



South Carolina Ports

Foreign Trade Zones 21 21 38

2012

US FOREIGN-TRADE ZONE BOARD FREQUENTLY ASKED QUESTIONS

- What is a foreign-trade zone?
- Are zones outside the US?
- What are the types of zones?
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- What are the public benefits?
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- Will I have to pay duty on the value added in a FTZ?
- What happens after a zone is approved?
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SOUTH CAROLINA FTZ FREQUENTLY ASKED QUESTIONS

- How do South Carolina FTZs rank compared to the rest of the Nation?
- What SC FTZ activity was reported for 2011?
- What South Carolina companies were active Warehouse/Distribution Center Operators in 2011?
- What South Carolina companies were active Manufacturing Operators in 2011?
- Where are South Carolina zones currently located?
- What is the process to designate a FTZ site in South Carolina?
- How do I get more information about South Carolina FTZs?

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. A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials, and the zone activity remains under the supervision of CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.

Are Zones Outside the US?

No. While merchandise within a zone is considered outside the customs territory of the U.S., this is for formal entry procedures only. Foreign merchandise in a zone is within the territory and jurisdiction of the U.S. and is considered imported.

What are the types of zones?

- General-purpose zones are usually located at ports or industrial parks. They must be opened to multiple zone users.
- Subzones are special-purpose zones, approved for a specific company/use.

Who is on the Foreign-Trade Zones Board?

The Foreign-Trade Zones Board is comprised of the Secretary of Commerce and the Secretary of the Treasury. The Board is chaired by the Secretary of Commerce. The Commissioner of U.S. Customs and Border Protection also plays a key role, as it did prior to its recent move from Treasury to the Department of Homeland Security, providing a position during the FTZ Board voting process with respect to customs security, control, and resource matters.

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 which are unrelated to the FTZ Act.

What are the public benefits?

- Help to 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 is CBP Involved?

CBP (U.S. Customs and Border Protection) handles the day-to-day monitoring of zone activity. CBP is consulted on every application for a zone or zone activity. Merchandise in a zone is under customs control and merchandise and zone records are subject to spot check and other verifications at any time. After a zone or subzone has been approved by the FTZ Board, the zone operator must activate with CBP. For more information visit the CBP Home Page.

How do FTZs differ from other programs administered by Customs?

With FTZs, there is generally no time restraints on merchandise remaining in a zone, unlike other similar programs ([bonded warehouses](#), [drawback](#), and [temporary importing under bond](#)) administered by Customs. Domestic and foreign goods may be admitted to a zone without being subject to Customs' duties or certain excise taxes. Goods may be exported from a zone free of duty and tax. For more information on bonded warehouses, drawback, or temporary importation bonds contact your local [US Customs Service Port Director](#). Information on FTZs can be obtained by contacting the [Ports Authority](#).

Where can a Zone be Located?

Zone sites must be within or adjacent to a U.S. Customs and Border Protection (CBP) port of entry. The adjacency requirement can be satisfied if one of the following factors is met:

1. The general-purpose zone or subzone site is within the limits of a CBP port of entry.
2. The general-purpose zone or subzone site is within 60 statute miles of the outer limits of a CBP port of entry.
3. The general-purpose zone or subzone site is within 90 minutes' driving time from the outer limits of a CBP port of entry as verified by the CBP Service Port Director.
4. For subzones only: subzone sites that are outside the 60 miles/90 minutes driving time from the outer limits of the CBP port of entry may alternatively qualify to be considered adjacent if they work with the CBP Port Director to ensure that proper oversight measures are in place.

What Activity is permitted in Zones?

