

# U.S. CUSTOMS BONDED WAREHOUSE

## **What is a Customs Bonded Warehouse?**

A Customs bonded warehouse is a building or other secured area in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment or duty. Authority for establishing bonded storage warehouses is set forth in Title 19, United States Code (U.S.C.), section 1555. Bonded manufacturing and smelting and refining warehouses are established under Title 19, U.S.C., sections 1311 and 1312.

Upon entry of goods into the warehouse, the importer and warehouse proprietor incur liability under a bond. This liability is generally cancelled when the goods are:

- Exported; or deemed exported
- Withdrawn for supplies to a vessel or aircraft international traffic;
- Destroyed under Customs supervisions; or
- Withdrawn for consumption within the United States after payment of duty.

## **Types of Customs Bonded Warehouses**

Eleven different types or classes of Customs bonded warehouses are authorized under section 19.1, Customs Regulations (19 C.F.R. 19.1, Amendments Pending):

1. Premises owned or leased by the government and used for the storage of merchandise that is undergoing Customs examination, is under seizure, or is pending final release for Customs custody. Unclaimed merchandise stored in such premises shall be held under "general order." When such premises are not sufficient or available for the storage of seized or unclaimed goods, such goods may be stored in a warehouse of Class 3, 4, or 5.
2. Importers' private bonded warehouses used exclusively for the storage of merchandise belonging or consigned to the proprietor thereof. A Class 4 or 5 warehouse may be bonded exclusively for the storage of goods imported by the proprietor thereof, in which case it should be known as a private bonded warehouse.
3. Public bonded warehouse used exclusively for the storage of imported merchandise.
4. Bonded yards or sheds for the storage of heavy and bulky imported merchandise; stables, feeding pens, corrals, other similar buildings or limited enclosures for the storage of imported animals; and tanks for storage of imported liquid merchandise in bulk.

5. Bonded bins or parts of buildings or elevators to be used for the storage of grain.
6. Warehouses for the manufacture in bond, solely for exportation, of articles made in whole or in part of imported materials or of materials subject to internal revenue tax; and for the manufacture for domestic consumption or exportation of cigars made in whole of tobacco imported from one country.
7. Warehouses bonded for smelting and refining imported metal-bearing materials for exportation or domestic consumption.
8. Bonded warehouses established for the cleaning, sorting, repacking, or otherwise changing the condition of, but not the manufacturing of, imported merchandise, under Customs supervision, and at the expense of the proprietor.
9. Bonded warehouses, known as "duty-free stores," used for selling conditionally duty-free merchandise for use outside the Customs territory. Merchandise in this class must be owned or sold by the proprietor and delivered from the warehouse to an airport or other exit point for exportation by, or on behalf of, individuals departing from the Customs territory or foreign destinations. These stores may also sell other than duty-free merchandise.
10. Bonded warehouses for international travel merchandise, goods sold conditionally duty-free aboard aircraft and not at a duty-free store. This is based on amendments to 19 U.S.C., section 1555(c), approved 11/00. Regulations governing this type of warehouse are being written.
11. Bonded warehouses established for the storage of General Order (G.O.) merchandise. G.O. is any merchandise not claimed or entered for 15 days after arrival in the U.S. (or final U.S. destination for in-bond shipments). The amended regulations establishing this class of warehouse are awaiting final approval and publication in the *Federal Register*.

### **Advantages of Using a Bonded Warehouse**

No duty is collected until merchandise is withdrawn for consumption. An importer, therefore, has control over use of his money until the duty is paid upon withdrawal of merchandise for the bonded warehouse. If no domestic buyer is found for the imported articles, the importer can sell merchandise for exportation, thereby eliminating his obligation to pay duty.

Many items subject to quota or other restrictions may be stored in a bonded warehouse. Check with the nearest Customs office before assuming that such merchandise may be placed in a bonded warehouse.

