

## Foreign Trade Zone 105

A Foreign Trade Zone (FTZ) is a specially-designated area in or adjacent to a U.S. Customs Port of Entry, but which is considered to be outside the Customs territory of the United States. FTZ # 105, originally designated in 1984 and expanded in 1997, consists of three different geographic locations in the state of Rhode Island:

1. Thirty-two (32) acres at the Port of Providence, a 185-acre commercial and industrial inter-modal facility owned and operated by Waterson Terminal Services, LLC;
2. A 43-acre area at the Airport Business Park adjacent to T.F. Green Airport in Warwick, Rhode Island and;
3. The Quonset Business Park, an 880-acre area within the Economic Development Corporation's premier 3000-acre Quonset Business Park in North Kingstown, Rhode Island. Quonset's strategic location, situated between New York and Boston and at the entrance of Narragansett Bay, provides one of the best deep-water ocean ports on the East Coast. Major cargo arriving at the port includes automobiles, quarried stone, seafood products and general cargo. The Port offers three major piers with over 6,800 lineal feet of deep water dockage.

The following is a partial list of benefits when using Foreign-Trade Zones or Foreign-Trade Subzone:

- **Duty Exemption on Re-Exports:** If merchandise is re-exported after being placed in a FTZ or shipped to another FTZ and then re-exported, no customs duty is ever paid. If the merchandise is sold domestically, no duty is paid until it leaves the zone or zones.
- **Duty Elimination on Manufacture, Re-Packaging, Waste and Scrap:** Merchandise in a foreign trade zone may be stored, repackaged, manipulated, manufactured, destroyed or otherwise altered or changed. No duty is charged on most waste and scrap from production in Foreign-Trade Zones.
- **Relief from Inverted Tariffs:** Generally, if foreign merchandise is brought into a Foreign-Trade Zone or Subzone and manufactured into a product that carries a lower duty rate, then the lower rate applies.

Exampe: A Foreign-Trade Zone user imports a motor (which carries a 5.3% duty rate) and uses it in the manufacture of a vacuum cleaner (which has a 1.4% duty rate). When the vacuum cleaner leaves the FTZ and enters the commerce of the U.S., the duty owed on the motor drops from the 5.3% motor rate to the 1.4% vacuum cleaner rate.

- **No Duty on Rejected or Defective Parts:** Merchandise found to be defective or faulty may be returned to the country of origin for repair or simply destroyed. Whichever choice is taken, no duty is paid. Many companies suffer from the "double duty crunch." That is, they pay duty on imported merchandise, find it to be faulty and return it to the country of origin for repair, and then pay duty again when the merchandise re-enters the United States.

- **Duty Deferral:** No duty is ever charged on merchandise while it is in a Foreign Trade Zone, and there is no limit on the length of time merchandise may be kept in a Foreign-Trade Zone. By deferring the duty, capital is freed for more important needs.
- **No Duty on Domestic Content or Value Added:** The "value added" to a product in a FTZ (including manufacture using domestic parts, cost of labor, overhead, and profit) is not included in its dutiable value when the final product leaves the Zone. Final duties are assessed on foreign content only.
- **Relief from Local Property Taxes:** Foreign merchandise stored in Foreign-Trade Zones, or merchandise held in a zone for export, is not subject to any state or local property taxes.
- **No Duty on Sales to the U.S. Military or NASA:** No duty is charged on merchandise sold from a Foreign-Trade Zone to the U.S. Military or NASA, returned to the country of origin for repair or simply destroyed. Whichever choice is taken, no duty is paid.