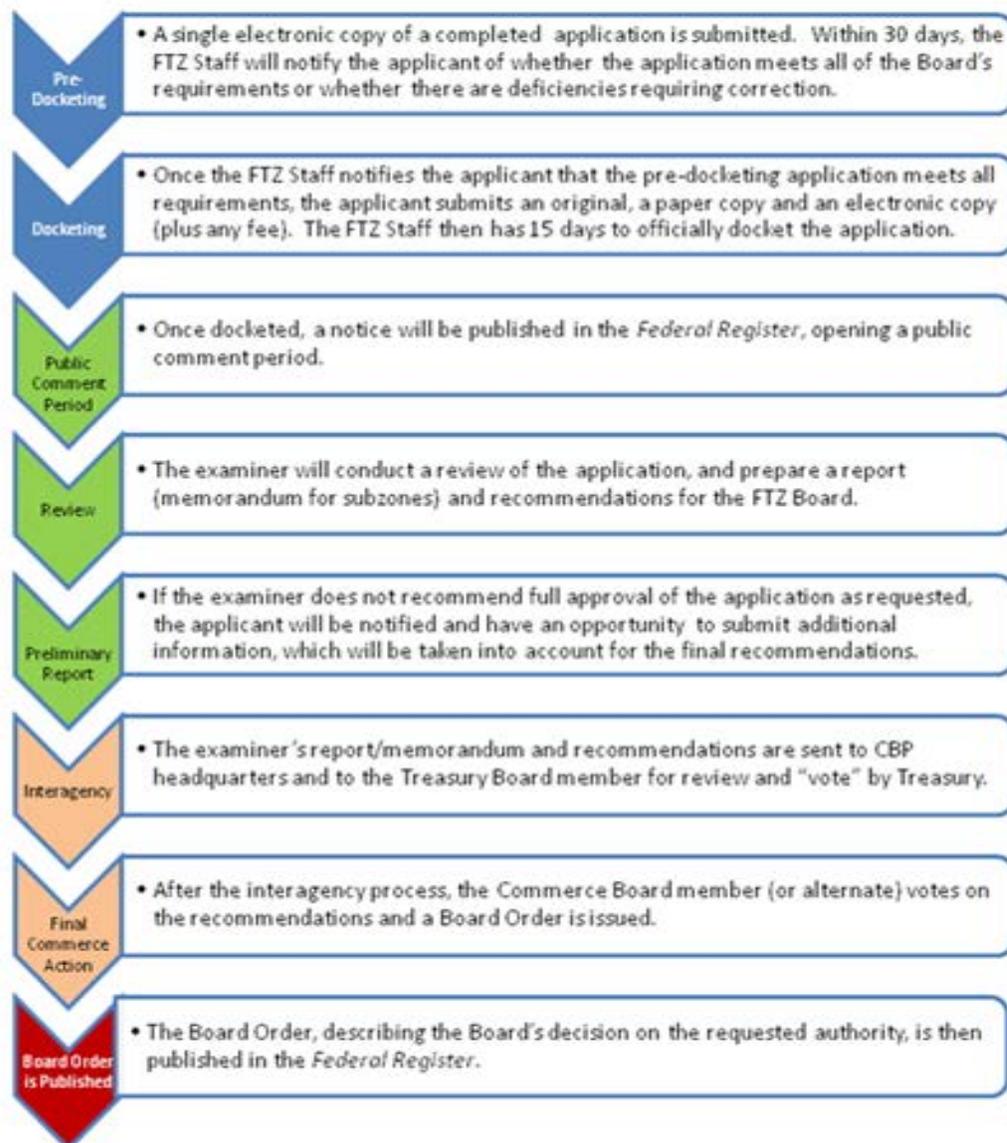
- Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.
- Production activity (manufacturing) that results in a change of the tariff classification must be specifically authorized by the FTZ Board. **Definition of "Production"**: "Activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use, or activity involving a change in the condition of the article which results in a change in the customs classification of the article or in its eligibility for entry for consumption (15 CFR 400.2(o))." For most companies, this means that if the HTSUS number of any foreign status component changes, production authority is needed.
- Retail trade is prohibited.

What Kind of Merchandise Can be Placed in a Zone?

- Any merchandise that is not prohibited from entry into the territory of the U.S. may be admitted to a zone.
- If applicable, import licenses or permits from other government agencies may still be required to bring the merchandise into the zone.
- Retail trade is prohibited in zones.

What is the application process?

FTZ Application Process (For FTZ Board Review: New Zones, Expansions, Reorganizations, Certain Subzone Applications, and Production Applications)



What are some of the costs involved with operating an FTZ?

Please contact the [Ports Authority](#) for the current Grantee Fee Schedule and an estimate for some potential costs that a company may incur by establishing or operating a FTZ.

Will I eventually pay duty on foreign merchandise in an FTZ?

FTZs are part of a duty deferral program. Generally, payment of duties and excise taxes on foreign merchandise admitted to a zone will be deferred until the goods are transferred from the zone to the Customs territory for consumption. Merchandise may be permanently stored, destroyed, or exported, eliminating the need to pay duties and excise taxes in most cases.

