

TO IMPROVE YOUR COMPETITIVE EDGE



O K L A H O M A
C I T Y

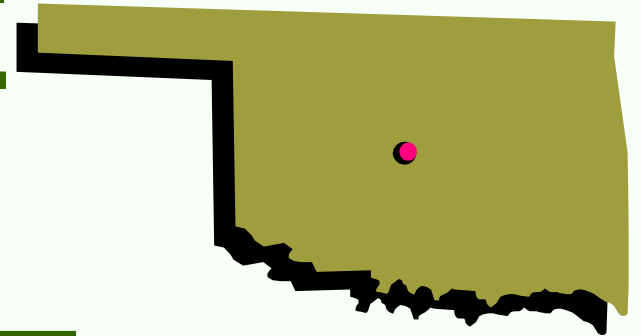
405-680-3262



FTZ 106

**Port Authority of the
Greater Oklahoma City Area**

**TO IMPROVE
YOUR
COMPETITIVE
EDGE**





Establishment of FTZs

Foreign-Trade Zones are established:

- To encourage and expedite U.S. participation in international trade
- To expedite exportation of domestic goods with foreign and domestic content
- To defer payment of duties until goods enter into the commerce of the U.S.



Is FTZ 106 Right for You?

IF YOU ANSWER “YES” TO ANY OF THE FOLLOWING THEN FTZ 106 CAN HELP.

- Do you manufacture, assemble or process with imports?
- Do you regularly pay more than \$485 per week in merchandise processing fees?
- Do you scrap, reject, destroy, waste, or return some of your imports?
- Do you export previously imported materials?



Is FTZ 106 Right for You?

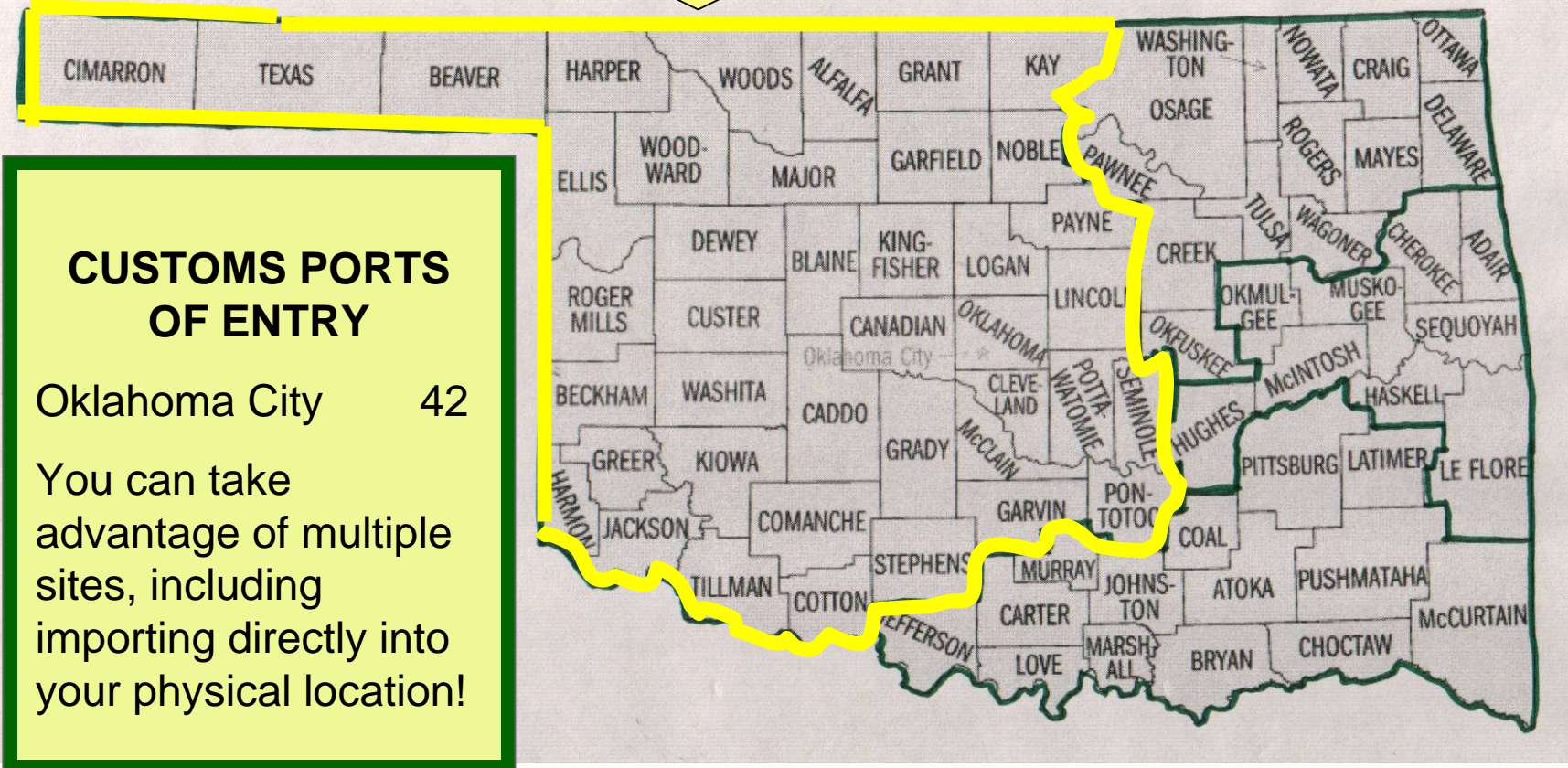
IF YOU ANSWER “YES” TO ANY OF THE FOLLOWING THEN FTZ 106 CAN HELP.

