THE ABC’s OF FOREIGN TRADE ZONES IN NEVADA

History

The foreign-trade zones (FTZs) program was authorized by Congress in 1934 (FTZ Act - 19 USC 81a-81u) and is used to help encourage activity and value-added at U.S. facilities in competition with foreign alternatives by allowing delayed or reduced duty payments on foreign merchandise, as well as other savings.

- Enhancing Competitiveness. By reducing costs, FTZs level the playing field and improve U.S. competitiveness. FTZs can help businesses reduce production, transaction, and logistics-related costs by lowering effective duty rates, allowing special entry procedures, and encouraging production closer to market. Reducing costs through FTZ use can lead to more competitive U.S. operations, thereby helping to maintain U.S. activity and jobs.

- Creating/Retaining Jobs and Encouraging Investment. By helping local employers remain competitive, zones can contribute to maintaining or boosting employment opportunities. And lower FTZ-based production costs encourage increased investment in U.S. facilities.

What is a foreign-trade zone?

A foreign-trade zone (FTZ) is a defined physical area within the United States that, for customs purposes, is treated as if it is outside U.S. borders. FTZs are often at ports, airports, or industrial parks. Companies may use FTZs for both storage/distribution activities or, after specific authorization by the U.S. FTZ Board, for production.

In FTZs, "production" is considered to be anything that results in a substantial transformation of an article or that changes its Harmonized Tariff Schedule for the United States (HTSUS) classification or eligibility for entry.

What is involved in getting FTZ production authority in Nevada? (For more information, click on the link: [http://ia.ita.doc.gov/ftzpage/process.html](http://ia.ita.doc.gov/ftzpage/process.html))

To conduct production activity in a FTZ, you will first contact either the Las Vegas Development Authority (formerly, Nevada Development Authority) or the Northern Nevada Development Authority (NNDA) to review the request and then submit it to the FTZ Board to designate the site as part of the FTZ and prepare the notification of production authority.

How many FTZ's are located in Nevada?

There are two sites that Nevada has been designated as Foreign Trade Zones (for more information click on the link: [http://ia.ita.doc.gov/ftzpage/letters/ftzlist-map.html#nevada](http://ia.ita.doc.gov/ftzpage/letters/ftzlist-map.html#nevada))
FTZ No. 89 Clark County
Grantee: Las Vegas Development Authority (Formerly, Nevada Development Authority)
6700 Via Austi Parkway, Suite B, Las Vegas, NV 89119
Somer Hollingsworth (702) 791-0000
Fax (702) 796-6483
shollingsworth@nevadadevelopment.org

FTZ No. 126 Sparks
Grantee: Economic Development Authority of Western Nevada
201 W. Liberty St., Suite 200, Reno, NV 89501
Stan Thomas (775) 829-3700
Fax (775) 829-3710
sthomas@edawn.org
www.edawn.org

The U.S. FTZ Board has simplified its procedures to make the benefits of the FTZ program accessible to a broad range of companies. The production notification process is **120 days** and will be authorized if no issues come up during the 120-day process.

**How is a FTZ in Nevada unique than other States?**

Nevada was given its designation as an Alternative site Framework (ASF) which means it has an optional approach to designation and management of zone sites allowing greater flexibility and responsiveness to serve single-operator/user locations. This specifically allows all of Clark County to be considered a service area without the restriction of only using the “designated” sites that all other states face.

**What types of fees are associated with FTZ’s?**

Certain applications do have fees. Applications combining requests for more than one type of approval are subject to the fee for each category:

1. Additional general-purpose zones within a port of entry: $3,200
2. Special-purpose subzones:
   a. Non-manufacturing/processing or less than 3 products: $4,000
   b. Manufacturing/processing 3 or more products: $6,500
3. Expansions: $1,600

**Why would I want to consider operating in a FTZ & what are the benefits?**

When you operate under FTZ a procedure, your company is treated (for purposes of customs duties) like it's located outside the United States. That can mean that U.S. import duties don't have to be paid on imported components coming to your factory. If your finished product is ultimately shipped to the U.S. market, you may have the option of paying the finished product duty rate rather than the component duty rate. (Many finished products have lower duty rates – or are duty-free – than their components.) And if you re-export the finished product, you don't ever pay duties on the component materials. There are other potential savings, too, like avoiding duties on imported materials that become scrap, and possible administrative savings and efficiencies.

In addition, the following are other reasons to consider establishing an FTZ in Nevada:
**Ad Valorem Tax Exemption**

Merchandise imported from outside the United States and held in a zone for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing, and merchandise produced in the United States and held in a zone for exportation, either in its original form or altered by any of the above methods, is exempt from State and local ad valorem taxes.

**No Time Constraints on Storage**

Merchandise may remain in a zone indefinitely, whether or not it’s subject to duty.

**Satisfy Exportation Requirements**

Merchandise entered into the U.S. on an entry for warehousing, temporary importation under bond, or for transportation and exportation may be transferred to a foreign trade zone from the Customs territory to satisfy a legal requirement to export the merchandise. For instance, merchandise may be taken into a zone in order to satisfy an exportation requirement of the Tariff Act of 1930, or an exportation requirement of any other Federal law insofar as the agency charged with its enforcement deems it advisable. Exportation may also fulfill requirements of certain state laws. Items admitted to a zone to satisfy exportation requirements must be admitted in zone restricted status – meaning they are only for direct export, immediate export, and transportation and export.

**Security and Insurance Costs**

Customs security requirements and federal criminal sanctions are deterrents against theft. This may result in lower insurance costs and fewer incidents of loss for cargo imported into an FTZ.
Useful Links

Export.gov
http://export.gov/eac/index.asp

U.S. International Trade Commission (information on HTSUS classification)
http://www.usitc.gov

U.S. Census Bureau (information for trade statistics)
http://www.census.gov/

U.S. Customers and Border Patrol (information on FTZ manual)

Las Vegas Development Authority (formerly NDA)
http://www.nevadadevelopment.org/

Northern Nevada Development Authority
http://www.nnda.org/

Glossary of FTZ Terms