

## I. What is a Foreign Trade Zone?

A Foreign-Trade Zone is a secure area located in or near a Port of Entry. These zones are legally outside of U.S. Customs Territory. Within these zones, merchandise may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed, but retail trade is prohibited.

Companies that operate in FTZs can defer, reduce, or eliminate Customs duties on foreign products admitted into zones for storage, exhibition, assembly, manufacturing, and processing. Customs duties are not paid on products and materials exported from FTZs; however duties are paid on products that leave FTZs and enter U.S. Customs territory. If a product enters U.S. Customs territory, zone users may elect to pay the duty rate applicable to either the original foreign material or the finished product manufactured from the foreign material, whichever is lower (known as an Inverted Tariff Rate). No duties are owed on scrap or waste materials. FTZs provide the opportunity to reduce cycle time by expediting the receipt of foreign sourced material and filing summary entries only once per week.

These Zones were established to encourage and expedite the U.S. participation in international trade. They are also in place to foster dealing in foreign goods imported not only for domestic consumption but also for export after combining with domestic goods. Additionally, these zones allow companies to defer payment of duties only until goods are entered into the commerce of the U.S.

Zones were implemented as part of The New Deal in 1934 and were established “to provide for the establishment, operation, and maintenance of FTZs in ports of entry of the United States, to expedite and encourage foreign commerce.”

Zones are divided into two types: a general purpose zone and a subzone. A general purpose zone is often an industrial park or port complex whose facilities are available for use by the general public. One general purpose zone may be comprised of multiple sites and these GPZs serve as the sponsoring zone for a subzone. A subzone is normally on a single-purpose site when the operations cannot feasibly be moved to, or accommodated in a general purpose zone; often manufacturing plants or large distribution centers.

There are over 250 approved general purpose zone projects, with at least one in every state plus Puerto Rico. There are also over 500 approved subzones, where approximately 90% of activity in the FTZ program takes place. There is in excess of \$300B of merchandise received at FTZs annually.

## II. Understanding if an FTZ is Right For You

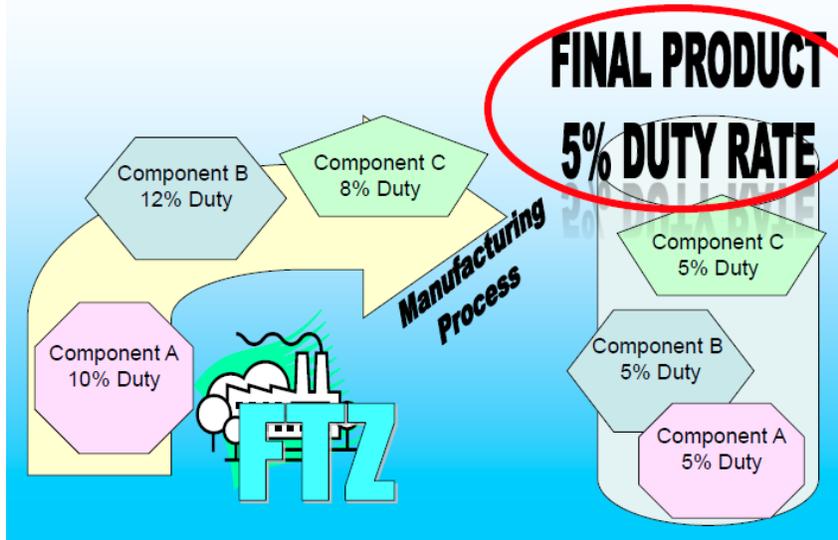
***An FTZ is right for you if you fall under any one of these factors:***

### **Do you manufacture, assemble or process with imports?**

If so, you will benefit from an FTZ; your imports will not be subject to individual tariff rates, but instead a single rate for the final product. See the graphic below for an explanation of this reduced tariff:



## Inverted Duty Rate



**Do you regularly pay more than \$485 per week in merchandise processing fees?**

If so, you will benefit from an FTZ; merchandise processing fees are significantly reduced for companies that face high fees when importing products. This benefit may be seen by the infographic below:



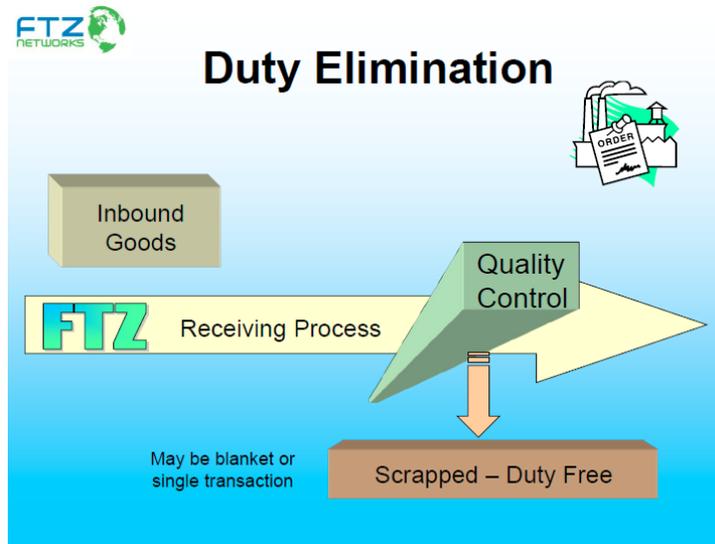
## Merchandise Process Fees

Companies outside an FTZ pay a .3464% merchandise fee per shipment. Minimum fee is \$25.00 maximum fee \$485.00. The maximum MPF paid is reached with a shipment valued at \$140,000.00. In an FTZ the company lumps all shipments for a week into one filing resulting in a \$485.00/week maximum fee.



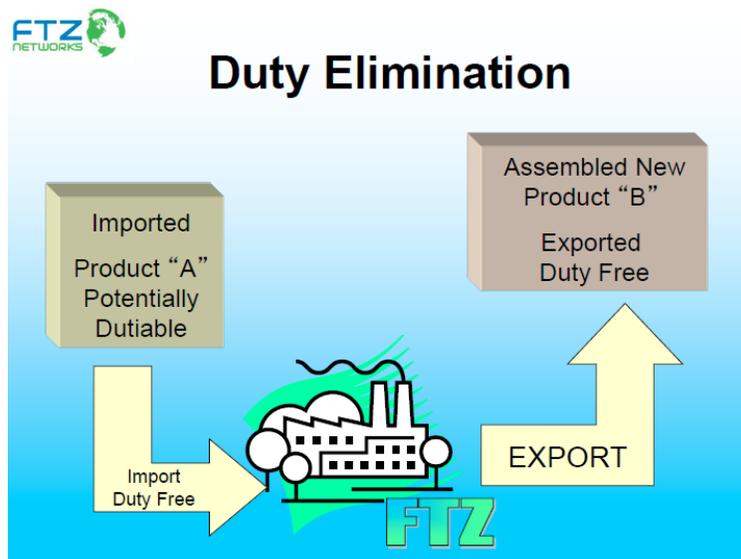
**Do you scrap, reject, destroy, waste, or return some of your imports?**

If so, you will benefit from an FTZ; any waste that is not put into your final product, or returned will assume no duty rate. See the graphic below for further explanation:



**Do you export previously imported materials?**

If so, you will benefit from an FTZ; previously imported materials that are exported from an FTZ assume no duty because they never entered the US domestic market. See the graphic below for further explanation:



**III. What Benefit Do Foreign Trade Zones Offer?**

**Increased flexibility**

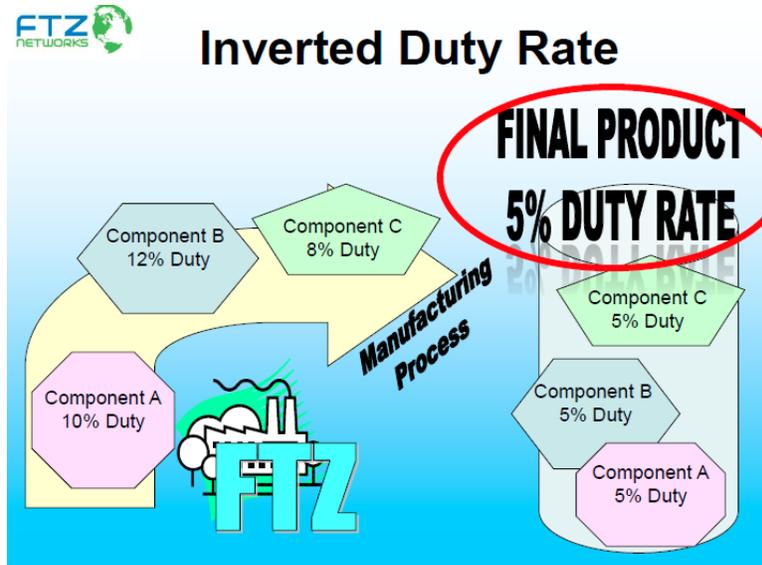
You can receive a shipment at a port on the same day that the shipment must be moved to the FTZ and avoid any possibility for holdup with customs—they may not search FTZ sealed shipments at the port.

FTZ shipments are sealed and customs is allowed access to your FTZ instead of your products at the port. This means that if your product may only be sent from the port to your FTZ on Wednesdays and the shipment comes in on that day, there is no possibility of customs holding your product from its shipment because of a search.

