Understanding Foreign-Trade Zones

In 1985, CDRPC was granted authority to establish a Foreign-Trade Zone (FTZ #121). In mid-2010, the Foreign-Trade Zones Board approved the reorganization and expansion of FTZ #121 under the new Alternative Site Framework. FTZ #121 now serves 10 counties: Albany, Columbia, Greene, Fulton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren and Washington.

A Foreign-Trade Zone is a secured, designated location in the United States, in or near a U.S. Customs Port of Entry, where foreign and domestic merchandise is generally considered to be in international commerce (i.e., outside of the U.S. Customs territory).

The purpose of Foreign-Trade Zones is to stimulate international trade and create jobs and investment in the United States rather than abroad. Foreign merchandise may enter a Foreign-Trade Zone without a formal Customs entry or the payment of Customs duties or government excise taxes. If the final product is exported, no U.S. Customs duties or excise taxes are levied. If the final product is imported into the United States, Customs duties and excise taxes are due only at the time of transfer from the FTZ. If authorization has been granted, the duties paid are the lower of those applicable to the final product itself or its component parts (inverted tariff option).

A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection officials. Once approved, zone activities remain under the supervision of Customs and are subject to spot checks and periodic inspections at any time. Although FTZs are considered in international commerce, FTZ sites and facilities remain within the jurisdiction of local, state and/or federal governments and agencies.

What Activities are Permitted in Zones?

Merchandise entering a Zone may be:

- Stored
- Sampled
- Salvaged
- Repackaged
- Processed

Displayed
Repaired
Destroyed
Manipulated
Assembled

Tested
Cleaned
Relabeled
Mixed
Manufactured

Manufacturing, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZ Board. Retail trade is prohibited in zones.

What Kind of Merchandise can be Placed in a Zone?

Any merchandise that is not prohibited from entry into the U.S. may generally be admitted into a Zone. Although FTZs are considered in international commerce, FTZ sites and facilities remain within the jurisdiction of local, state and/or federal governments and agencies. If applicable, import licenses or permits from other government agencies may still be required. Products may be excluded if agencies determine that zone facilities are inadequate for storage and handling requirements. Products which are deemed detrimental to public health, interest or safety may be excluded by the Foreign-Trade Zones Board. Similarly, the Board may place restrictions upon the zone status and type of operation that may be performed upon certain merchandise.

What are the Advantages of Using a Foreign-Trade Zone?

Benefits associated with zone use vary depending upon the type of operation involved and authority granted by the Foreign-Trade Zones Board and Customs. Zones may provide some or all of the following benefits:

**Duty Exemption:** no duties or quota charges on re-exports (exception applies for exports to Canada and Mexico under NAFTA). By using a Foreign-Trade Zone, the company avoids the lengthy Customs duty drawback process. No duty is paid on goods destroyed in the zone, which can benefit a company with fragile imports or with manufacturing processes that result in large amounts of scrap.

**Duty Deferral:** Customs duties and federal excise tax deferred upon imports until they leave the zone and enter the U.S. Customs territory. (Zone merchandise may move in-bond, Zone-to-Zone transfers without payment of duty.) Unlike bonded warehouses or temporary importing under bond programs, there is no limit on the length of time that merchandise may remain within the Zone, whether or not duty is owed.

**Duty Reduction (Inverted Tariff):** Where zone manufacturing results in a finished product that has a lower U.S. Harmonized Tariff rate than the rates on foreign inputs, the finished product may be entered into the U.S. Customs territory at the duty rate that applies to its finished condition. Moreover, duty is not owed on labor, overhead or profit attributable to zone production.
operations.

**Other Cash Flow Benefits:** Harbor Maintenance Fee is paid quarterly instead of at the time imports arrive. Merchandise Processing Fees are paid at the time goods leave the zone.

**Merchandise Processing Fee (MPF) Reduction:** MPF is only paid on goods entering the U.S. Customs territory. Zone users are able to file a single entry for all goods shipped from a zone in a consecutive seven day period instead of one entry file for each shipment (excluding merchandise subject to live entry). MPF fees are charged at 0.21% of the Total Estimated Value (TEV) of the shipment, with a maximum fee of $485 per entry. Fewer entry filings can also reduce Brokerage fees.

**Streamlined Logistics:** Upon approval from Customs, imports may be directly delivered to the zone. Users may also request permission to break and affix Customs seals. A single entry may be filed for seven consecutive days worth of entries and exports.

**Quota Avoidance:** In most instances, imports subject to quota may be retained within a Foreign-Trade Zone once a quota has been reached allowing zone users access to potentially discounted inputs and the ability to admit merchandise as soon as a new quota year starts. Additionally, except for certain textiles, inputs subject to quota may be manipulated or manufactured while in the zone into a product not subject to a quota.

