

## **U.S. CUSTOMS AND BORDER PROTECTION BONDED WAREHOUSE**

### **What is a Customs bonded warehouse?**

A Customs bonded warehouse is a building or other secured area in which imported dutiable merchandise may be stored, manipulated, or undergo manufacturing operations without payment of duty for up to 5 years from the date of importation. Authority for establishing bonded warehouses is set forth in Title 19, United States Code (U.S.C.), section 1555. The regulations covered the operation of bonded warehouses is found at 19 CFR 19.

Upon entry of goods into the warehouse, the warehouse proprietor incurs a liability for the merchandise under a warehouse bond. This liability is generally cancelled when the merchandise is:

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- Withdrawn for supplies to a vessel or aircraft;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- Withdrawn for consumption within the United States after payment of duty.

### **Classes of bonded warehouses**

There are eleven different classes of bonded warehouses authorized under 19 C.F.R. 19.1:

1. Premises that may be owned or leased by the Government, when the exigencies of the service as determined by the port director so require, and used for the storage of merchandise undergoing examination by CBP, under seizure, or pending final release from CBP custody. Merchandise will be stored in such premises only at CBP direction and will be held under “general order”.
2. Importers private warehouse used exclusively for the storage of merchandise belong to or consigned to the proprietor. A class 4 or 5 warehouse may be bonded exclusively for the storage of goods imported by the proprietor, in which case it shall 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. Bonded warehouses established 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. Bonded warehouses established 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 CBP 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).

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

Duty is not collected until the merchandise is withdrawn for consumption. An importer, therefore, has control over use of his money until the duty is paid upon withdrawal of the merchandise. 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 restrictions may or may be stored in a bonded warehouse. Check with the nearest CBP 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 bonded warehouse.

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

#### **Application**

An applicant seeking to establish a bonded warehouse must make written application to the local CBP 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 port director may ask for a list of names and addresses and a set of fingerprints for all company officers, principals, and those individuals with access to the recordkeeping information.

Class 9 warehouses 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 are executed on a CBP Form 301.

### **Where are CBP offices located?**

CBP 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, Department of Homeland Security, U.S. Customs and Border Protection.

The material contained in this section 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. CBP is unable to recommend existing bonded warehouses for the use of individual importers. Any additional questions regarding bonded warehouses operations should be directed to the local CBP office nearest you.

**Please visit the U.S. Customs and Border Protection web site at [www.cbp.gov](http://www.cbp.gov)**

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