Will I have to pay duty on the value added in an FTZ?

No, a company is only responsible for paying duties on the foreign content that is entered into US Customs territory. Domestic content for materials, labor, overhead, profit, etc. is not subject to duties.

What happens after a zone site is approved?

- Once a zone or subzone is approved by the FTZ Board, the operator must apply for activation with U.S. Customs and Border Protection (CBP) before merchandise can be admitted under zone procedures.
- Each zone is required to report annually to the FTZ Board on the activity that has occurred within the zone and its subzones for the fiscal year. The FTZ Board uses these reports to monitor zone activity and to report on zone activity with an Annual Report to Congress.
 - To view previous Annual Reports of the FTZ Board, [click here](#).
 - The annual report must be submitted through the new [Online FTZ Information System \(OFIS\)](#).

What happens if a zone site is approved but never activated with CBP?

Each zone site and subzone is subject to a lapse or sunset provision. The sunset and lapse provisions range from 3 -5 years. For more information on the lapse provision, [click here](#).

SOUTH CAROLINA FOREIGN-TRADE ZONE FAQs

How do South Carolina FTZs rank compared to the rest of the Nation?

NAFTZ 2009 “Impact of Foreign-Trade Zones in the US and Puerto Rico” report:

14th in the Nation

11th in the Nation

EMPLOYMENT OF FOREIGN-TRADE ZONES

State	Employment
Texas	51,394
Ohio	35,534
Pennsylvania	19,939
California	19,220
Kentucky	19,145
Louisiana	17,498
Illinois	17,439
Mississippi	16,126
New Jersey	15,987
Arizona	14,253
Michigan	11,134
Puerto Rico	11,126
Alabama	9,766
South Carolina	8,549
Tennessee	8,253

RECEIPTS BY FOREIGN-TRADE ZONES

State	Annual Volume (\$ millions)
Texas	138,248.55
Louisiana	91,921.61
California	27,421.83
Ohio	23,049.30
Illinois	23,019.00
Kentucky	18,678.16
New Jersey	18,266.31
Pennsylvania	15,980.77
Michigan	15,825.13
Mississippi	11,304.43
South Carolina	10,534.79
Puerto Rico	10,106.00
Alabama	7,137.11
Florida	5,746.47
Indiana	5,178.87

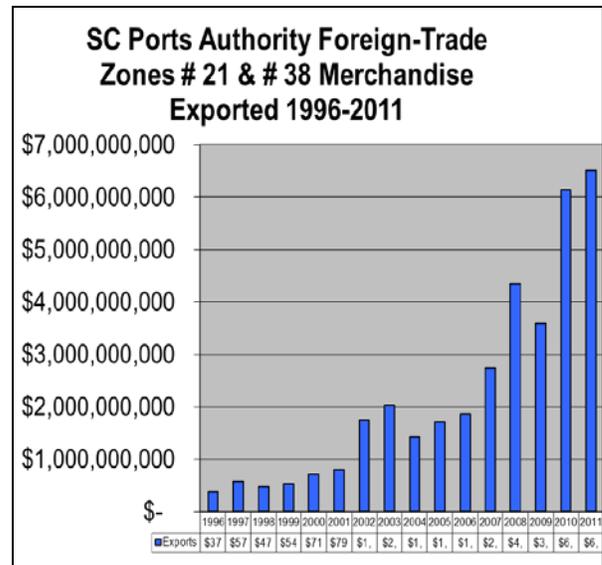
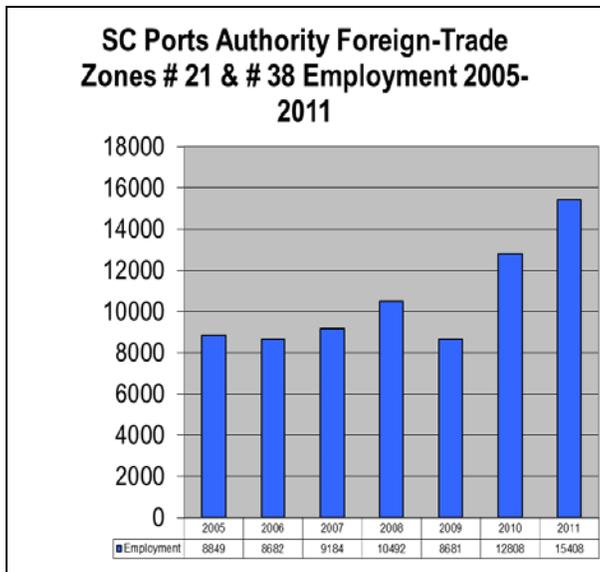
Winner “NAFTZ # 1 Non-Oil Exporter of the Year”

