FTZ GLOSSARY


Activation: Approval by the grantee and U.S. Customs Service Port Director for operations to begin which allow the admission and handling of merchandise in zone status.

Admission: The physical arrival of goods into a zone in a specified zone status with the appropriate approvals of the zone grantee and the U.S. Customs Service. The word "admission" is used instead of "entry" to avoid confusion with Customs entry processes under Parts 141-144 of the Customs Regulations.

Admit: To bring merchandise into a zone under zone status. Goods brought into customs territory of the US are entered.

Alteration: 1) A change in the boundaries of an activated zone or subzone 2) Activation of a separate site of an already activated zone or subzone with the same operator at the same port 3) The relocation of an already activated site with the same operator.

Audit-Inspection Procedures: To reduce the on-site supervision of zones by Customs.

Customs Territory: The territory of the U.S. in which the general tariff laws of the U.S. apply. The U.S. Customs territory includes the States, the District of Columbia and Puerto Rico minus any areas within the boundaries of foreign-trade zones.

Deactivation: Voluntary discontinuation of the activation of an entire zone or subzone by the grantee or operator. (Discontinuance of the activated status of only part of a zone is an alteration.)

Direct Delivery: A procedure for delivery of merchandise to a zone without prior application and approval on Customs Form 214; designed for low-risk, repetitive shipments whose ordering and timing are under the control of the operator. Approval to utilize direct delivery must be obtained from the Port Director.

Domestic (D) Status: Status of zone merchandise grown, produced or manufactured in the U.S. on which all-internal revenue taxes have been paid, or the status of zone merchandise previously imported on which all-applicable duties and internal revenue taxes have been paid.

Drawback: Import duties or taxes repaid by the government, in whole or in part, when the imported goods are exported or used in the manufacture of exported goods.
**Entry:** Notification to Customs of the arrival of imported goods in the Customs territory of the U.S. Merchandise withdrawn from a zone for consumption in the U.S. is entered when it is removed from the zone. Goods brought into a zone are admitted.

**Foreign-First (FOFI):** An accounting method based on the assumption that foreign-status merchandise is disposed of first. Permission to use FOFI must be obtained from Customs and is granted on a case-by-case basis.

**Foreign Trade Zones Board:** Established to carry out the provisions of the Foreign Trade Zones Act.

**General-purpose Zone:** A general-purpose zone is established for multiple activities by multiple users. Storage, distribution, testing, repackaging and repair are some of the possible activities in a GPZ. Processing or manufacturing in a GPZ requires the permission of the Foreign-Trade Zones Board.

**Grantee:** A corporation to which the privilege of establishing, operating and maintaining a foreign-trade zone has been granted by the Foreign-Trade Zones Board. Grantee corporations must be either public corporations including a state, a political subdivision (including a municipality), public agency, corporate municipal instrumentality of one or more states or private corporations organized for the purpose of establishing a zone project. Qualified private corporations must be chartered for this purpose under a law of the state in which the zone is located.

**Harmonized Tariff Schedule of the United States (HTSUS):** Published by the U.S. International Trade Commission, the HTSUS is used in the classification of imported merchandise for rates of duty and statistical purposes.

**Inverted Tariff Structure:** Where imported parts are dutiable at higher rates than the finished product into which they are incorporated.

**Manipulation:** As defined in Section 562 of the Tariff Act, processing wherein merchandise is packed, unpacked, repacked, cleaned, sorted, graded or otherwise changed in condition. The precise distinction between manipulation and manufacturing is subject to interpretation and enjoys a long history of case law.

**Manufacturing:** The U.S. Customs Service determines what constitutes manufacturing on a case-by-case basis, distinguishing it from other operations such as manipulation, processing, production and blending. The FTZ Board has defined it as any process that results in a change in Customs classification of the merchandise, and therefore, requires prior clearance from the Board pursuant to the manufacturing conditions in specific foreign-trade zone grants.
Merchandise: FTZ merchandise includes goods, wares, and chattels of every description not included is prohibited merchandise, building materials and supplies for use in the operation of a zone.

