

## FOREIGN TRADE ZONES CAN HELP WITH CASH FLOW

New Jersey has five strategically placed Foreign Trade Zones (FTZ) which offer companies located within the FTZ the ability to defer, reduce or even eliminate US Customs duties on products admitted to the zone. Foreign Trade Zones are considered to be outside of US Customs territory. Under FTZ policies foreign and domestic merchandise may be admitted into these zones for storage, exhibition, assembly, manufacturing and processing without being subject to formal customs entry procedures, the payment of duties or the payment of Federal excise taxes.



There are more than 250 Foreign Trade Zones in the United States, as well as sub-zones designated for special purposes. Sub-zones are usually located in manufacturing plants. An area which has been granted FTZ status may not be used for zone activity until that site or sub-zone has been separately approved for FTZ activation by local US Customs officials. The zone activity would then operate under the supervision of the US Department of Homeland Security - Bureau of Customs and Border Protection. FTZ sites and facilities are within the jurisdiction of local, state or Federal governments and agencies.

The increasing importance of international trade in the US economy has caused a corresponding increase in the use of FTZ zones. However, since trade agreements such as North American Free Trade Agreement (NAFTA) have resulted in the reduction of many US tariffs, the use of a FTZ should be evaluated on an ongoing basis. Certain companies that have benefited from the FTZ program in the past may find that they no longer need FTZ status to place them on an even playing field with their competitors abroad. According to the Foreign Trade Zone board's analysis of the growth of the US FTZ program over the past 20 years, the overall volume of trade moving through those zones has increased steadily, despite trade liberalization efforts and shifts in industry participation.

The following are examples of how Foreign Trade Zones can help with cash flow:

- There are no duties or quota charges on re-exports.
- Customs duties and Federal excise taxes are deferred on imports.
- In situations where zone manufacturing results in a finished product that has a lower duty rate than the rates on the foreign inputs, the finished products may be entered at the duty rate that applies to its condition as it leaves the zone - subject to public interest considerations.
- 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.

The Foreign Trade Zones in New Jersey are located in Mt. Olive in Morris County, the Port of Newark/Port of Elizabeth Marine Terminal, Mercer County Airport, Lakewood in Ocean County and the South Jersey Port in Salem County.

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