- Do you have to wait long periods of time for your orders to get through border customs?
- Do you sell your imported products to companies that reside in Foreign Trade Zones?
- Are you selling to the military?
- Are you currently utilizing a Customs tariff-reduction program?



OK FTZ Regions (by counties)

106



We can help if you are located this region.



What is an FTZ?

- Usually located in or near Customs Ports of Entry at industrial parks or terminal warehouse facilities
- A FTZ site or park is a specially designated and secured area operating under U.S. Customs supervision
- Almost any type of goods may be brought in duty free for any kind of manipulation.



What is a FTZ?

Foreign-Trade Zones are areas which are geographically inside the U.S. but are legally considered outside its Customs territory.

Imports to the Zone

- Admissions into FTZ: Duty Free
- Exports from FTZ: Duty Free
- Imports to U.S. from FTZ: Dutiable





Types of Foreign Trade Zones

How you can take advantage of FTZ 106

- Become a General Purpose Operator
 - Manufacturing
 - Distributing
- Use a General Purpose Warehouse
- Become a Manufacturing Subzone
 - A special purpose zone used for a limited purpose that cannot be accommodated in an existing zone. Normally privately owned.



What can you do in an FTZ?

A facility where goods may be:

received	stored
manipulated	manufactured
exhibited	examined
tested	calibrated
destroyed	exported
repacked	assembled
mixed with domestic goods	
title transferred	

**With NO duties
paid going into
the zone!**





FTZ Savings

Derived exclusively from a tax management approach to U.S. Customs Duties and Fees.

Realized in Four Ways:

Customs Duty Elimination - Scrapping, Exports

Customs Duty Reduction - Inverted Tariffs

Deferral of Customs Duty Payment – Inventory
(a one time benefit usually
the least profitable of the 3)

Customs Fee Reductions – Merchandise
Processing Fees (MPF)

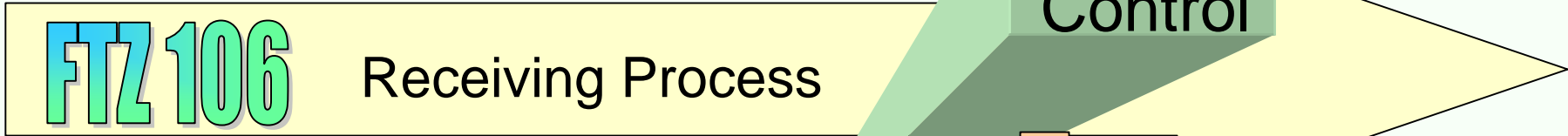


Duty Elimination



Inbound Goods

Inbound Goods



FTZ 106

Receiving Process

Quality Control

May be blanket or single transaction

Scrapped – Duty Free

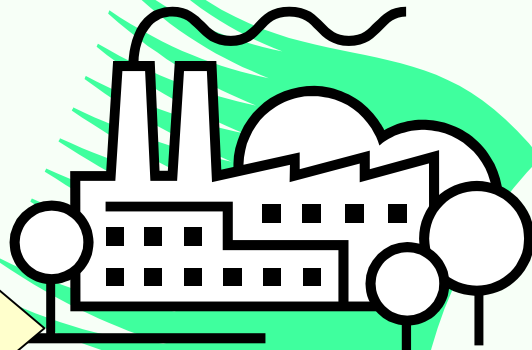
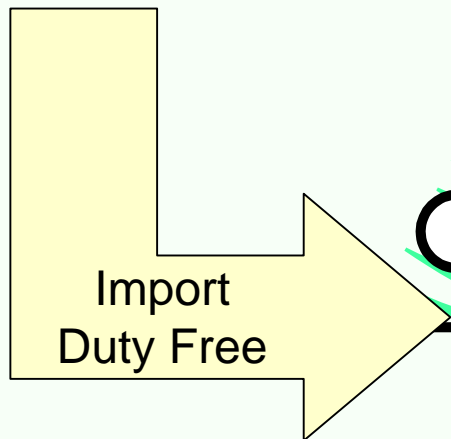


