

Tax Advantages of a U.S. Foreign Trade Zone

Greater Louisville's Foreign Trade Zone, with customs clearance, is located within Jefferson Riverport International, Eastpoint Business Center, Clark Maritime Centre and Greater Louisville Technology Park. The Zone offers substantial benefits to companies with overseas markets, including:

- **Improved Cash Flow** — Customs duties are not paid until the merchandise is shipped from the zone into the U.S. customs territory. Also, no customs duties are paid if the merchandise is exported from the foreign trade zone to a country other than the U.S.
- **Consumed Merchandise** — Merchandise consumed in a zone or destroyed because it is defective, damaged, waste, scrap or otherwise unusable is not subject to U.S. customs duties.
- **Duty-Free Spare Parts Storage** — Spare parts needed to meet warranty requirements or to service products previously shipped into the country may be held in a zone without payment of U.S. customs duty until they are shipped out of the zone into the U.S. customs territory.
- **Quota Avoidance** — Many types of merchandise subject to quotas may be manipulated or manufactured into non-quota merchandise that can enter U.S. customs territory free of quota restrictions. Merchandise subject to quota restrictions may be held in a zone until the quota is no longer in force.
- **No Duty Assessed Against Value-Added** — No customs duties are levied on labor, overhead or profits resulting from production operations performed on merchandise in a zone.
- **Inverted Customs Duty** — The zone user may elect to pay the duty on the foreign material placed in the zone or on the final product transferred from the zone. In other words, merchandise in the zone may be manipulated or processed to qualify for the lowest possible duty.
- **Insurance Savings** — Insurance is needed only for the value of the merchandise plus freight, and not on the value of the goods, freight, duty, and taxes paid.