Duties owed on articles that have been manipulated are determined at the time of withdrawal from the Customs bonded warehouse.

### **Merchandise: Entry, Storage, Treatment**

All merchandise subject to duty may be entered for warehousing except perishables and explosive substances other than firecrackers and merchandise other than duty-free merchandise may be stored in the retail sales facility of a class 9 warehouse and sold to persons departing the U.S.

Full accountability for all merchandise entered into a Customs bonded warehouse must be maintained; that merchandise will be inventoried and the proprietor's records will be audited on a regular basis. Bonded merchandise may not be commingled with domestic merchandise and must be kept separate from unbonded merchandise.

Merchandise in a Customs bonded warehouse may, with certain exceptions, be transferred from one bonded warehouse to another in accordance with the provisions of Customs Regulations. Merchandise placed in a Customs bonded warehouse, other than Class 6 or 7, may be stored, cleaned, sorted, repacked, or otherwise changed in condition, but not manufactured (Title 19, U.S.C., section 1562).

Articles manufactured in a Class 6 warehouse other than cigars made from imported tobacco must be exported in accordance with Customs Regulations. Waste or a by-product from a Class 6 warehouse may be withdrawn for consumption upon payment or applicable duties. Imported merchandise may be stored in a Customs bonded warehouse for a period of 5 years (Title 19, U.S.C., section 1557 (a)).

### **How to Establish a Customs Bonded Warehouse**

#### **Application**

An owner or lessee seeking to establish a bonded warehouse must make written application to his or her local Customs port director describing the premises, giving the location, and stating the class of warehouse to be established.

Except in the case of a Class 2 or Class 7 warehouse, the application must state whether the warehouse is to be operated only for the storage or treatment of merchandise belonging to the applicant, or whether it is to be operated as a public bonded warehouse.

If the warehouse is to be operated as a private bonded warehouse, the application must also state the general character of the merchandise to be stored therein, with an estimate of the maximum duties and taxes that will be due on the merchandise at any one time.

#### **Other Requirements**

The application must be accompanied by the following:

- A certificate signed by the president or a secretary of a board of fire underwriters that the building is a suitable warehouse and acceptable for fire-insurance purposes. At ports where there is no board of fire underwriters, certificates should be obtained and signed by officers of agents of two or more insurance companies.
- A blueprint showing measurements of the building or space to be bonded.

If the warehouse to be bonded is a tank, the blueprint should identify all outlets, inlets, and pipelines and be certified as correct by the proprietor of the tank. A gauge table showing the capacity of the tank in U.S. gallons per inch or fraction of an inch of height, should be included and certified by the proprietor as correct.

When a part or parts of the building are to be used as a warehouse, a detailed description of the materials and construction of all partitions shall be included.

The Customs port director may ask for a list of names and addresses and a set of fingerprints for all company officers, principals, and employees of the applicant.

Duty-free shops (Class 9) have specific requirements governing their establishment. These requirements include location, exit points, record-keeping systems, and the approval of local governments.

### **Bonds Required**

Bonds for each class of warehouse shall be executed on Customs Bond, Form 301.

### **Where are Customs Offices Located?**

The U.S. Customs Service has more than 300 ports of entry in the United States, Puerto Rico, and the U.S. Virgin Islands. Please consult your local telephone directory under Federal government listings. You will find your local port director under "U.S. Treasury Department, Customs Service."

The material contained in this brochure is for information purposes only. The warehouse proprietor and/or importer must comply with all the legal and technical requirements set forth in the law and in the regulations. The U.S. Customs Service is unable to recommend existing Customs bonded warehouses for the use of individual importers. Any additional questions regarding Customs bonded warehouses should be directed to the Customs office nearest you.

**Please visit the U.S. Customs Web site at [www.customs.gov](http://www.customs.gov)**

Department of the Treasury  
U.S. Customs Service  
Washington, D.C. 20229

Customs Publications No. 0000-0537

Revised October 2001