EXPORTS FROM FOREIGN-TRADE ZONES

State	Annual Volume (\$ millions)
Texas	5,478.18
South Carolina	3,595.82
Alabama	1,979.72
Kentucky	1,884.03
California	1,856.72
Ohio	1,801.63
Florida	1,702.93
Puerto Rico	1,260.94
Indiana	1,036.79
Mississippi	884.01
Louisiana	824.16
Michigan	662.79
Tennessee	626.07
Illinois	500.28
Georgia	494.21

What SC FTZ activity was reported for 2011? 12 Active Warehouse/Distribution and 7 Manufacturing Operators

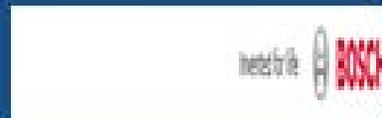
SOUTH CAROLINA FOREIGN-TRADE ZONES	EMPLOYMENT	ANNUAL VOLUME (\$ billions)	ANNUAL IMPORTS (\$ billions)	ANNUAL EXPORTS (\$ millions)
2011 SNAPSHOT				
NO. 21 COASTAL REGION	305	\$ 3.05 billion	\$1.33 billion	\$255 million
NO. 38 UPSTATE REGION	15,103	\$29.94 billion	\$6.14 billion	\$6.26 billion
TOTALS	15,408	\$32.99 billion	\$7.47 billion	\$6.52 billion



What South Carolina companies were active Warehouse/Distribution Center Operators in 2011?



South Carolina Warehouse /Distribution FTZ Operators



What South Carolina companies were active Manufacturing Operators in 2011?



South Carolina Manufacturing FTZ Operators



Where are the existing FTZ sites located?

The SC State Ports Authority is the Grantee in charge of administering the FTZ program for FTZ # 38 in the Upstate and FTZ # 21 along the Coast. The Columbia Airport Commission is the Grantee for FTZ # 127 in the Midlands. There are sites located throughout the state with a variety of parks ranging in acreage and classifications that will appeal to many different companies. The contact information, location and a description of each site is available at the FTZ page <http://www.scspace.com/Cargo/Logistics/ftzs/ftz.asp>.

What is the process to designate a FTZ site in South Carolina?

- **FTZ # 38 (Upstate South Carolina) and FTZ # 127 (Midlands)** are operated under the **Alternative Site Management Framework (ASF)** companies have a lot more flexibility in applying for FTZ status. However, this time can vary depending on the circumstances for individual applications. You can eliminate approval time by locating in one of the existing FTZ magnet sites. Since these sites are already approved, you would only need to apply for production (if needed). If a company wishes to apply for FTZ status as a “usage driven site” the Grantee would submit a “Minor Boundary Modification” This application approval takes from 30-45 days for approval for General Purpose Zone status. Once approved the company would be required to activate the site with the U.S. Customs Service upon the Ports Authority's consent.
- **FTZ # 21 (Coastal South Carolina)** is operated under the “Traditional Site Framework” (an ASF reorganization application is pending submission). The traditional site framework differs from the ASF since it requires “swapping” acreage from an existing site to create a new site. You can eliminate approval time by locating in one of the existing FTZ # 21 sites. Since these sites are already approved, you would only need to apply for production authority (if needed). If a company wishes to apply for FTZ status as a “usage driven site” the Grantee would submit a “Minor Boundary Modification”. This application approval takes from 45-60 days for approval for General Purpose Zone status. Once approved the company would be required to activate the site with the U.S. Customs Service upon the Ports Authority's consent.

How can I get more information on FTZs in South Carolina?

You may contact the [Ports Authority](#) for information on establishing, maintaining and operating FTZs. To contact the Suzan Carroll-Ramsey, Foreign-Trade Zones # 21 and # 38, Specialist, directly, please call (843)577-8144 or e-mail to: scarroll-ramsey@scspa.com.