Duty Elimination

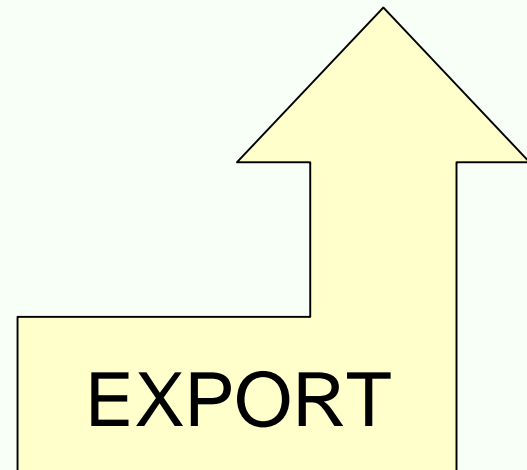
Imported
Product A
Potentially
Dutiable

Assembled New
Product B

Exported
Duty Free



FTZ 106





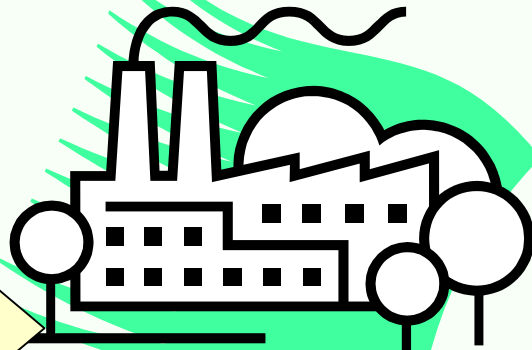
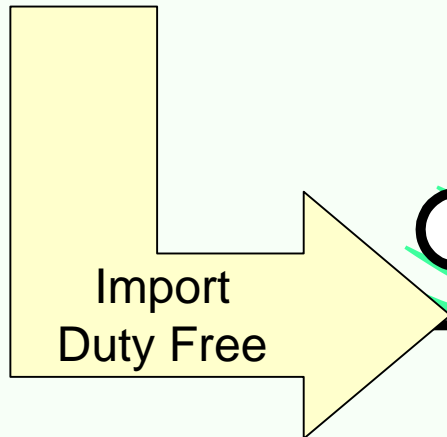
Duty Elimination