**Duty reduction/elimination on:**

Manufacturing in the U.S. and selling domestically and internationally.

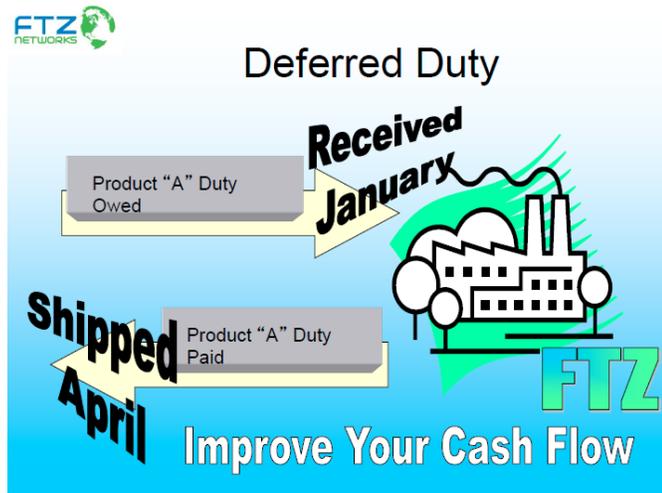
**Duty Inversion:**



The finished product has a lower duty rate than the individual components. An FTZ allows you to bring together pieces of a finished product, or alter/manufacture your product (with value added) in the FTZ in order to eliminate certain tariffs and duties. For example, if you are producing cars, you may set up a foreign trade zone. Instead of paying for individual tariff rates on sheet metal, audio equipment, tires, etc. you pay only one rate—the cost of importing a completed automobile into the US, even though you did not import a car, the finished product in the US was a car. Many companies use FTZs to reduce the tariff rates on items. For example, unroasted coffee has a particularly high tariff rate when coming into the US. Companies open FTZs where they import and roast their coffee to avoid those rates. This allows them to pay the roasted coffee tariff rate which is much lower, even though the product was imported unroasted.

**Duty-deferral:**

Until merchandise is shipped from the Zone into Customs territory, merchandise may be held in a Zone indefinitely. This means that you may import sheet metal for your cars and not yet have a distributor or customer for your finished product, so you do not yet assemble your car. The sheet metal that you imported, duty free, will remain free of duty until you decide to use it to manufacture a good, and distribute or sell it. As long as you have the metal in your inventory, you may hold it in the FTZ for days, weeks, months, and even years. This may be seen by the infographic below:



**Ability to hold most merchandise:**

Subject to quotas until the quota opens and/or the ability to bring such goods into the Zone and subsequently re-export them.

**IV. What Are the Benefits of an FTZ?**

There are significant **merchandise processing fees** for certain shipments that come in high volume, seriously hindering a company’s profit margin. These fees may be reduced by filing weekly entries with an FTZ. Furthermore, you reduce **brokerage costs** by consolidating multiple entries weekly into a single entry—streamlining the process for many companies. There are **state, local and federal taxes** that may be eliminated on foreign goods or material brought into FTZs that many companies using FTZs would otherwise not enjoy. You also may enjoy **transportation savings** by having the ability to change your mode of transportation from premium to standard, and have heavy product moving from air to ocean by building up inventory you otherwise would not have been able to have with duties, etc.

**What can you do within your FTZ facility?**

Goods may be received, manipulated, exhibited, tested, destroyed, repacked, mixed with domestic goods, title transferred, stored, manufactured, examined, calibrated, exported and assembled all with **NO DUTIES** paid going into the zone.

**V. Foreign Trade Zones in Maine**

**Being a Part of an FTZ in Maine**

A General Purpose Zone provides the most direct route to draw benefits from a FTZ. Many General Purpose Zones are run by public bodies or public-type corporations (this could include port authorities, cities, counties, economic development organizations or others). This report has a table listing all of the

FTZs in Maine, and the corresponding contact information to the organization that holds the FTZ. While this is the most direct method to join a FTZ, the costs associated with this benefit can include the cost to move locations and rent a facility within the approved FTZ. For information on the costs typically associated with a move to a particular FTZ, please contact the representative for the FTZ.

FTZ - ASF #186 - CENTRAL MAINE REGION  
 GRANTEE: CITY OF WATERVILLE, MAINE  
 ADMINISTRATOR: CENTRAL MAINE GROWTH COUNCIL



Another, less direct method, to enjoy the benefits of a FTZ would be to apply to become a FTZ Subzone. A Subzone offers the advantage allowing current operations to remain where they are being conducted. This means that there is no moving cost or new rent exposure to worry about. However, applying to become a Subzone can take up to a year, and there is no guarantee that after the application has been processed, that the area will be deemed a Subzone. There are requirements that must be met in order for an application to be successful.

