

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 94

(Delegate Anderson)(By Request - Baltimore City
Administration)

Environmental Matters

Finance

Foreign Trade Zones - Application and Process

This emergency bill amends the Baltimore City Charter to conform the definition of a foreign trade zone with the legal boundary definition established by the U.S. Department of Commerce Foreign Trade Zone Board. The Mayor and City Council of Baltimore may establish and operate foreign trade zones in the Baltimore port of entry and in the State of Maryland within a radius of 60 miles beyond the port of entry limits. A person that wishes to have a site in the State designated as a foreign trade zone must apply for approval to the foreign trade zone grantee in the State that is closest to the site before applying to another foreign trade zone grantee for approval.

Fiscal Summary

State Effect: None.

Local Effect: None. The bill alters the definition of a foreign trade zone in Baltimore City to conform to federal regulations.

Small Business Effect: None.

Analysis

Current Law: The Mayor and City Council of Baltimore may establish and operate a foreign trade zone in the Baltimore Harbor. State law requires that a foreign trade zone within the State conform to the federal Foreign Trade Zones Act.

Federal law specifies that a foreign trade zone must be within or adjacent to a U.S. Customs and Border Protection (CBP) port of entry. Adjacency requirements may be satisfied if one of the following conditions are met:

- the zone or subzone site is within the limits of a customs port of entry;
- the zone or subzone site is within 60 miles of the outer limits of a CBP port of entry;
- the zone or subzone site is within 90 minutes' driving time from the outer limits of a CBP port of entry as verified by CBP Service Port Director; or
- for subzones only: if a subzone site does not meet the adjacency requirement, it may alternatively qualify to be considered adjacent if the subzone works with the CBP Port Director to ensure that proper oversight measures are in place.

A person seeking to have a site designated as a foreign trade zone must apply to a foreign trade zone grantee in the State for inclusion into that foreign trade zone. The foreign trade zone grantee will then apply to the Foreign Trade Zone Board for approval to modify or expand its zone project.

Background: A foreign trade zone is a designated site licensed by the Foreign Trade Zones Board at which special customs procedures may be used. These procedures allow domestic activity involving foreign items to take place prior to formal customs entry. Duty-free treatment is accorded items that are reexported and duty payment is deferred on items sold in the U.S. market, thus offsetting customs advantages available to overseas producers who compete with producers located in the United States. Subzones are special-purpose zones, usually at manufacturing plants. A site that has been granted zone status may not be used for zone activity until the site has been separately approved for foreign trade zone activation by local CBP officials, and the zone activity remains under the supervision of CBP. Foreign trade zone sites and facilities remain within the jurisdiction of local, state, or federal governments or agencies.

The U.S. Department of Commerce reports that there are about 250 general-purpose foreign trade zones and over 450 subzones approved. There are four foreign trade zones in the State of Maryland. Foreign trade zone number 63 includes Prince George's County, number 73 includes BWI Airport, number 74 includes the City of Baltimore, and number 255 includes Washington County and the Hagerstown Regional Airport.

Additional Information

Prior Introductions: None.

Cross File: SB 347 (Senator McFadden)(By Request - Baltimore City Administration) - Finance.

Information Source(s): Baltimore City, Department of Business and Economic Development, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2009
ncs/mwc Revised - House Third Reader - March 27, 2009

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