Imported
Product A
Potentially
Dutiable

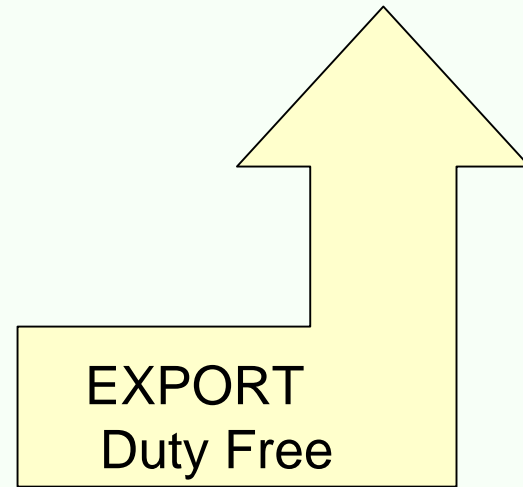
Another FTZ



Military Bases

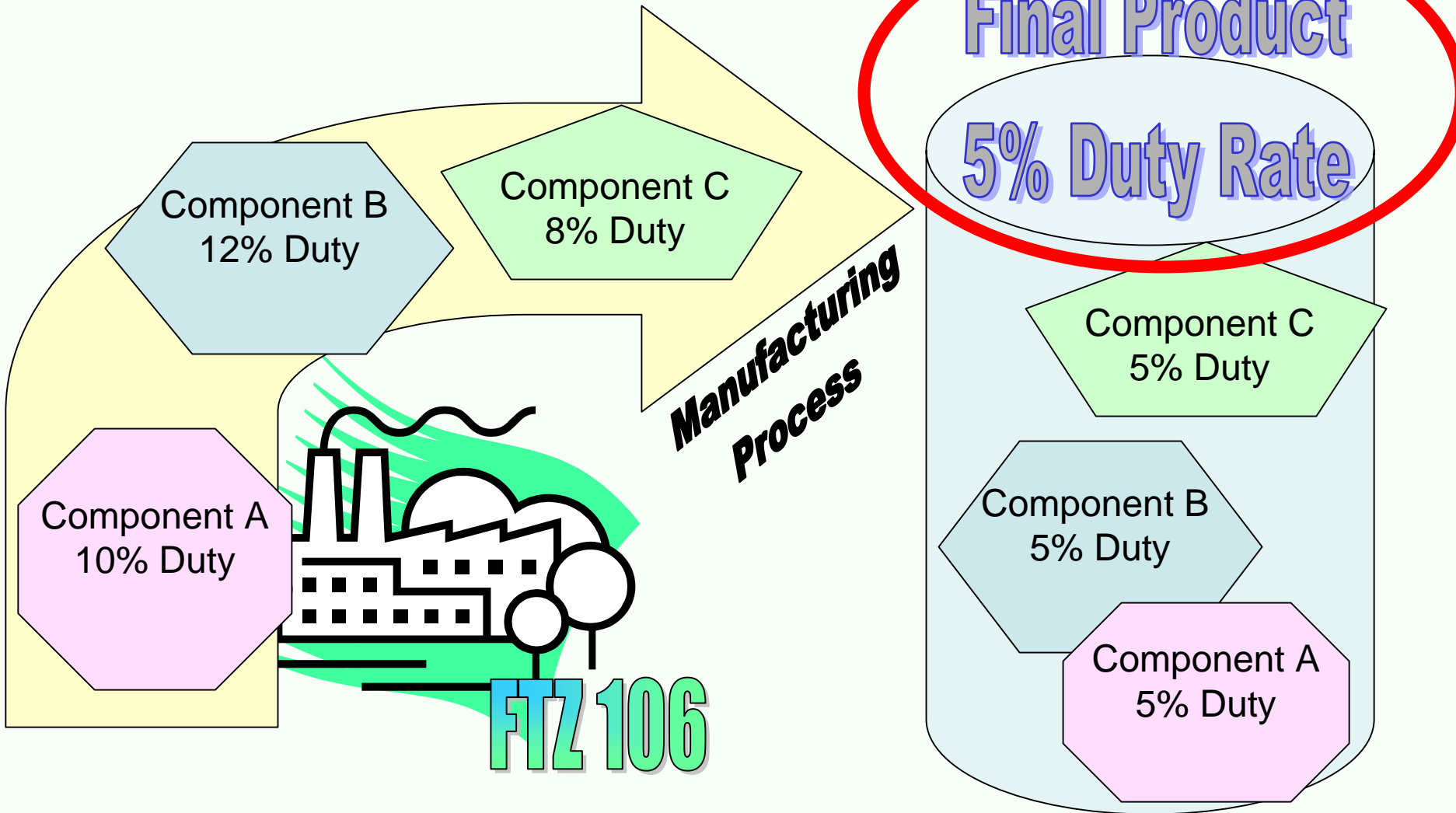


FTZ 106



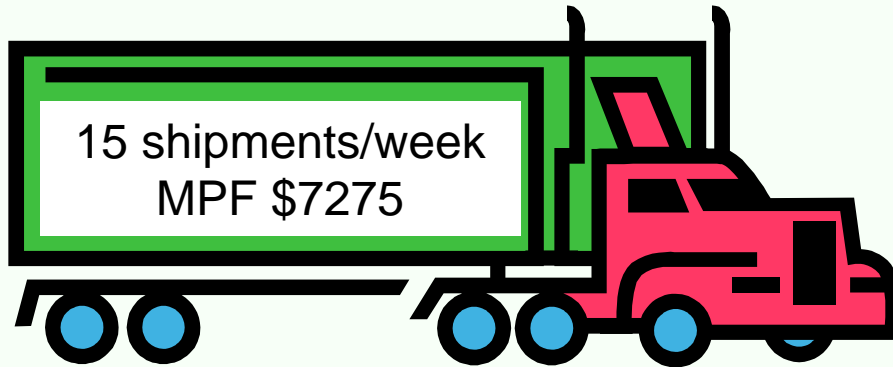


Inverted Duty Rate

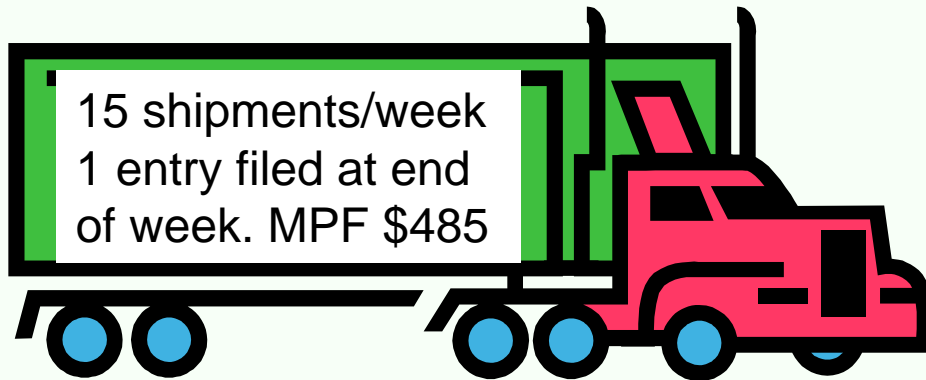




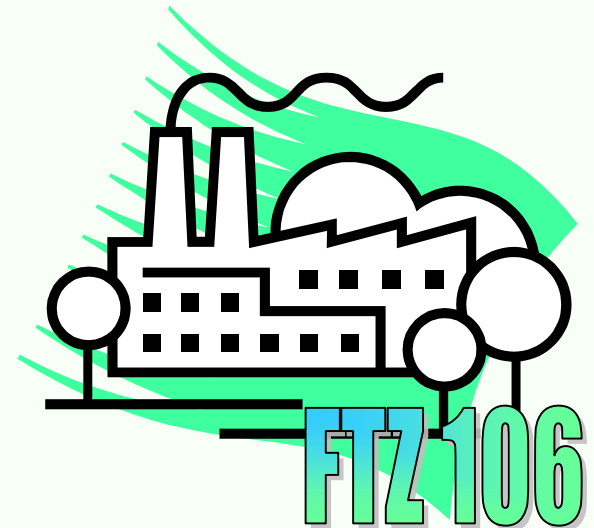
Merchandise Process Fees



Shipments into commerce



Shipments into commerce with weekly entry





