

Southwest Missouri Foreign-Trade Zone No. 225 A Catalyst for Economic Growth

FOREIGN-TRADE ZONE PROGRAM OVERVIEW

The FTZ program was created in 1934 to provide a means to retain jobs in the United States. A FTZ is a place (*a building, a room, a land site or an industrial park*) which is designated by the Department of Commerce and U.S. Customs and Border Protection Agencies as a location where goods are admitted and are considered outside the stream of international commerce or trade. This means that 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 Customs territory for consumption.

The competitive benefits make the FTZ one of the most effective tools for a business to become more competitive or a community to expand and recruit businesses. These benefits include:

- Duty deferral – delay payment of duty until goods enter US market
- Duty Exemption – no duties on imported goods that are re-exported, destroyed, or scrapped
- Inverted Tariff – choose whether to pay tariff on components or on finished product
- Reduced processing fees – file a single customs entry per week rather than multiple entries

Companies that benefit by becoming a zone user or operator include manufacturing, distribution, and retail industries along with research and development firms. The common thread is that many of these are involved in international trade, receive imported products, manufacture, assemble, or test and scrap products before they are sold to consumers in the U.S. or exported to global consumers. Examples include:

- Automotive parts manufacturers and many of their suppliers
- Distribution companies and many third-party logistics companies
- Electronics assemblers or electronics manufacturing companies
- Public warehouse operators
- Local companies who import, manufacture or export goods
- Retail consumer goods industry operating their warehouse facilities

SOUTHWEST MISSOURI FOREIGN-TRADE ZONE

The 23 county Southwest Missouri Foreign-Trade is more flexible than many other FTZs in the country. It is organized under the Alternative Site Framework program. This designation allows businesses to activate at either the Springfield-Branson National Airport general purpose site or at their business site in the 23 county service area as a subzone.



FACTS AND FICTIONS REGARDING FTZS

There are many myths about FTZs. The realities of the FTZ Program are that it provides communities and local companies a way to increase cash flow, remain competitive and expand job creation within a region

- *FTZs are expensive.* **False.** Costs for activating a location within the FTZ vary depending on the security and inventory controls in place at the facility. The initial long-term duty referral benefit to the business often exceeds the activation costs. The business also realizes on-going benefits through delayed payment of duties and inverted tariffs. In addition, no duties are paid on waste, scrap, and rejected or defective products.
- *FTZs are complicated and require a lot of new paperwork.* **False.** FTZ users are often able to file a single customs entry per week rather than making multiple entries during the course of the week.
- *FTZs are only for international companies.* **False.** FTZs are for companies that either buy or receive imported products from foreign or domestic vendors; or have merchandise that is processed, cleaned, tested, re-labeled, re-packaged, scrapped or otherwise manipulated before it is released into the U.S. or exported; or have domestic goods to be sold abroad that carry a high excise tax burden (such as beer, wine or spirits)
- *FTZs are only allowed at port locations.* **False.** The Southwest Missouri FTZ is organized under the Alternative Site Framework program. This means that companies can activate at either the Springfield-Branson National Airport or at any other fixed site with the 23 county service area.
- *FTZs only work for manufacturing companies.* **False.** Companies in FTZs receive imported products, manufacture, assemble, test and scrap products before they are sold to consumers in the U.S. or exported to global consumers. The retail consumer goods industry are now operating their warehouse facilities within FTZs.
- *FTZs slow down commerce.* **False.** FTZs allow businesses to keep production costs closer to the market while still receiving the reduced costs comparable to moving to a foreign market. The FTZ helps businesses reduce production, transaction, and logistics-related costs by lowering the effective duty rates and allowing special entry procedures. Goods that have a US quota restriction may be stored on-site for quicker release into the stream of commerce.
- *FTZs take work away from America.* **False.** By reducing costs, FTZs level the playing field and improve US competitiveness. The benefits of the FTZ program may be the competitive advantage companies need to keep their manufacturing or distribution operations in the US. By helping local employers remain competitive, zones can contribute to maintaining or boosting employment opportunities. The lower FTZ-based production costs encourage increased investment in US facilities.
- *FTZs have a negative impact on a company cash flow.* **False.** FTZs allow businesses to manage cash flow by delay, defer, or elimination of duties and certain taxes on goods. Goods can be stored indefinitely at the FTZ site.

FOREIGN-TRADE ZONE DEFINITIONS:

Foreign-Trade Zone Board

- *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.*
- *Grants authorization to establish, operate, maintain or expand zones*

Grantee

- *A private entity organized for the purpose of establishing a zone*
- *Responsible for maintaining public utility access to the zone for all users*
- *For FTZ No. 225, located in SW Missouri, the grantee is Springfield-Branson National Airport Board*

General Purpose Zone

- *An industrial park or airport or water port complex whose facilities are available for use by the general public.*

Operator

- *A company that performs or operates the zone and performs Zone activities such as receipt, storage, handling, shipment, recordkeeping, reporting and marketing of the Zone*
- *A company that may operate warehouses which perform storage, manufacturing, distribution or other activities in the Zone*
- *A company that provides third party logistics services to local, regional, national or international firms*

Subzone

- *Fixed locations sponsored by the General Purpose Zone and are normally single-purpose sites for operations that cannot be feasibly moved to or accommodated in a General Purpose Zone.*

U.S. Customs and Border Protection

- *Responsible for the control of merchandise in a zone*
- *Controls admission, activity and release of goods from a zone*
- *Oversees procedures and compliance with all appropriate federal laws and regulations*

User

- *A person or firm using a zone for storage, handling, manufacturing or assembly of merchandise*