

FOREIGN TRADE ZONE SAVINGS CALCULATIONS

Use the worksheet below to calculate if your business (or that of your customers!) can benefit from operating in a FTZ environment. Substitute your actual business numbers for the examples.

Sample FTZ Business Background	Example	Your Business
Annual inventory importations:	\$50,000,000	\$ _____
Inventory turnovers:	4 x per year	_____
Average duty rate for parts:	10%	_____ %
Average duty rate for finished products	7.5%	_____ %
Interest rate or cost of money:	12%	_____ %
Annual Customs duty expense:	\$5,000,000	\$ _____
Annual interest expenses:	\$600,000	\$ _____
Average interest expenses:	\$150,000	\$ _____

Sample FTZ Business	FTZ Savings	Your Business
<i>1. Dutiable Inventory Cost of Money</i>		
(annual imports ÷ inventory turnover x avg. parts duty rate x interest rate)		
i.e. . (\$50,000,000 ÷ 4) x 10% x 12% =	\$150,000	\$ _____
<i>2. Obsolete/Surplus (OS)</i>		
	5%	_____ %
(annual imports x OS percentage x avg. parts duty rate)		
i.e., \$50,000 x 5% x 10%	\$250,000	\$ _____
<i>3. Waste/Scrap/Engineering Change (WSEC) 5%</i>		
	5%	_____ %
(annual imports x WSEC percentage x avg. parts duty rate)		
i.e. \$50,000,000 x 5% x 10% =	\$250,000	\$ _____
<i>4. Exports</i>		
	15%	_____ %
(annual imports x export percentage x avg. parts duty rate)		
i.e., \$50,000,000 x 15% x 10%	\$750,000	\$ _____
<i>5. International Returns</i>		
	2%	_____ %
(annual imports x return percentage x avg. parts duty)		
i.e., \$50,000,000 x 2% x 10% =	\$100,000	\$ _____
<i>6. Zone to Zone Transfers</i>		
	10%	_____ %
(annual imports x transfer percentage x avg. parts duty rate)		
i.e. \$50,000,000 x 10% x 10% =	\$500,000	\$ _____
<i>7. Inverted Duty (applicable to manufacturing or processing operations)</i>		
(annual imports x [100% - OS percentage – WSEC percentage – Export percentage- International Returns percentage- Zone to Zone Transfer percentage] x difference between avg. parts duty rate and finished products duty rate)		
i.e., \$50,000,000 x (100% - 5% - 5% - 15% - 2% - 10%) x (10% - 7.5%) =	\$787,500	\$ _____

Gross Savings

(the sum of Numbers 1 through 7)

\$2,787,500

\$ _____

Annual FTZ Expenses

(annual grantee fees, personnel, bonds, inventory system)

\$ 100,000

\$ _____

Net Annual FTZ Savings

(gross saving – annual expenses)

i.e., \$2,787,500 - 100,000

\$2,687,500

\$ _____