

Foreign Trade Zone #235

Lakewood, New Jersey



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What is a Foreign-Trade Zone?

A foreign-trade zone is a designated location in the United States where companies can use special procedures that help encourage U.S. activity and value added – in competition with foreign alternatives – by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings.

What are the benefits to a zone user?

- **Duty Exemption.** No duties on or quota charges on re-exports.
- **Duty Deferral.** Customs duties and federal excise tax deferred on imports.
- **Inverted Tariff.** In situations where zone production results in a finished product that has a lower duty rate than the rates on foreign inputs (inverted tariff), the finished products may be entered at the duty rate that applies to its condition as it leaves the zone (requires prior authorization).
- **Logistical Benefits.** Companies using FTZ procedures may have access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
- **Other Benefits.** Foreign goods and domestic goods held for export are exempt from state/local inventory taxes. FTZ status may also make a site eligible for state/local benefits such as the NJ Urban Enterprise Zone (UEZ) program which are unrelated to the FTZ Act.

What Activity is Permitted in Zones?

- Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.
- Production activity that results in a change of the tariff classification must be specifically authorized by the FTZ Board.
- Retail trade is prohibited in zones.

Why would I want to consider operating in a FTZ?

When you operate under FTZ procedures, your company is treated (for purposes of customs duties) like it's located outside the United States. That can mean that U.S. import duties don't have to be paid on imported components coming to your factory. If your finished product is ultimately shipped to the U.S. market, you may have the option of paying the finished product duty rate rather than the component duty rate. (Many finished products have lower duty rates – or are duty-free – than their components.) And if you re-export the finished product, you don't ever pay duties on the component materials. There are other potential savings, too, like avoiding duties on imported materials that become scrap, and possible administrative savings and efficiencies.

Evaluate Your Potential FTZ Duty Savings using the located at Updated Duty Savings Estimator Worksheet for FTZ Production http://ia.ita.doc.gov/ftzpage/info/savings_estimator.xls .

This worksheet can help you easily gauge potential FTZ duty savings. Enter the requested information and the worksheet will automatically calculate estimated FTZ duty savings. Use additional copies of the worksheet for additional inputs or finished product-input combinations.

What are the public benefits?

- Help facilitate and expedite international trade.
- Provide special customs procedures as a public service to help firms conduct international trade related operations in competition with foreign plants.
- Encourage and facilitate exports.
- Help attract offshore activity and encourage retention of domestic activity.
- Assist state/local economic development efforts.
- Help create employment opportunities.

How do I find out more about the Foreign Trade Zone program?

To find out more about Foreign Trade Zone #235, contact Patricia Komsa at 732-364-2500 extension 5257 or pkomsa@lakewoodnj.gov .