, OVERHEAD AND PROFIT:** In calculating the dutiable value on foreign merchandise removed from a zone, zone users are authorized to exclude zone costs of processing or fabrication, general expenses and profit. *Therefore, duties are not owed on labor, overhead and profit attributed to production in a FTZ.*

**TAXES:** By federal statute, tangible personal property imported from outside the U.S. and held in a zone, as well as that produced in the U.S. and held in a zone for exportation, are *not subject to State and local ad valorem taxes.*

**QUOTAS:** *U.S. quota restrictions do not apply to merchandise admitted to zones, although quotas will apply if and when the merchandise is subsequently entered into U.S. commerce. Merchandise subject to quota, with the permission of the Foreign Trade Zone Board, may be substantially transformed in a FTZ to a non-quota article that may then be entered into U.S. Customs and Border Protection territory, free of quota restrictions. Quota merchandise may be stored in a FTZ so that when the quota opens, the merchandise may be immediately shipped into U.S. Customs and Border Protection territory.*

**ZONE-TO-ZONE TRANSFER:** Because the merchandise is transported in-bond, *duty may be deferred until the product is removed from the final zone for entry into the U.S. Customs and Border Protection territory.*

**INTANGIBLE BENEFITS:** Many companies in FTZs find that their inventory control systems run more efficiently thereby increasing their competitiveness. FTZ users also find that in meeting their FTZ reporting responsibilities to the U.S. government, they are eligible to take advantage of special Customs procedures such as direct delivery and weekly entry. These procedures expedite the movement of cargo, thereby supporting just-in-time inventory methodologies. *Companies have found these additional or intangible benefits, have begun to play a greater role in the evaluation of the FTZ program.*