**Foreign Trade Zones in Maine**

**FTZ No. 58 Bangor**

Grantee: City of Bangor  
 73 Harlow Street, Bangor, ME 04401  
 Stephen A. Bolduc (207) 735-4059  
 Fax: (207) 945-4447  
[steve.bolduc@bangormaine.gov](mailto:steve.bolduc@bangormaine.gov)  
 Port of Entry: Bangor

**FTZ No. 179 Madawaska**

Grantee: Madawaska Foreign Trade Zone Corporation  
712 Main Street, Madawaska, ME 04756  
Roger Cyr (207) 728-3660  
Fax (207) 728-6370  
Subzone: 179A Evergreen Trading Co. LLC  
Port of Entry: Madawaska

**FTZ No. 186 Waterville**

Grantee: City of Waterville  
50 Elm St., Waterville, ME 04901  
Kimberly Lindlof (207) 680-7300  
Kimberly@midmainechamber.com  
[www.centralmaine.org](http://www.centralmaine.org)  
[www.watervilleairport.org](http://www.watervilleairport.org)  
Port of Entry: Belfast

**FTZ No. 263 Auburn**

Grantee: Lewiston-Auburn Economic Growth Council, 415 Lisbon Street, Suite 400, Lewiston, ME 04240  
Scott Benson (207) 784-0161  
Fax (207) 786-4412  
gmdycio@economicgrowth.org  
<http://economicgrowth.org/business/foreign-trade-zone/>  
Port of Entry: Portland

**FTZ No. 282 Brunswick**

Grantee: Midcoast Regional Redevelopment Authority  
15 Terminal Rd., Suite 200, Brunswick, ME 04011  
Jeffrey K. Jordan (207) 798-6512  
jeffreyj@mrta.us  
[www.mrra.us](http://www.mrra.us)  
Port of Entry: Portland

Source: <http://enforcement.trade.gov/ftzpage/letters/ftzlist-map.html#maine>

## **VI. Process and Timeline for an FTZ**

If the Zone project is to be established as an additional Zone project adjacent to a particular port of entry, an application fee of \$3,200 is required. If the Zone project is to be established under the entitlement provision, no fee is required.

### **Review and Processing by the Foreign-Trade Zones Board**

In order to be approved by the Foreign-Trade Zones Board, an application goes through the following review and process:

#### **Submission and Prefiling Review**

Upon receipt of the application the Foreign-Trade Zones Board staff reviews it for sufficiency. If the application is deficient, it will be returned to the applicant within 20 days. If the application is found to be sufficient, then the Board formally files the application, assigns it a docket number, and notifies the applicant. This normally occurs within 45 days of submission.

#### **Formal Filing**

The Foreign-Trade Zones Board publishes public notice of the application in the Federal Register and assigns an examiner (an internal staff member) to the case.

#### **Public Comment**

Filing in the Federal Register triggers the public comment period. During the public comment period (normally 60 to 90 days) interested parties may submit comments to the Board in support of, or in opposition to, the application.

#### **Rebuttal**

If negative comments are received, then the applicant has up to 15 days after the close of the public comment period during which it may submit rebuttal comments to the Board. (Sometimes public comment periods may be extended in order to allow the various parties to reach a common understanding regarding the issues surrounding the application.)

#### **Public Hearing**

The Board arranges for a public hearing, usually in the community where the proposed Zone project is to be established. Public notice as to the time and place of the public hearing are required.

#### **Case Review**

The application is reviewed by the Foreign-Trade Zones Board examiner within the Department of Commerce, and by a representative of the Treasury Department, usually the office of the U.S. Customs Service having jurisdiction over the area to be served by the proposed Zone project.

#### **Examiner's Report and Recommendation**

The examiner's report (comments of the Department of Commerce staff and local office of U.S. Customs) is prepared and submitted to the Executive Secretary of the Foreign-Trade Zones Board. This normally occurs within 120 days of the close of the public comment period.

If the report is unfavorable, then the applicant will be notified (within 5 days of the report's submission) and the applicant will be given 30 days in which to respond with additional evidence to justify the application's approval.

If the report is favorable, then the application is sent to the Treasury Department and to the office of the Assistant Secretary of Commerce for Import Administration for final review.

**Final Action**

Upon review and approval within the Departments of Commerce and Treasury, the Foreign-Trade Zones Board issues a Board Order and publishes the decision in the Federal Register and notifies the applicant of the application's approval.

Typically, applications that do not involve manufacturing under Zone procedures take from 10 to 12 months for processing and review. Applications that involve manufacturing under Zone procedures typically take 12 months or longer; however, applications that involve FTZ manufacturing authority that meet so-called "fast-track review" procedures may be processed more quickly.

Source: <http://www.foreign-trade-zone.com/link07p.htm>