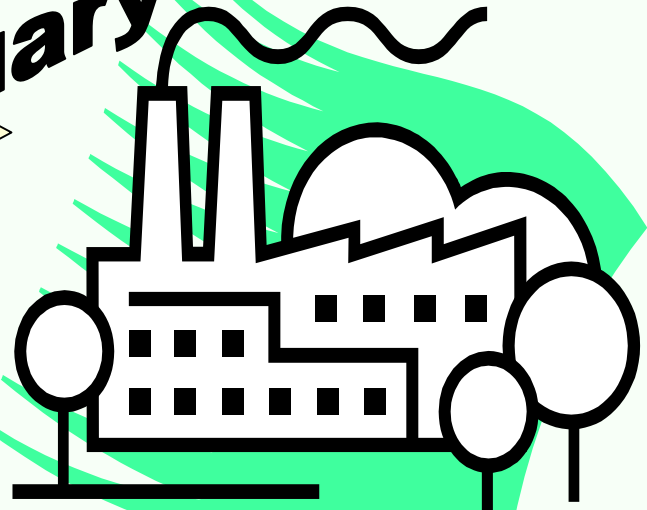
Deferred Duty

Received
January

Product A Duty Owed

Shipped
April

Product A Duty Paid

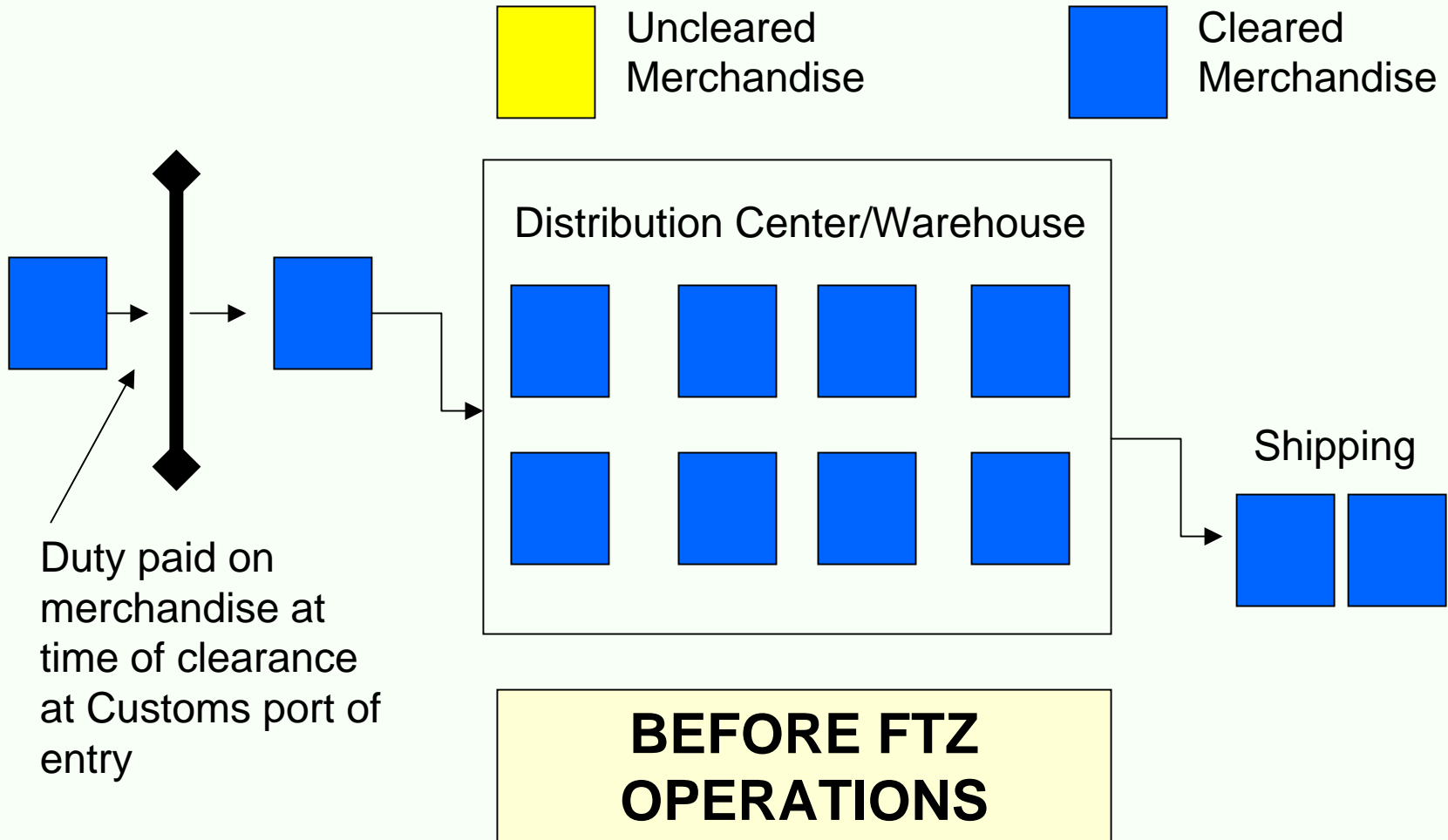


FTZ 106

Improve Your Cash Flow

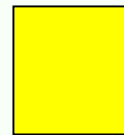


One-Time Benefit & Duty Deferral Explanation





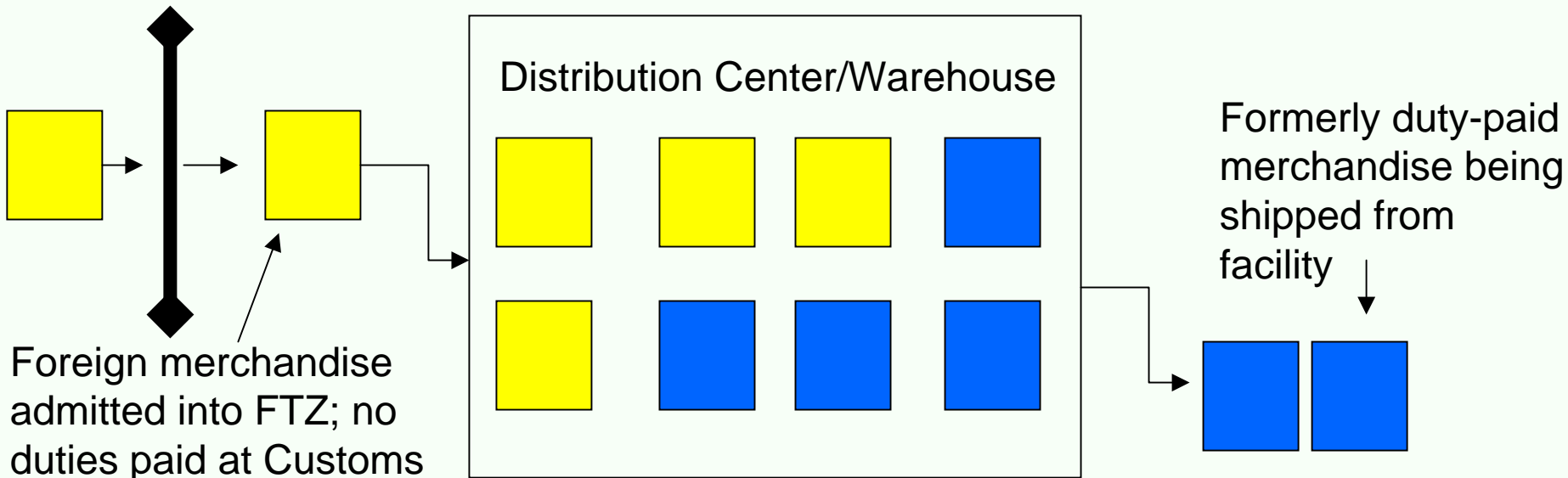
One-Time Benefit & Duty Deferral Explanation



