WORKSHEET INSTRUCTIONS

The estimated foreign-trade zone savings worksheet is a tool to provide companies with a general idea of the possible savings from FTZ membership, and communicate as clearly as possible the ways that FTZs can cut costs. However, the FTZ worksheet is a simplification of a complicated process, and actual savings will have to be ascertained through a more extensive meeting between your company and a representative of the Greater Mississippi Foreign Trade Zone. If you have any questions concerning this worksheet or FTZ membership, please contact Shane Homan at shoman@cdfms.org or Greg Giachelli at ggiachelli@cdfms.org. They can also be reached by phone at (800) 523-3463.

Annual inventory importations is the amount per year in U.S. dollars that your company pays for goods that originate from a source outside the United States. For our example business we chose an annual inventory importation value of 125 million dollars.

Inventory turnovers reflects the amount of time that it takes inventory to enter a warehouse until it enters the market. One year divided by this quantity of time gives the number of inventory turnovers. For our example, we chose 6 inventory turnovers a year, meaning that on average, it takes two months for our inventory to go from the time that we first purchase and import it until it enters the market.

Average duty rate for parts is the average rate (if unsure of duty rate please see http://dataweb.usitc.gov/scripts/tariff2004.asp) that U.S. customs taxes the materials that your company imports. For our example, we have chosen an average duty rate of 10%.

Average duty rate for finished products is the average rate (if unsure of duty rate please see http://dataweb.usitc.gov/scripts/tariff2004.asp) at which U.S. customs would tax your final product, if it were imported rather than produced in the U.S. For our example we chose an average duty rate of 2.5%. A finished product duty rate that is lower than your part duty rate means that an FTZ may allow your company to avoid inverted tariffs.

Interest rate or cost of money is the price that your company pays for borrowing money, or keeping money tied up that could otherwise be earning interest. For our example we chose an interest rate of 10%.

Section A. Dutiable Inventory cost of money refers to the interest that could be earned on money paid for duty fees. Because an FTZ will allow the duty to be deferred from the time that the item enters the company inventory until the time that it enters the market, that money can remain within the company during this time, and can be used to earn interest or to prevent the company from having to borrow money.

Section B. Waste and Scrap Savings result from avoiding ever paying duty on materials that are used up or discarded before ever entering the US market - this includes chemicals or other materials. The WS percentage is the percentage of materials that your company imports that are used or discarded and do not appear in your company's final product.

Section C. Re-Export savings occur when your company imports parts, assembles or adds value in the U.S., and then exports the final product overseas. Because the product never technically enters the U.S., duty is not ever paid on these imports. Re-export percentage is the percentage of your total import value that does not ever enter the U.S. market, and is instead shipped to and sold in a foreign market excluding Mexico and Canada.

Section D. International return savings result from never paying duty rates on items that are defective or surplus and are returned to the foreign manufacturer. The return percentage is the percentage of import value that is returned due to defect or surplus.

Section E. Zone-to-Zone transfer savings allow a manufacturer to send products to another FTZ without paying duty for entry into the U.S. Transfer percentage is the percentage value of imports that are sent from your company to another manufacturing or distribution facility that is in a foreign-trade zone including Mexico and Canada.

Section F. Weekly entry savings result from an FTZ's streamlined entry procedures. Because FTZs allow companies to group entries into weekly units instead of paying per entry, the annual entry fees for an FTZ member could be as low as $24,220.00, or $425.00 (the maximum entry fee allowable) times 52 weeks.

Section G. Inverted duty occurs when a company is paying a higher duty rate for a part that it imports than it would pay if it simply imported its finished product. The percentages which do not enter the U.S. (waste and scrap, re-exports, returns, and transfers) are not included in this value because the savings rendered from their exclusion from duty charges have already been calculated in the preceding sections of the worksheet.

ESTIMATED FOREIGN-TRADE ZONE SAVINGS WORKSHEET (SAMPLE)

Base Information:

Annual inventory importations:	$125,000,000
Inventory turnovers:	6 x per year
Average duty rate for parts:	10 %
Average duty rate for finished products:	2.5 %
Interest rate or cost of money:	10 %

Section A. *Dutiable Inventory Cost of Money*
((annual imports/inventory turnover) X avg. parts duty rate X interest rate)

$208,333

Section B. *Waste and Scrap Savings (WS)*
(annual imports X WS percentage X avg. parts duty rate)

WS 10 % $1,250,000

Section C. *Re-Export Savings*
(annual imports X re-export percentage X avg. parts duty rate)

RE 2 % $250,000

Section D. *International Return Savings*
(annual imports X return percentage X avg. parts duty rate)

IR 1 % $125,000

Section E. *Zone-to-Zone Transfer Savings*
(annual imports X transfer percentage X avg. parts duty rate)

ZT 0 % $ 0.00

Section F. *Weekly Entry Savings*
((annual number of entrees X avg. value per entry X .002190) – 25220)
(If result is negative, estimated entry fee savings are zero)

$248,530

Section G. *Inverted Duty*
(annual imports X difference between avg. parts and avg. finished products duty rates X
[100 percent - WS percentage - Export percentage
- International Returns percentage - Zone Transfer percentage])

$8,156,250

GROSS SAVINGS (sum A through G) $ **10,258,113**

ESTIMATED FOREIGN-TRADE ZONE SAVINGS WORKSHEET

Base Information:

Annual inventory importations:	$________________
Inventory turnovers:	_____x per year
Average duty rate for parts:	_____%
Average duty rate for finished products:	_____%
Interest rate or cost of money:	_____%

Section A. *Dutiable Inventory Cost of Money*
((annual imports/inventory turnover) X avg. parts duty rate X interest rate)

$_____________

Section B. *Waste and Scrap Savings (WS)*
(annual imports X WS percentage X avg. parts duty rate)

WS ____% $_____________

Section C. *Re-Export Savings*
(annual imports X re-export percentage X avg. parts duty rate)

RE ____% $_____________

Section D. *International Return Savings*
(annual imports X return percentage X avg. parts duty rate)

IR ____% $_____________

Section E. *Zone-to-Zone Transfer Savings*
(annual imports X transfer percentage X avg. parts duty rate)

ZT ____% $_____________

Section F. *Weekly Entry Savings*
((annual number of entrees X avg. value per entry X .002190) – 25220)
(If result is negative, estimated entry fee savings are zero) $_____________

Section G. *Inverted Duty*
(annual imports X difference between avg. parts and avg. finished products duty rates X
[100 percent - WS percentage - Export percentage
- International Returns percentage - Zone Transfer percentage])

$_____________

GROSS SAVINGS (sum A through G) $________________

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