

Rickenbacker FTZ No. 138

Overview and Benefits of FTZs



**Columbus Regional Airport Authority
Grantee**



Rickenbacker FTZ No. 138

Overview and Benefits of FTZs

- What is a Foreign-Trade Zone
- General Purpose vs. Subzone
- Benefits of a Foreign-Trade Zone



What is a Foreign-Trade Zone

- A Foreign Trade Zone is a restricted-access location in which stored merchandise is considered to be in international commerce, not in the United States of America, for Customs purposes.
- Created by the ***U.S. Foreign-Trade Zone Act of 1934.***
 - New Deal legislation
 - Job creation program
 - Located primarily near deep water ports (New York, Seattle, New Orleans)



Foreign-Trade Zones

- FTZ No. 138 was established in 1987
- All 50 states plus Puerto Rico have established FTZs
- Over 2,285 firms use FTZs
- Over 319,000 people are employed at facilities operating under FTZ status
- Over \$204 billion of total trade activity in FTZs



Types of FTZs

General Purpose Zones

- Established for multiple activities by multiple users.
- May consist of one or multiple sites.
- Must be located within either 60 miles or 90 drive-time minutes of a U.S. Customs port of entry.

Subzones

- Established for an individual company's manufacturing operations.
- Created when a general purpose zone cannot accommodate a company's activity.
- Can be located anywhere within a State as long as the sponsoring grantee of a general purpose zone exists within that State.



General Purpose Zones

General Purpose Zone Sites

- Allen County - Lima
- Fairfield County – Canal Winchester, Lancaster
- Franklin County – Rickenbacker International Airport, Grove City
- Guernsey County – Cambridge
- Licking County – Heath, Etna Township
- Hocking County – Logan
- Madison County – London
- Marion County – Marion
- Ross County – Chillicothe



Subzones

Subzones of FTZ No. 138

- Abbott Manufacturing – Columbus
- Lucent Technologies – Columbus
- DuPont – Circleville



General Purpose Zone

- 1 Franklin and Pickaway Counties:**
 - Rickenbacker International Airport
 - Rickenbacker West Industrial Park
 - Groveport Commerce Center
 - Opus Business Center
 - Creekside Industrial Center
 - Gateway Business Park – West Campus
- 2 Allen County:**
 - Gateway Commerce Park
- 3 Ross County:**
 - Gateway Interchange Industrial Park
- 4 Fairfield County:**
 - Rock Mill Industrial Park
 - Canal Pointe Industry and Commerce Park
- 5 Guernsey County:**
 - D.O. Hall Business Center
- 6 Madison County:**
 - Eagleton Industrial Park
 - Building Systems Transportation
- 7 Licking County:**
 - Etna Corporate Park
 - Central Ohio Aerospace and Technology Center Campus
- 8 Hocking County:**
 - Logan-Hocking Industrial Park
- 9 Marion County**
 - Marion Industrial Center

FTZ Subzones

- A** #138C - Abbott Manufacturing
- B** #138E - Lucent Technologies
- C** #138F - Dupont



Foreign-Trade Zones

- Designation
 - Move into an existing General Purpose Zone
 - Buy
 - Lease
 - Use a 3rd Party Warehouse
 - Through a grantee, apply for a Subzone
- Activation – through Customs
 - Grantee concurrence
 - Security walk thru, background checks
 - Procedures manual
- Operations
 - Do it yourself
 - Third party
 - CRAA



Benefits of Foreign-Trade Zones

- Deferral, Reduction and/or Elimination of Customs Duties
- Weekly Entry, Direct Delivery
- Exemption from Ohio Inventory Taxes



Duty Deferral

- Customs duties - Not paid until goods enter the U.S. Customs Territory, postponing the payment of duties until the goods physically leave the FTZ site
- No time limit
- Can mix foreign and domestic sourced merchandise



Duty Reduction

- Applies to manufacturing or assembly in the Zone
- Can reduce the duty on foreign components that would have a higher duty rate than the finished good
- This is known as the “Inverted Tariff” Principle



Duty Elimination

- Re-exporting - If the goods never enter the U.S. Customs Territory, no duty would ever be paid
- Can avoid applying for duty drawback
- Can also avoid duties on scrap or defective goods



Weekly Entry

- Reduces cost and increases logistics flexibility
- Beginning of the Week - Estimate
- End of the Week - Reconcile
- Pay one Merchandise Processing Fee



Direct Delivery

- Delivered directly to the facility even if paperwork has not been filed with Customs.
- Program requires pre-approval from Customs



Inventory Tax Exemption

- General Purpose Zone – all merchandise in a FTZ is exempt from Ohio's inventory tax
- Subzone – foreign-status merchandise exempt from Ohio's inventory tax
- Levels the playing field - Not all states have inventory taxes
- Ohio is phasing out it's inventory tax at a rate of 2% per year



Cost Benefit Analysis

- Gives an idea of potential savings
- CRAA can prepare a cost benefit analysis
- FTZ Calculator on www.columbusairports.com
(Click on Rickenbacker, then FTZ)