**Other Benefits:** Better inventory control and security lead to better compliance with CBP requirements; Customs supervision may result in lower security and insurance costs. Duty payable on FTZ merchandise does not need to be included in the calculation of insurable value, again lowering insurance costs. Reduced transportation costs may also result from streamlined logistics.

**What are the Costs Associated with Using a Foreign-Trade Zone?**

Applications for Usage-Driven sites, Subzones and Manufacturing are subject to fees, which vary according to the type of site and authority sought (see Foreign-Trade Zones Board website for application fees: http://www.ia.ita.doc.gov/ftzpage/applications.html.

Additionally, FTZ #121 charges administrative fees for sponsoring applications, preparing grantee agreements, and activations. FTZ #121 also charges an annual fee based on the type of operation and site activity.

Any company interested in pursuing zone procedures should perform a cost-benefit analysis. Although costs will vary depending upon the type of operation and industry, there are costs associated with all Zone operations which will include such items as: annual fees, annual report preparation time, inventory software and security. Industry experts vary on the amount of estimated savings that must be reached to make Zone operations worthwhile.

**What Types of Zone Sites are Available in FTZ #121?**

**Magnet Sites** are located at designated ports and industrial parks and are open to multiple users. Some will build to suit. Manufacturing and processing activities can occur within these sites, but the most common activities involve warehousing and distribution. No Foreign-Trade Zone Board application is needed to establish a warehousing operation.

### Operator Fees for All Sites with Manufacturing Authority

<table>
<thead>
<tr>
<th>Special Annual Fees for Non-Activated Operators with Manufacturing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Year</td>
</tr>
<tr>
<td>Second Year Forward</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Fee Schedule for Activated Operators with Manufacturing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 20,000 sq. ft. of Activated Zone Space</td>
</tr>
<tr>
<td>20,000 - 50,000 sq. ft.</td>
</tr>
<tr>
<td>&gt;50,000 - 100,000 sq. ft.</td>
</tr>
<tr>
<td>&gt;100,000 - 250,000 sq. ft.</td>
</tr>
<tr>
<td>More than 250,000 sq. ft.</td>
</tr>
</tbody>
</table>

Includes Traditional General-Purpose Zone, Magnet, Usage-Driven, and Subzone Sites

<table>
<thead>
<tr>
<th>One-Time Administrative Fees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late Annual Report Information Starting 42 Days Before FTZB Due Date</td>
</tr>
<tr>
<td>Grantee Agreement &amp; Activation Fee</td>
</tr>
<tr>
<td>Sponsorship of Major Boundary Modification Application</td>
</tr>
<tr>
<td>Sponsorship of Scope of Authority Request**</td>
</tr>
</tbody>
</table>

*Administrative Fees do not include any applicable FTZ Board fees or the expense of preparing applications except for Minor Boundary Modification applications.

**Scope of Authority may include Manufacturing/Processing Authority, Capacity Increases, Source Changes, Manufacturing Process Changes, Warehousing Authority, or the expense of preparing applications except for Minor Boundary Modification applications.
CAPITAL DISTRICT DATA – TEN YEAR CUMULATIVE INDEX

CENSUS OF POPULATION & HOUSING
2000 Census PL94 Redistricting Data.......................... Jan/Feb 01
2000 Census Social, Economic, & Housing Data........ May/Jun 02
2000 Census Daytime Population Estimates................. May/Jun 06
2010 Plan for Census 2010........................................ Nov/Dec 05
2010 Census Demonstration Project......................... May/Jun 06

DEMOGRAPHICS
American Community Survey Initiative.................. Jan/Feb 04
Census Journey-to-Work Data: 1960-2000.................... Jan/Feb 03
Resident Live Births by MCD: 1999-00........................ Jan/Feb 02
Resident Live Births by MCD: 2000-01........................ Nov/Dec 02
Resident Live Births by MCD: 2001-02........................ Nov/Dec 03
Resident Live Births by MCD: 2002-03........................ Nov/Dec 04
School District Data, 1990-91 & 2000-01.................. Nov/Dec 02
School District Data, 1992-93 & 2002-03.................. Sep/Oct 04
School District Data, 1994-94 & 2003-04.................. Jan/Feb 06
School District Data, 1994-95 & 2004-05.................. Nov/Dec 06

