

Act is to “expedite and encourage foreign commerce, and other purposes.” The regulations provide the legal framework for accomplishing this purpose in the context of evolving U.S. economic and trade policy, and economic factors relating to international competition.

(b) Part 146 of the customs regulations (19 CFR part 146) governs zone operations, including the admission of merchandise into zones, zone activity involving such merchandise, and the transfer of merchandise from zones.

(c) To the extent zones are “activated” under U.S. Customs and Border Protection (CBP) procedures in 19 CFR part 146, and only for the purposes specified in the Act (19 U.S.C. 81c), zones are treated for purposes of the tariff laws and customs entry procedures as being outside the customs territory of the United States. Under zone procedures, foreign and domestic merchandise may be admitted into zones for operations such as storage, exhibition, assembly, manufacture and processing, without being subject to formal customs entry procedures and payment of duties, unless and until the foreign merchandise enters customs territory for domestic consumption. At that time, the importer ordinarily has a choice of paying duties either at the rate applicable to the foreign material in its condition as admitted into a zone, or if used in production activity, to the emerging product. Quota restrictions do not normally apply to foreign goods in zones. The Board can deny or limit the use of zone procedures in specific cases on public interest grounds. Merchandise moved into zones for export (zone-restricted status) may be considered exported for purposes such as federal excise tax rebates and customs drawback. Foreign merchandise (tangible personal property) admitted to a zone and domestic merchandise held in a zone for exportation are exempt from certain state and local *ad valorem* taxes (19 U.S.C. 81o(e)). Articles admitted into zones for purposes not specified in the Act shall be subject to the tariff laws and regular entry procedures, including the payment of applicable duties, taxes, and fees.

§ 400.2 Definitions.

(a) *Act* means the Foreign-Trade Zones Act of 1934, as amended (19 U.S.C. 81a–81u).

(b) *Activation limit* is the size of the physical area of a particular zone or subzone authorized by the Board to be simultaneously in activated status with CBP pursuant to 19 CFR 146.6. The activation limit for a particular zone/subzone is a figure explicitly specified by the Board in authorizing the zone (commonly 2,000 acres) or subzone or, in the absence of a specified figure, the total of the sizes of the approved sites of the zone/subzone.

(c) *Alternative site framework* (ASF) is an optional approach to designation and management of zone sites allowing greater flexibility and responsiveness to serve single-operator/user locations. The ASF was adopted by the Board as a matter of practice in December 2008 (74 FR 1170, January 12, 2009; correction 74 FR 3987, January 22, 2009) and modified by the Board in November 2010 (75 FR 71069, November 22, 2010).

(d) *Board* means the Foreign-Trade Zones Board, which consists of the Secretary of the Department of Commerce (chairman) and the Secretary of the Treasury, or their designated alternates.

(e) *Board Order* is a type of document that indicates a final decision of the Board. Board Orders are generally published in the FEDERAL REGISTER after issuance.

(f) *CBP* means U.S. Customs and Border Protection.

(g) *Executive Secretary* is the Executive Secretary of the Foreign-Trade Zones Board.

(h) *Foreign-trade zone* (FTZ or zone) includes one or more restricted-access sites, including subzones, in or adjacent (as defined by § 400.11(b)(2)) to a CBP port of entry, operated as a public utility (within the meaning of § 400.42) under the sponsorship of a zone grantee authorized by the Board, with zone operations under the supervision of CBP.

(i) *Grant of authority* is a document issued by the Board that authorizes a zone grantee to establish, operate and maintain a zone, subject to limitations and conditions specified in this part and in 19 CFR part 146. The authority

Foreign-Trade Zones Board, Commerce

§ 400.3

to establish a zone includes the responsibility to manage it.

(j) *Magnet site* means a site intended to serve or attract multiple operators or users under the ASF.

(k) *Modification*: A major modification is a proposed change to a zone that requires action by the FTZ Board; a minor modification is a proposed change to a zone that may be authorized by the Executive Secretary.

(l) *Person* includes any individual, corporation, or entity.

(m) *Port of entry* means a port of entry in the United States, as defined by part 101 of the customs regulations (19 CFR part 101), or a user fee airport authorized under 19 U.S.C. 58b and listed in part 122 of the customs regulations (19 CFR part 122).

(n) *Private corporation* means any corporation, other than a public corporation, which is organized for the purpose of establishing, operating and maintaining a zone and which is chartered for this purpose under a law of the state in which the zone is located.

(o) *Production*, as used in this part, means activity involving the substantial transformation of a foreign article resulting in a new and different article having a different name, character, and use, or activity involving a change in the condition of the article which results in a change in the customs classification of the article or in its eligibility for entry for consumption.

(p) *Public corporation* means a state, a political subdivision (including a municipality) or public agency thereof, or a corporate municipal instrumentality of one or more states.

(q) *Service area* means the jurisdiction(s) within which a grantee proposes to be able to designate sites via minor boundary modifications under the ASF.

(r) *State* includes any state of the United States, the District of Columbia, and Puerto Rico.

(s) *Subzone* means a site (or group of sites) established for a specific use.

(t) *Usage-driven site* means a site tied to a single operator or user under the ASF.

(u) *Zone* means a foreign-trade zone established under the provisions of the Act and these regulations. Where used in this part, the term also includes

subzones, unless the context indicates otherwise.

(v) *Zone grantee* is the corporate recipient of a grant of authority for a zone. Where used in this part, the term “grantee” means “zone grantee” unless otherwise indicated.

(w) *Zone operator* is a person that operates within a zone or subzone under the terms of an agreement with the zone grantee (or third party on behalf of the grantee), with the concurrence of CBP.

(x) *Zone participant* is a current or prospective zone operator, zone user, or property owner.

(y) *Zone plan* includes all the zone sites that a single grantee is authorized to establish.

(z) *Zone site* (site) means a physical location of a zone or subzone. A site is composed of one or more generally contiguous parcels of land organized and functioning as an integrated unit, such as all or part of an industrial park or airport facility.

(aa) *Zone user* is a party using a zone under agreement with a zone operator.

§ 400.3 Authority of the Board.

(a) *In general*. In accordance with the Act and procedures of this part, the Board has authority to:

(1) Prescribe rules and regulations concerning zones;

(2) Issue grants of authority for zones, and approve subzones and modifications to the original zone;

(3) Authorize production activity in zones and subzones as described in this part;

(4) Make determinations on matters requiring Board decisions under this part;

(5) Decide appeals in regard to certain decisions of the Commerce Department’s Assistant Secretary for Enforcement and Compliance or the Executive Secretary;

(6) Inspect the premises, operations and accounts of zone grantees, operators and users (and persons undertaking zone-related functions on behalf of grantees, where applicable);

(7) Require zone grantees and operators to report on zone operations;

(8) Report annually to the Congress on zone operations;