

Just the Facts:

U.S. Foreign Trade Zones – Kentucky Tax Advantages

U.S. Foreign-Trade Zone (FTZ) status is given to designated sites, within or near communities possessing a U.S. Customs and Border Protections port of entry, which provide the transportation and infrastructure amenities necessary for the manufacture and distribution of goods on a global scale. Foreign-Trade Zones in Kentucky include the Louisville & Jefferson County Riverport Authority, the Greater Cincinnati FTZ, Inc., and the Paducah McCracken County Riverport Authority.

A Subzone is a special-purpose type of ancillary zone authorized by the U.S. Foreign-Trade Zones Board, through grantees of public zones. Individual firms that cannot be accommodated within an existing zone may be classified as a Subzone when it can be demonstrated that the activity will result in a significant public benefit and is in the public interest. There are more than a dozen businesses with Subzone status in Kentucky according to the U.S. Foreign-Trade Zones Board.

Congress created the FTZ and Subzone programs to facilitate international trade and increase the global competitiveness of U.S.-based companies. By lowering effective duty rates, allowing special entry procedures, and encouraging production closer to market, FTZ use can benefit companies by removing certain disincentives associated with manufacturing in the U.S. and ultimately lead to economic growth. Additional benefits are often available in zones that are part of state/local development programs.

Listed below are primary advantages associated with a Foreign-Trade Zone or a Subzone. (Source: FTZ Act - 19 U.S.C. 81a-81u).

- Duty Exemption—no duties on imported goods that are later re-exported.
- Duty Deferral—delayed payment of duties on goods that enter the U.S. market.
- Inverted Tariff—manufacturing-specific benefits – with case-by-case approval by the FTZ Board – that can include reduction of duties if a lower tariff rate applies to the finished product leaving the zone than the tariff rates that would have applied on foreign components.
- Duty Elimination—elimination of duties on waste, scrap and rejected or defective parts.
- Logistical Benefits—reductions in merchandise processing fees because zone users may be able to file a single customs “entry” (and pay a single fee) per week rather than making multiple entries during the course of a week.
- Tax Benefits—foreign goods and domestic goods held for export are exempt from state and local inventory taxes.

Kentucky's Foreign Trade Zones and Subzones

FTZ No. 29 Louisville

Grantee: Louisville & Jefferson County Riverport Authority

6900 Riverport Drive ▪ Louisville, KY 40258

Maria Bouvette, Phone: 502.935.6024 Fax: 502.935.6050

Port of Entry: Louisville ▪ Service Area: Louisville

Subzones: 29 Parker Hannifin
 29A Clark Equipment

29G Ascent Power Tech Corp.
29H ISP Chemicals

29B Ford	29I NACCO Materials Handling
29C Haier US Appliance Solutions, Inc.	29J LLFlex
29D Lexmark	29K Dow Silicones Corp.
29E Toyota Motor Manufacturing	29L North American Stainless
29F Hitachi Automotive Systems	

FTZ No. 47 Boone County

Grantee: Greater Cincinnati FTZ, Inc.
3 E. Fourth Street, Suite 300 ▪ Cincinnati, OH 45202
Melissa Johnson ▪ Phone: 513.621.3833, Fax: 513.621.1080
Port of Entry: Cincinnati ▪ Service Area: Northern Kentucky
Subzones: 47A Clarion
47B Marathon Petroleum Company LP
47C GE Engine Services Distribution

FTZ No. 294 Western Kentucky

Grantee: Paducah McCracken County Riverport Authority
P.O. Box 2302 ▪ Paducah, KY 42002
Bill Miller, Phone: 270.442.9326
Port of Entry: Evansville, IN ▪ Service Area: Livingston & McCracken Counties, KY

In addition, Kentucky law provides that “tangible personal property located in a Foreign-Trade Zone as designated under U.S.C. Sec. 81” is subject only to state taxes (KRS 132.200 (11)), and that the state tax rate applicable to such property is \$0.001 per \$100 valuation (KRS 132.020 (1)(h)). This is an additional tax advantage that applies to any tangible personal property (regardless of import/export status) located in an activated Kentucky zone or subzone.

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