



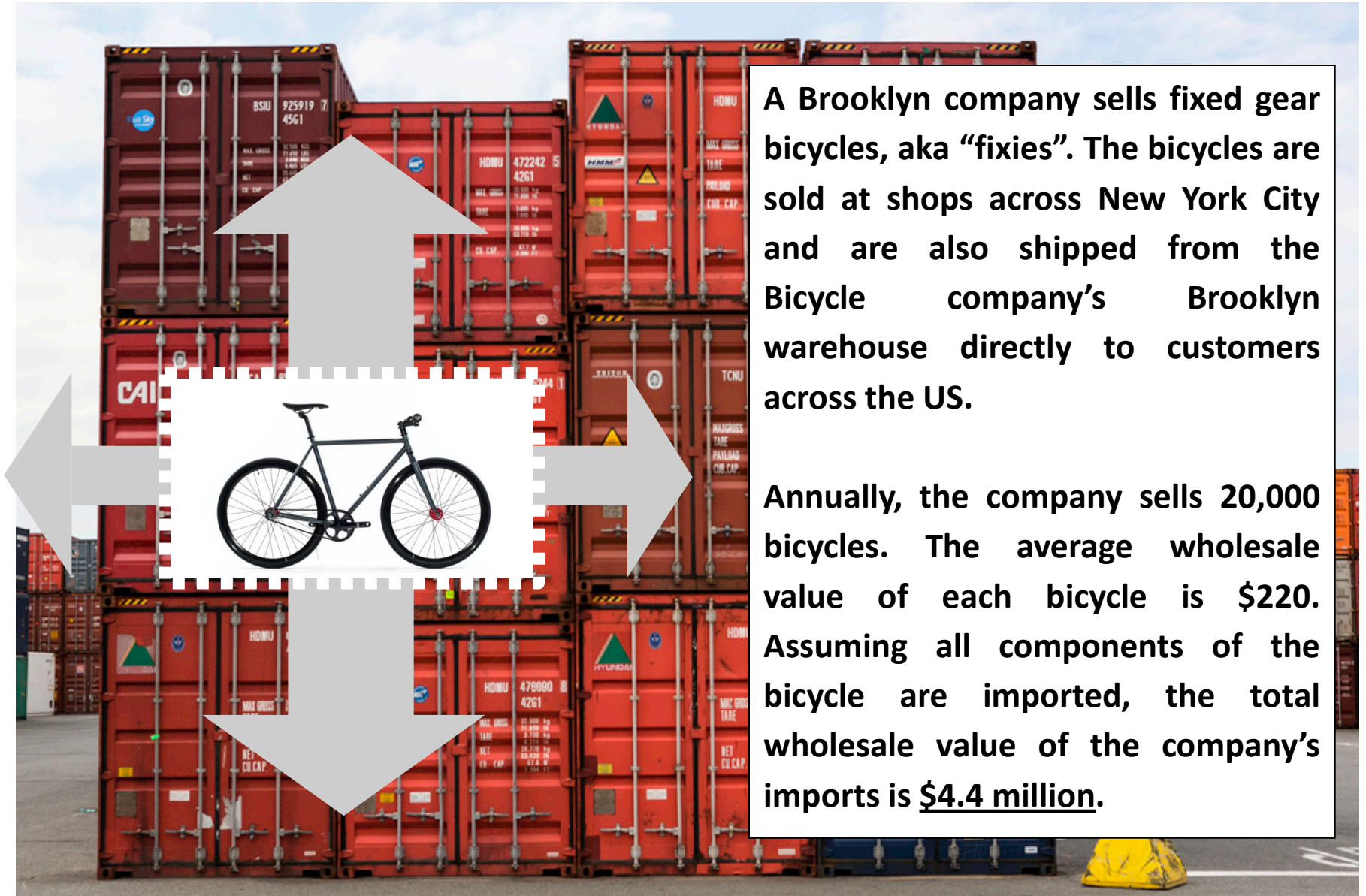
## Benefits of a Foreign Trade Zone in NYC

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A step by step example of how a bicycle company benefits from **lowering duty payments by using** an FTZ



# The Company- ACME Bicycles



A Brooklyn company sells fixed gear bicycles, aka “fixies”. The bicycles are sold at shops across New York City and are also shipped from the Bicycle company’s Brooklyn warehouse directly to customers across the US.

Annually, the company sells 20,000 bicycles. The average wholesale value of each bicycle is \$220. Assuming all components of the bicycle are imported, the total wholesale value of the company’s imports is \$4.4 million.

## ***Duty on import of complete bicycle with no FTZ used***

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The Customs duty to import a complete, ready to sell bicycle from abroad is **5.5 percent**.

Therefore...

**\$4.4 million** in total imports  $\times$  **5.5 percent** = **\$242,000**

This is a **duty of \$12.01** per bicycle.

# ***Import Duty on Individual Bicycle Components\*:***



**The sum value of this bicycle's components is \$220**

*\*Bicycle components not exhaustive, selected components chosen for ease of identification in US Harmonized Tariff Schedule.*

## *Import Duty on Individual Bicycle Components:*

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	<b>Wholesale Value</b>	<b>Duty Rate</b>	<b>Duty Due</b>
<b>Frame</b>	\$ 50.00	3.9%	\$ 1.95
<b>Saddle</b>	\$ 25.00	8.0%	\$ 2.00
<b>Spokes</b>	\$ 5.00	10.0%	\$ 0.50
<b>Fork</b>	\$ 30.00	6.0%	\$ 1.80
<b>Crankarm</b>	\$ 10.00	Free	\$ 0.00
<b>Pedals</b>	\$ 12.00	8.0%	\$ 0.96
<b>Rims</b>	\$ 20.00	5.0%	\$ 1.00
<b>Duty per Bicycle if parts imported and assembled in US with No FTZ</b>			<b>\$ 8.21</b>

Annually this totals **\$164,200** in customs payments

# Import Duty on Bicycle Components with an FTZ:

If the bicycle is partially assembled in an NYC FTZ the company may **select the most favorable Customs duty rate** for their product and its components.

In some cases, the complete bicycle's duty (5.5%) will be lower than the duty rate on a component. While at the same time components with lower import duties, such as a bicycle frame, maintain their lower tariff rates.

	Whole Sale Value	Duty Rate	Duty Due		FTZ Duty Rate	Duty Due After Constructing Bike in NYC FTZ
Frame	\$ 50	3.9%	\$ 1.95		3.9%	\$ 1.95
Saddle	\$ 25	8.0%		→	5.5%	\$ 1.38
Spokes	\$ 5	10.0%		→	5.5%	\$ 0.28
Fork	\$ 30	6.0%		→	5.5%	\$ 1.65
Crankarm	\$ 10	Free	\$ 0.00		Free	\$ 0.00
Pedals	\$ 12	8.0%		→	5.5%	\$ 0.96
Rims	\$ 20	5.0%	\$ 1.00		5.0%	\$ 1.00

**Duty per bicycle with an FTZ**

**\$ 7.22**

## ***Monetary Benefit of FTZ:***

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By using an FTZ in NYC to do a portion of their bicycle assembly, the ACME Bicycles **saves 40 percent** on their Customs duty payments. This is in addition to the other cash flow and weekly entry benefits of an FTZ.

Duty on import of complete bicycles **\$242,000**

Duty on import of bicycle components assembled in the US (*without FTZ*) **\$164,200**

Duty on import of bicycle components assembled in the US (*with FTZ*) **\$144,400**