ECONOMIC ACTIVITY
Cargo Tonnage at the Port of Albany, 1980-2006........... Sep/Oct 07
Consumer Price Index........................................... All Issues, 1998-10
Economic Update for the Capital District, 2001........... Jul/Aug 01
Employed, Unemployed, & Unemp. Rates... All Issues, 1998-10
Fiscal Impact of Alternative Growth Scenarios.....Nov/Dec 07
NAICS Sector Employment Data: 2000-03.................... Mar/Apr 05
NAICS Sector Employment Data: 2005-09.................... Sep/Oct 10
Sales of Taxable Goods & Services, 1998-99............. May/Jun 01
Sales of Taxable Goods & Services, 1996-2005........... Jul/Aug 07
Sales of Taxable Goods & Services, 1996-2006........... Jul/Aug 08
Sales of Taxable Goods & Services, 1996-2007......... Nov/Dec 08
Sales of Taxable Goods & Services, 1997-2008......... Jul/Aug 09
Sales of Taxable Goods & Services, 1997-2009......... Aug/ Sep 10

INCOME
Household Effective Buying Income, 2000.................. Sep/Oct 01
Household Effective Buying Income, 2001.................. Nov/Dec 02
Household Effective Buying Income, 2002.................. Nov/Dec 03
Household Effective Buying Income, 2003.................. Sep/Oct 04
Household Effective Buying Income, 2004.................. Nov/Dec 05
Income Eligibility Req. for HUD Programs, 2003.......... Nov/Dec 02
Income Eligibility Req. for HUD Programs, 2004.......... Nov/Dec 03
Income Eligibility Req. for HUD Programs, 2005.......... Nov/Dec 04
Income Eligibility Req. for HUD Programs, 2006.......... May/Jun 06
Income Eligibility Req. for HUD Programs, 2007.......... Jan/Feb 07
Income Eligibility Req. for HUD Programs, 2008.......... Jan/Feb 08
Income Eligibility Req. for HUD Programs, 2009.......... Nov/Dec 08
Income Eligibility Req. for HUD Programs, 2010.......... Mar/Apr 10
Poverty Level Thresholds, 2001.............................. Sep/Oct 01
Poverty Level Thresholds, 2002.............................. Nov/Dec 02
Poverty Level Thresholds, 2003.............................. Nov/Dec 03
Poverty Level Thresholds, 2004.............................. Nov/Dec 04
Poverty Level Thresholds, 2005.............................. Jan/Feb 06
Poverty Level Thresholds, 2006.............................. Nov/Dec 06
Poverty Level Thresholds, 2007.............................. Nov/Dec 07
Poverty Level Thresholds, 2008.............................. Nov/Dec 08
Poverty Level Thresholds, 2009.............................. Jan/Feb 10

MUNICIPAL DATA
Municipal & School Dist. Finance Data, FY 2000.......... Jul/Aug 02
Municipal & School Dist. Finance Data, FY 2001.......... Jul/Aug 03
Municipal & School Dist. Finance Data, FY 2003........ May/Jun 05

Municipal & School Dist. Finance Data, FY 2005........ May/Jun 07
Municipal & School Dist. Finance Data, FY 2006........ May/Jun 08
Municipal & School Dist. Finance Data, FY 2007........ May/Jun 09
Municipal & School Dist. Finance Data, FY 2008........ Jul/Aug 10
Real Property Tax Rates, 1999............................... Sep/Oct 00
Real Property Tax Rates, 2000............................... Jan/Feb 02
Real Property Tax Rates, 2001............................... Sep/Oct 02
Real Property Tax Rates, 2002............................... Sep/Oct 03
Real Property Tax Rates, 2003............................... May/Jun 04
Real Property Tax Rates, 2004............................... Nov/Dec 05
Real Property Tax Rates, 2005............................... Mar/Apr 06
Real Property Tax Rates, 2006............................... Mar/Apr 07
Real Property Tax Rates, 2007............................... Mar/Apr 08
Real Property Tax Rates, 2008............................... Mar/Apr 09
Real Property Tax Rates, 2009............................... Jan/Feb 10

POPULATION
Age Cohort Projections, 2010-2040.......................... Sep/Oct 05
Dev. Patterns in the Capital District: 1945-Present........Nov/Dec 09
Population Estimates for MCDs, 2002........................ Jan/Feb 04
Population Estimates for MCDs, 2003........................ Jul/Aug 04
Population Estimates for MCDs, 2004........................ May/Jun 05
Population Estimates for MCDs, 2005........................ Jul/Aug 06
Population Estimates for MCDs, 2006........................ May/Jun 07
Population Estimates for MCDs, 2007........................ May/Jun 08
Population Estimates for MCDs, 2008........................ May/Jun 09
Population Estimates for MCDs, 2009........................ May/Jun 10
Population Migration, 1980-2001.......................... Mar/Apr 03
Population Migration, 1980-2002.......................... Mar/Apr 04
Population Migration, 1980-2003.......................... Jul/Aug 05
Population Migration, 1980-2004.......................... Sep/Oct 06
Population Migration, 1984-2005.......................... Sep/Oct 07
Population Migration, 1984-2006.......................... Sep/Oct 08
Population & Household Projections, 2000-2040.........May/Jun 03
Population & Household Projection Revisions............May/Jun 04

