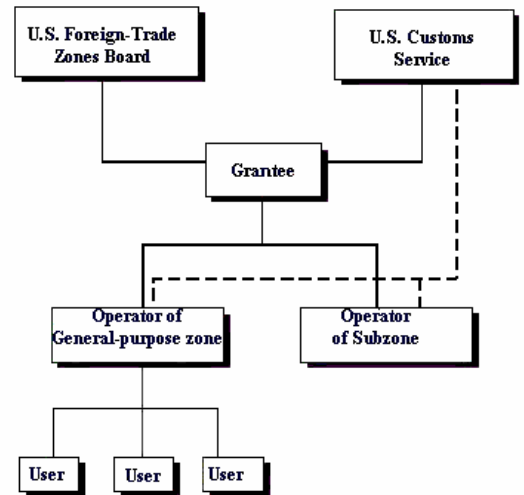


**Foreign-Trade Zone (FTZ): What Is It?**

Foreign-Trade Zones (FTZs) are designated areas licensed by the Foreign-Trade Zones Board at which special customs procedures may be used. The FTZ program was established to encourage and expedite U.S. participation in international trade, and is a mechanism for companies to manage their duty payments. Foreign-Trade Zones are considered outside the U.S. Customs territory so goods received into FTZs are generally not subject to duties, tariffs, or quotas.

**FTZ Governance**

- FTZ Board – Grants permission to operate an FTZ
- Customs & Border Protection – Regulates day-to-day FTZ activities
- Grantee – Establishes, operates and maintains an FTZ
  - Often municipalities, port authorities, CDC’s (subject to state legislation)
  - Submits applications and annual reports
- Operator – Operates FTZ under contract for Grantee
  - Grantees may be own operator



**Types of FTZs**

- General-purpose Zone (GPZ)
  - Established for multiple activities by multiple users.
  - Possible activities include storage, distribution, testing, repackaging and repair.
- Subzone (SZ)
  - Established for single-user when GPZ can not accommodate operations.
  - Must be sponsored by Grantee of the Zone.

**Major Benefits**

Duty Deferral	<ul style="list-style-type: none"> <li>• Duty paid when goods enter U.S. Customs territory</li> <li>• Company can determine when duty will be paid by choosing the amount of product to bring into U.S. Customs territory</li> </ul>
Duty Reduction	<ul style="list-style-type: none"> <li>• Inverted tariff – finished product may have lower duty rate than components</li> <li>• Company can assemble product and enter product into U.S. Customs territory at lower rate</li> </ul>
Duty Elimination	<ul style="list-style-type: none"> <li>• Foreign merchandise in the zone may be re-exported free of duty and federal excise tax</li> <li>• Generally no duty paid on goods scrapped, wasted or destroyed in an FTZ</li> </ul>
Logistical	<ul style="list-style-type: none"> <li>• Companies using FTZ procedures may have access to streamlined customs procedures</li> </ul>
Tax Exemption/Reduction	<ul style="list-style-type: none"> <li>• Tangible personal property imported and held in an FTZ or produced in the U.S. and held for export is exempt from state and local ad valorem taxes. NOTE: Arizona does not have ad valorem inventory taxes</li> <li>• Arizona offers an 80% reduction in real and personal property taxes for activated FTZs, but facility MUST meet federal and local eligibility requirements.</li> </ul>

**City of Phoenix Role in Program**

- Grantee of FTZ No. 75 with five locations:
  1. Phoenix Sky Harbor Center
  2. Sky Harbor International Airport
  3. Goodrich Aircraft Facility
  4. Riverside Industrial Center
  5. Santa Fe Business Park
- Only Goodrich GPZ currently has FTZ activity
- All other active FTZ operations are at Subzones



SUMCO Southwest

**Requirements**

- Application
  - Approximately one year process
  - Application fee to City per current Zone Schedule
  - Subject to Phoenix City Council approval and, if outside Phoenix, other jurisdiction approval
- Annual fees
  - In Phoenix - \$7,000
  - In Maricopa County - \$8,000
  - Outside of Maricopa County - \$11,000
- Approval by the Port Director for activation before operations in a zone may commence
- Operations subject to requirements of U.S. FTZ Act and U.S. Customs Regulations
- Annual reports - due before the end of the calendar year



Conair Corporation

General Purpose Zone		
<b>Goodrich</b>	Manufactures and services evacuation systems for commercial aircraft	Phoenix
Subzones		
<b>Abbott Laboratories</b>	Manufacturer of medical nutritional supplements and products	Casa Grande
<b>American Italian Pasta Company</b>	Manufacturer of pasta products	Tolleson
<b>Conair</b>	Distribution center for consumer appliances and related products	Glendale
<b>Intel</b>	Manufacturer of semiconductors and integrated circuits	Chandler
<b>Microchip Technology</b>	Manufacturer of semiconductors and integrated circuits	Chandler Tempe
<b>PETsMART</b>	Regional distribution center for pet products and supplies	Phoenix
<b>ST Microelectronics</b>	Manufacturer of semiconductors and integrated circuits	Phoenix
<b>SUMCO Southwest Corporation</b>	Manufacturer of silicon wafers for semiconductor producers	Phoenix

City of Phoenix, Community and Economic Development Department, Foreign-Trade Zone  
 (602) 262-5040      www.phoenix.gov/ECONDEV

Rev: May 2009