OVERVIEW -- FOREIGN-TRADE ZONES
MEMPHIS FOREIGN-TRADE ZONE NO. 77

What is a Foreign-Trade Zone?
Foreign-trade zones are designated sites licensed by the Foreign-Trade Zones (FTZ) Board (Commerce Secretary is Chairperson) at which special Customs procedures may be used. These procedures allow domestic activity involving foreign items to take place prior to formal Customs entry. Duty-free treatment is accorded items that are reexported and duty payment is deferred on items sold in the U.S. market, thus offsetting Customs advantages available to overseas producers who compete with producers located in the United States. Subzones/usage-driven sites are approved for a specific company/use. A site which has been granted zone status may not be used for zone activity until the site or a section thereof has been separately approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials. This zone activity remains under the supervision of the CBP. FTZ sites and facilities remain within the jurisdiction of local, state or federal governments or agencies.

What are the benefits to a zone user?
- **Duty Exemption**: No duties or quota charges on merchandise exported from an FTZ.
- **Duty Deferral**: Customs duties are paid on imported merchandise only if and when the goods are transferred out of a Zone and into U. S. commerce.
- **Inverted Tariff**: In situations where zone production results in a finished product that has a lower duty rate than the rates on foreign inputs (inverted tariff), the finished products may be entered at the duty rate that applies to its condition as it enters U. S. commerce. The inverted tariff benefits may be precluded by restrictions on certain inputs – either case-specific or implemented in trade measures.
- **Logistical Benefits**: Companies using FTZ procedures may have access to streamlined CBP procedures (e.g. "weekly entry" or "direct delivery").
- **Other Benefits**: Foreign goods and domestic goods held for export are exempt from state/local inventory taxes. FTZ status may also make a site eligible for state/local benefits which are unrelated to the FTZ Act.

What activity is permitted in Zones?
- Merchandise in a zone may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed and destroyed.
- Production activity must be specifically authorized by the FTZ Board. Production activity is defined as activity involving the substantial transformation of a foreign article or activity involving a change in the condition of the article which results in a change in the customs classification of the article or in its eligibility for entry for consumption.
- Retail trade is prohibited in zones.

What are the public benefits?
- Help facilitate and expedite international trade.
- Provide special customs procedures as a public service to help firms conduct international trade related operations in competition with foreign plants.
- Encourage and facilitate exports.
- Help attract offshore activity and encourage retention of domestic activity.
- Assist state/local economic development efforts.
- Help create employment opportunities.
Legal Authority and Requirements
FTZ Act of 1934 (19 U.S.C. 81a-81u)—established the FTZ Board to license and regulate FTZs
FTZ Board regulations (15 CFR Part 400)
Customs laws and regulations (19 CFR Part 146)

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The City of Memphis was granted authority by the FTZ Board by Board Order No. 0189, dated April 2, 1982, to establish, maintain and operate General-Purpose Zone No. 77. Enabling legislation authorizing the creation of the Memphis FTZ is provided in the Tennessee Code, Title 7, Chapter 85: Foreign Trade Zones and the City of Memphis Charter, Part I, Article 77, Sec. 867.3: Foreign Trade Zone.

An expansion and reorganization of the Memphis FTZ under the Alternative Site Framework (ASF) of the FTZ Board was approved in 2012 by Board Order No. 1817 to expand the Zone Service Area to include all of Shelby County, Tennessee. The ASF is an optional framework for organizing and designating sites that allows zones to use quicker and less complex procedures to obtain FTZ designation for eligible facilities. Memphis FTZ No. 77 has the ability to designate a subzone or usage-driven site anywhere in the Shelby County service area within 30-days using a simple application form.

In 2013, the Shelby County Commission and Memphis City Council designated the Economic Development Growth Engine (EDGE) for Memphis and Shelby County as the Zone Site Administrator for FTZ-77. MAP Studio, LLC manages FTZ-77 through a contract with EDGE.

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Websites:
Foreign-Trade Zones Board https://enforcement.trade.gov/ftzpage/index.html
National Association of Foreign-Trade Zones https://www.naftz.org/

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