REAL ESTATE ACTIVITY
Existing Home Sales, 2000................................. Jan/Feb 02
Existing Home Sales, 2001................................. Sep/Oct 02
Existing Home Sales, 2002................................. Sep/Oct 03
Existing Home Sales, 2003................................. May/Jun 04
Existing Home Sales, 2004................................. Nov/Dec 05
Existing Home Sales, 2005................................. Mar/Apr 06
Existing Home Sales, 2006................................. Mar/Apr 07
Existing Home Sales, 2007................................. Mar/Apr 08
Existing Home Sales, 2008................................. Mar/Apr 09
Existing Home Sales, 2009................................. Jan/Feb 10
Residential Building Permit Issuances, 2000............ Mar/Apr 01
Residential Building Permit Issuances, 2001............ Mar/Apr 02
Residential Building Permit Issuances, 2004............ Jan/Feb 05
Residential Building Permit Issuances, 2005............ May/Jun 06
Residential Building Permit Issuances, 2006............ Jan/Feb 07
Residential Building Permit Issuances, 2007............ Jan/Feb 08
Residential Building Permit Issuances, 2008............ Jan/Feb 09
Residential Building Permit Issuances, 2009............. Mar/Apr 10

NOTICES & REGULATIONS
CDRPC Moves to New Offices w/ Location Map.................. Mar/Apr 04
Hudson River Estuary CSO Project............................. Nov/Dec 04
MS4 Storm Water Management Program..................... Jul/Aug 02
Reorganizing Foreign-Trade Zone #121...................... Sep/Oct 09
2010 Census Questionnaires............................... Jan/Feb 10

• • • • • •
or distribution operation within a magnet site. Manufacturing and processing activities require the firm to file a detailed application with the Foreign-Trade Zones Board for authorization. These applications typically take 9-12 months to process and must demonstrate a significant public benefit.

Usage-Driven Sites can be established anywhere within the 10-county service area and are designated for a company ready to pursue FTZ activity. The designation is tied to a specific company and is limited by the space needed by the company for zone activities near to industrial/commercial spaces. A short application is required to establish the site; the Foreign-Trade Zones Board takes 30-45 days to process these applications. The most common activities involve warehousing and distribution. Manufacturing and processing activities require the firm to file a separate, detailed application with the Foreign-Trade Zones Board for authorization.

Subzones are special-purpose zones, usually at manufacturing plants or distribution facilities that are not located near other industrial/commercial space. Subzones are approved for use by one company for a specific activity. Applications for subzones require detailed applications that take 9-12 months to process.

For FTZ inquiries, contact CDRPC:
Deb Shannon, deb@cdrpc.org
David Lang Wardle, dlwardle@cdrpc.org

### Types of Zone Sites Available in Foreign-Trade Zone #121

<table>
<thead>
<tr>
<th>Types of Zone Sites Available</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usage-Driven Sites</td>
<td>can be established anywhere within the 10-county service area and are designated for a company ready to pursue FTZ activity. The designation is tied to a specific company and is limited by the space needed by the company for zone activities near to industrial/commercial spaces. A short application is required to establish the site; the Foreign-Trade Zones Board takes 30-45 days to process these applications. The most common activities involve warehousing and distribution. Manufacturing and processing activities require the firm to file a separate, detailed application with the Foreign-Trade Zones Board for authorization.</td>
</tr>
</tbody>
</table>

| Subzones | are special-purpose zones, usually at manufacturing plants or distribution facilities that are not located near other industrial/commercial space. Subzones are approved for use by one company for a specific activity. Applications for subzones require detailed applications that take 9-12 months to process. |

### Consumer Price Index

<table>
<thead>
<tr>
<th>Consumer Price Index</th>
<th>2008-2009 Percent Change in CPI: -0.3555%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unadjusted CPI</td>
<td></td>
</tr>
<tr>
<td>Nov 09</td>
<td>Dec 09</td>
</tr>
<tr>
<td>U.S. City Average</td>
<td>216.3</td>
</tr>
<tr>
<td>Northeast Urban Average</td>
<td>231.7</td>
</tr>
<tr>
<td>% Change From Same Month in Previous Year</td>
<td></td>
</tr>
<tr>
<td>Nov 09-Nov 8</td>
<td>1.8%</td>
</tr>
<tr>
<td>U.S. City Average</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Labor, Bureau of Labor Statistics 1982-84 = 100
Note: Data are NOT Seasonally Adjusted