Uncleared Merchandise



Cleared Merchandise

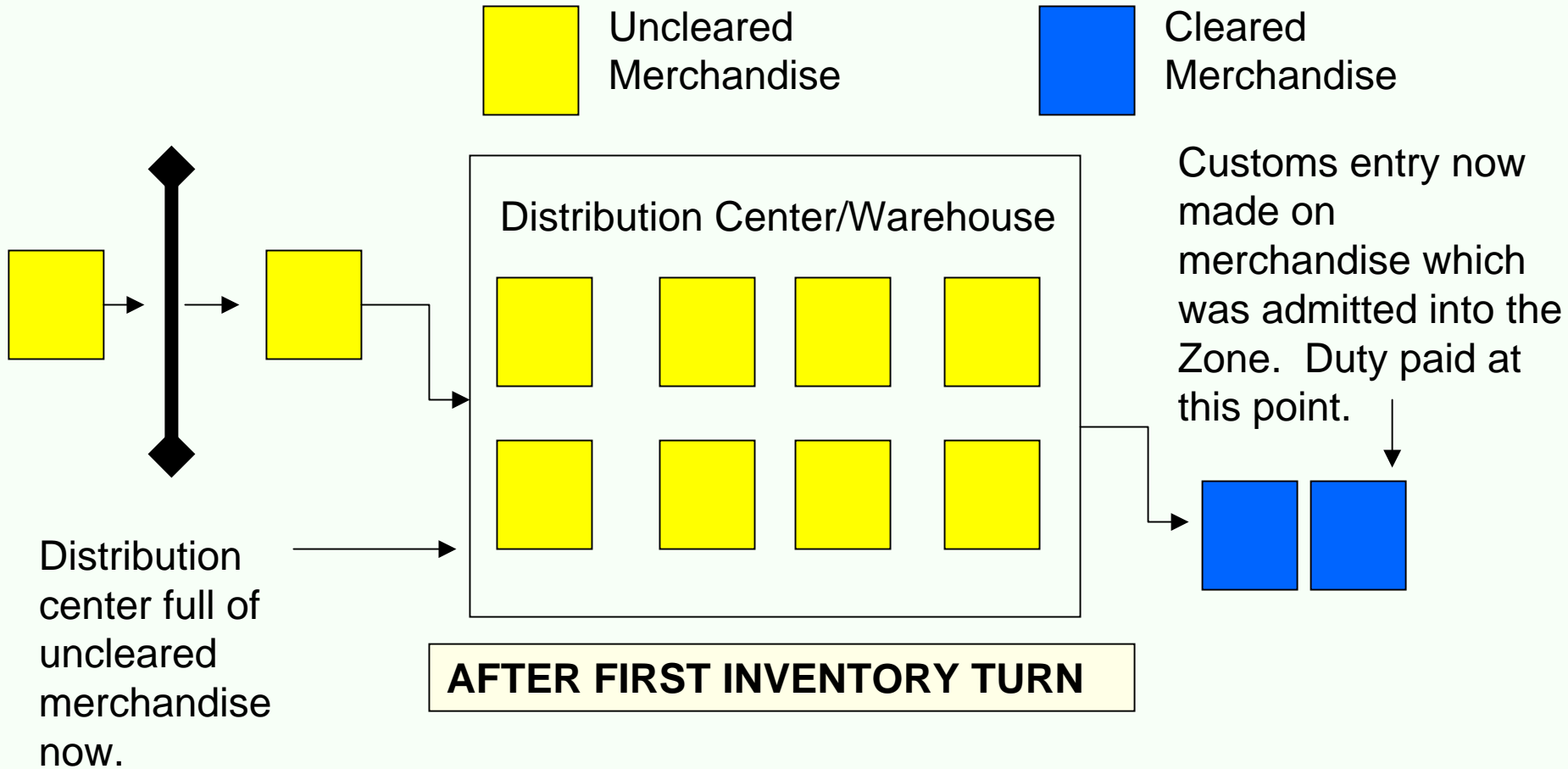


Foreign merchandise admitted into FTZ; no duties paid at Customs port of entry. Shipping duty-paid merchandise using FIFO inventory record-keeping; no duties paid at point of shipment either.

DURING FIRST INVENTORY TURN OF ACTIVE FTZ OPERATIONS



One-Time Benefit & Duty Deferral Explanation





Production Equipment

- May be admitted without payment of duties until completely assembled, installed, tested and used in full scale production.
- Merchandise shall be subject to classification according to its character, condition, and quantity at the rate of duty applicable at the time the equipment is used in production.



