



Baltimore  
Development Corporation

# FTZ#74

# THE SUM OF ALL DEFERRALS

Key Explanation of Customs Bonded Warehouses and Foreign-Trade Zones

# DUTY DEFERRAL OPTIONS

There are two main ways importers may defer duties on their goods: Customs bonded warehouses (CBW) and foreign-trade zones (FTZs). Rather than entering into the U.S. economy for distribution to retailers or directly to consumers, such goods are processed into CBWs and FTZs. Both facilities are secured and controlled physical areas with high degrees of administrative management, including Customs forms and approvals. Warehouse operators that want to create a CBW or FTZ in their facility, either for their own goods or on behalf of customers, must obtain permission from their local Customs Port Director. Once approved, operators enjoy special rules and regulations, thereby trading higher security standards for certain flexibilities, particularly in duty treatment. However, there are key differences between these two duty deferral options.

Customs Bonded Warehouse (CBW)	U.S. Foreign-Trade Zone (FTZ)
<ul style="list-style-type: none"><li>▶ There are 11 different classes, each with distinct purposes.</li><li>▶ Only foreign-status goods are allowed.</li><li>▶ Duties (tariffs) are determined and collected upon removal from bonded warehouse.</li><li>▶ 5-year time limit on storage of goods.</li><li>▶ Close supervision and control by Customs.</li></ul>	<ul style="list-style-type: none"><li>▶ Each zone can be approved for storage &amp; distribution and/or manufacturing, with prior approvals.</li><li>▶ Both foreign and domestic goods are allowed.</li><li>▶ Duties (tariffs) are determined and collected upon admission into FTZ*</li><li>▶ Unlimited storage time.</li><li>▶ Close supervision by Customs, but warehouse operator has full control of merchandise at all times.</li></ul>

## Ongoing Considerations about New Application of Tariffs

Per **Executive Order (April 2, 2025)**, non-domestic status merchandise subject to reciprocal tariffs admitted into FTZs must be admitted in “privileged foreign status” (PF). These subject goods are those imported from the countries listed in **Annex I**. “Privileged foreign status” means that the duty rate on those goods are locked in as of the admission day. (Exemptions to this requirement are listed in **Annex II**). Contrast this new rule for FTZs with a CBW, where duties are determined on goods when they leave the warehouse. Therefore, while both bonded warehouse and FTZ enable deferral of duty payment, the duty rate will be determined differently.

## Advantages of FTZ

Both programs are used by importers to introduce flexibility into supply chains. Many value the option of receiving goods into a local warehouse for temporary storage before moving it for further processing, consumption, or export. But FTZ benefits extend further, by permitting more activities, relieving state and local inventory taxes, and offering greater flexibility and control over the storage and movement of cargo.

## For More Information

The global trade environment is constantly changing with critical decisions being handed down with unexpected speed. For actionable guidance, contact your internal legal counsel and compliance specialists, in addition to external partners and service providers. For more information on the foreign-trade zones program contact Will Cawthern at the Baltimore Development Corporation.

**Foreign-trade zones are considered the gold standard for supply chain security, including CTPAT**



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