Merchandise, Domestic: Those goods that have bee produced in the US and not exported there from, or previously imported into the Customs territory of the US with payment of all applicable duties and taxes.

Merchandise, Foreign: Imported merchandise that has not been properly released from Customs custody into the Customs territory of the US.

Merchandise, Fungible: Merchandise that, for commercial reasons, is identical and interchangeable in all situations. Originally applied to bulk liquids or free-flowing substances, it is now applied to shipments of goods that arrive packed, but are unpacked and placed together in storage or manufacturing locations so that identification with the shipment as admitted to the zone is lost. Concept widely used in manufacturing environments where it is not feasible to store goods in their original lots awaiting manufacture.

Merchandise, Nonprivileged Foreign Status (NPF): Status of zone merchandise not previously cleared by Customs which is appraised in the condition of the merchandise at the time it enters the Customs territory upon exiting the zone. NPF status may be changed upon approval from Customs, provided the merchandise is still in the same condition as when admitted to the zone. While in the zone, NPF status merchandise can be manipulated or manufactured into another commercial item with a different tariff classification. NPF status allows zone users to pay duty at the rate of the finished product produced in the zone.

Merchandise, Privileged: Foreign merchandise or non-tax paid domestic merchandise upon which the duty and applicable taxes have been determined at the time PF status is approved. PF duty rate and taxes are not subject to future fluctuation and status cannot be changed.

Merchandise, Zone Restricted: Merchandise admitted to a zone for the sole purpose of exportation or destruction ZR merchandise may not enter Customer territory for consumption except with approval by the FTZ Board.

Operator: A corporation, partnership or person that operates a zone or subzone under the terms of an agreement with the grantee. A grantee may act as its own operator.

Operator’s Bond: A bond submitted to Customs, on Customs Form 301, to assure compliance with the Customs Regulations as set forth at 19 CFR 113.73.

Port of Entry: A place designated by the U.S. Government at which a Customs officer is assigned with authority to accept entries of merchandise, collect duties, and enforce the various provisions of the Customs laws.
Privileged Foreign Status (PF):
Zone status whereby merchandise is classified and appraised, with duties and taxes determined, at the time the status is elected. Privileged foreign status cannot be changed once chosen.

Processing:
Any zone activity involving a change in condition of merchandise, other than manufacturing, which results in a change in the Customs classification of an article or in its eligibility for entry for consumption.

State:
Includes any state of the United States, the District of Columbia, and Puerto Rico.

Subzone:
A special-purpose zone established as part of a zone project for a limited purpose that cannot be accommodated within an existing general-purpose zone. Subzones must be sponsored by the grantee of a general-purpose zone.

User:
A person or company using a zone for storage, handling or processing of merchandise. Note: An operator may authorize a user to maintain its own inventory system and procedures manual. However, the operator remains responsible to Customs for inventory control unless the user posts its own operator's bond.

Weekly Entry Procedures:
A Customs procedure that permits selected qualified zones and subzones to file a weekly entry on Customs Form 3461 for the estimated removals of merchandise destined for domestic consumption during the following business week. Once the Port Director has approved the entry, the operator may ship the products all week up to the quantity estimated. Weekly entry may be approved for zone operations of a repetitive nature in order to allow for expedited removal of merchandise from the zone.

Zone Lot:
A collection of merchandise maintained under an inventory control method based on specific identification of merchandise admitted into a zone by lot and lot number (ZLN).

Zone Project:
All of the zone and subzone sites under a single grantee.

Zone Restricted Status:
Status of zone merchandise transferred to a zone for the sole purpose of exportation or destruction Zone restricted merchandise cannot be changed or brought into the Customs Territory without the specific permission of the Foreign-Trade Zones Board on a case-by-case review.

Zone Site:
The physical location of a zone or subzone.

Zone Status:
The status of merchandise admitted to a zone, i.e. domestic (D), nonprivileged foreign (NPF), privileged foreign (PF), or zone restricted (ZR).