Other Benefits

- Lower administrative costs
- Lower security and insurance costs
- No time constraints on storage
- Shorter transit time – direct delivery
- Improved inventory control
- Informed customs officer



Public Benefits

- Help facilitate and expedite international trade.
- Allows you to continue to employ **YOUR** workers
- Help create employment opportunities



FTZ Employment Top 10

State	Employment
Texas	71,007
Ohio	29,803
Illinois	29,726
Louisiana	27,175
Kentucky	18,125
Tennessee	16,829
Indiana	16,038
Arizona	13,857
California	11,576
Mississippi	10,415
Oklahoma #26	2,249



Public Benefits

- Encourage and facilitate exports
- Help attract offshore activity and encourage retention of domestic activity
- Assist state/local economic development efforts



FTZ Exports Top 10

State	Exports
Texas	\$3,520,000,000
South Carolina	\$2,980,000,000
Ohio	\$2,780,000,000
Alabama	\$1,750,000,000
Tennessee	\$1,420,000,000
Florida	\$860,000,000
Mississippi	\$690,000,000
Louisiana	\$640,000,000
Arizona	\$590,000,000
Alaska	\$550,000,000
Oklahoma #32	\$23,460,000



Who Supervises?

U.S. Customs is responsible for ensuring compliance with the following regulations.

19 U.S.C. 81 a-81u

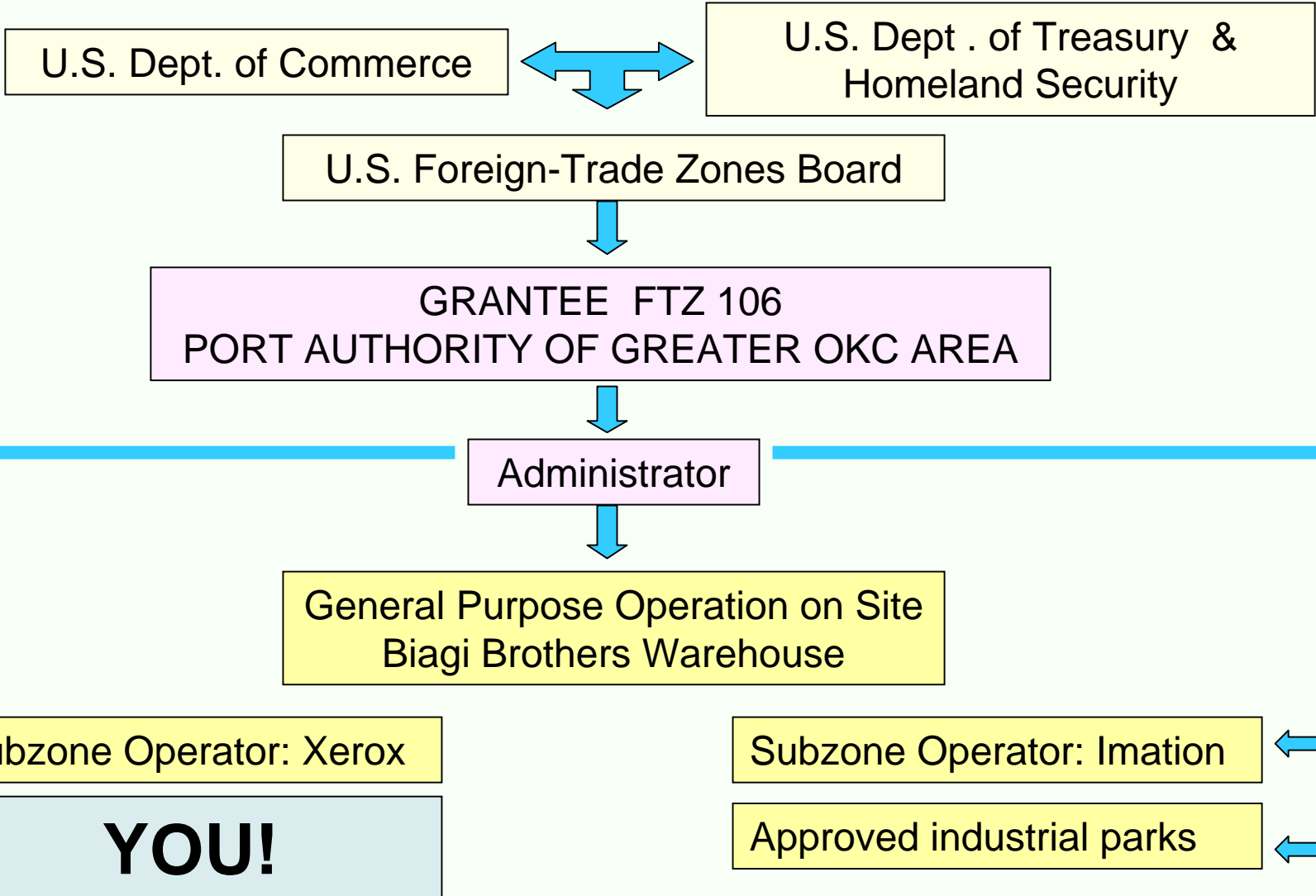
15 CFR PART 400

19 CFR PART 146





FTZ 106 Organization





Role of CBP

Principle Interests and Concerns

- Control of merchandise moving to/from a zone
- Collection of all revenue
- Ensure adherence to laws and regulations
- Ensure merchandise has not been overtly or clandestinely removed from zone without proper Customs permit
- Ensure proper security measures at zone facilities



Role of Port Director

- Oversees the zone as the Board representative
- Reviews port policy and comments on applications
- Reviews and comments on various zone procedures
- Approves discretionary requirements (specific authority requests)



Role of Port Director

- Requires an adequate FTZ Operator's Bond
- Assesses penalties and liquidated damages
- Initiates suspension, if necessary
- Recommends revocation to FTZ Board, if necessary



Terminology

U.S. Foreign-Trade Zones Board

- Agency responsible for the establishment and administration of Zones through Board's regulations
- Does not handle day-to-day administration of any Zones
- Provides grants to Grantees



Terminology

Grantees

- Almost always public corporations or government agencies
- Establish, operate, and maintain Zones
- Enters into agreements with Operators or Subzones



Terminology

Administrator

- Maybe subcontracted by the grantee for the purpose of overseeing or marketing the zone
- Luther Trent - Administrator 106
- May be a source of technical expertise on Customs and FTZB issues



Terminology

Operator or Subzones

- Responsible for compliance with Customs regulations relating to Zones
- Responsible for day-to-day operation of the Zone which can include warehousing, storage, transportation, distribution, and manufacturing
- May enter into agreements with Users



Terminology

Users

- Uses a Zone for its benefits and pays the Grantee or Operator for their services such as rent on facilities, storage, handling, or manufacturing.



Fees

- Application fee - \$5,000 to FTZ #106
- Application fee - \$4000 to Dept. of Commerce
- One time activation fee - \$5,500
(upon approval of the application)
- Yearly administration of the operating agreement:
 - Subzone or Manufacturing Zone Operator - \$12,000
 - Private General Purpose Zone Operator - \$6,000
 - Publicly Owned General Purpose Zone Operator - \$4,000
- Custom's Warehouse Bonding fee - variable



Bonded Warehouse

FTZ operators are required by Customs to be bonded. The amount required is variable based on the average value of single shipments.

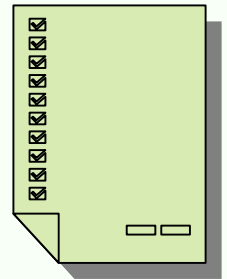
Shipment Value	Bond Fee
\$100,000	\$500
\$50,000	\$250
\$10,000	\$100



Required Documents

Admission, Removal, Activities, and
Required Documents

Only 4 Customs Forms (CBP) are
required for normal operations:



CBP 214: Application for FTZ
Admission

CBP 216: FTZ Activity Permit

CBP 3461: Entry/Immediate Delivery

CBP 7501: Entry (MPF)



Inventory Control and Record Keeping

An Operator's or User's inventory tracking system (ITS) must account for:

- All merchandise in the Zone
- All merchandise removed from the Zone
- Location of merchandise
- Zone status
- Beginning balance, receipts, removals and current balance
- Destruction, scrap, waste, by-products
- Cost or value, unless, Operator financial records are available for Customs review



Inventory Control and Record Keeping

Customs accepts any inventory tracking system that “protects the Revenue of the U.S.”

- First-In-First-Out
- Foreign-In-First-Out
- Lot specific
- Part number
- Bill of materials
- Liquid bulk FIFO
- Serial number specific
- Others





Confidentiality

U.S. Customs is under specific legal restrictions against divulging:

- company cost
- quantity
- specification data on imported products

No more or less subject to currently gathered and publicly reported trade statistics normal public entities



Confidentiality

Any applications filed with the FTZ Board become public information, however, procedures exist in the regulations to protect sensitive and proprietary information.

- This protection supersedes the Freedom of Information Act



FTZ Cost/Benefit Analysis

Benefits – What you save

Duty Rate Reduction (Inverted Duty)	\$ 400,000 (EST)
Merchandise Processing Fee Avoidance .21% of value vs. \$485/wk max.	\$ 18,000
Deferred Duty Payment @ 7.5%	<u>\$ 19,000</u>
<hr/> Total	\$ 437,000

COSTS

Brokers Fees Zone Operation vs. Standard Clearance Process	\$ 0
Operating Costs Change	\$ 0
Security Administration	\$ 10,000
Data Processing	\$ 5,000
Duty Payments on Unexpected “Up Adjustments”	\$ 5,000
U.S. Customs Assurance Bond	<u>\$ 1,000</u>
<hr/> Total	\$ 21,000

Net Benefit

\$416,000



Required Signage

TARIFF ADMINISTRATION

WARNING

**YOU ARE ENTERING A
U.S. FOREIGN TRADE ZONE**

ALL PERSONS AND PACKAGES ENTERING OR
LEAVING THE ZONE ARE SUBJECT TO INSPECTION

WHOEVER MALICIOUSLY ENTERS WITH INTENT TO REMOVE THEREFROM ANY MERCHANDISE, OR UNLAWFULLY REMOVES MERCHANDISE FROM U.S. CUSTOMS SERVICE CUSTODY OR CONTROL SHALL BE GUILTY OF A FEDERAL CRIME AND FINE NOT MORE THAN \$5000.00 OR IMPRISONED NOT MORE THAN 2 YEARS, OR BOTH (18 USC 549)



Application Process

**Contact the
Administrator for
more details.**



SMSB Fast Track

T/IM Temporary/Interim Manufacturing Authority

- 500 employees or less.
- Will approve up to 5 products.
- Will approve up to 20 components and 10 inverted tariffs
- Standardized application
- 2 years temporary permit - permanent one at the end of the period. No additional application is necessary.
- Will be processed in 75 days.



Questions?

For additional information

call

405.680.3260