



Foreign Trade Zone

of C E N T R A L T E X A S

Overview

Foreign Trade Zones (FTZ) are areas physically located in the U.S. but considered outside of U.S. Customs territory. FTZ encourage investment in the U.S. and the creation of American jobs by equalizing the customs treatment of the U.S. activity with similar activities occurring offshore. In 2012, the Foreign Trade Zone of Central Texas (FTZ 183) received approval from the federal government to operate under streamlined procedures designed to make FTZ geographic approval much faster and less expensive for businesses who wish to utilize a FTZ. Under this alternative site framework designation, the entire Austin-Round Rock-San Marcos MSA (Bastrop, Caldwell, Hays, Travis and Williamson counties) has been preapproved by the federal government as FTZ eligible.

Corporate Benefits from FTZ Designation

FTZ enables approved companies to defer, reduce or eliminate U.S. Customs duties and inventory tax on merchandise

Elimination of Duties

Customs duties are eliminated entirely on goods/merchandise re-exported either in their original form or as components of finished products produced in the zone. Special rules apply for manufactured goods leaving the US for Canada or Mexico. Duties are also avoided on imported goods/merchandise which become defective, damaged or obsolete. Duty may also be avoided or reduced for waste or scrap.

Inverted Tariff

When goods are manufactured into other products within the FTZ, the importer may elect to pay the duty rate applicable to either the imported part or the finished product, whichever is lower.

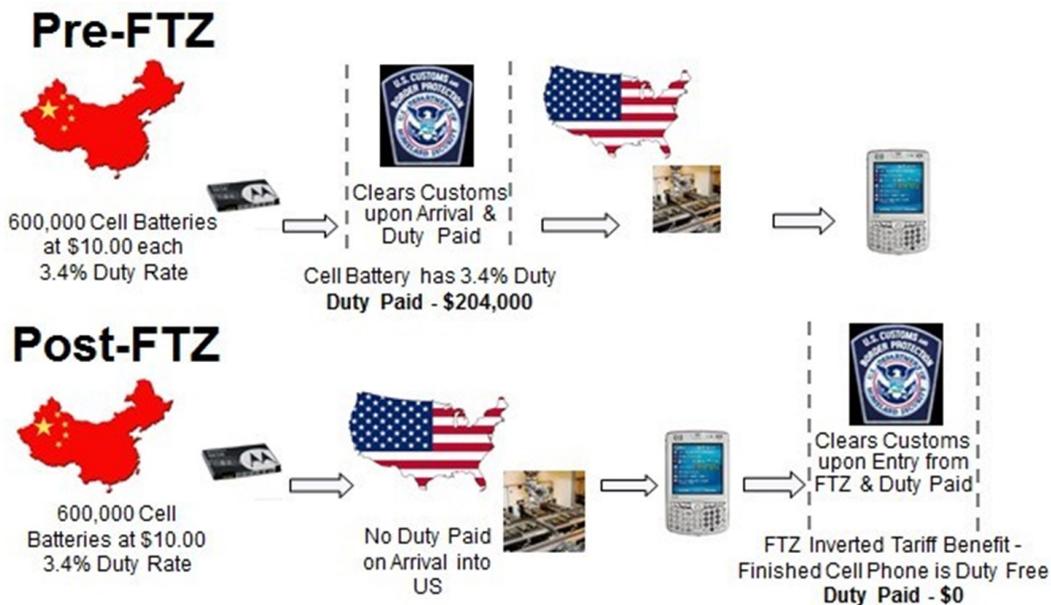
Inventory Tax Elimination

Inventory that has either been imported into a zone or is being held in a zone for export is exempt from personal property tax. Unlike Freeport, there is no requirement on goods leaving the State and how long goods may be kept within a FTZ.

Deferral of Duties

Customs duties on imported goods/merchandise are paid only when merchandise leaves the FTZ. This often provides companies with significant operational cash flow relief.

One Example of How FTZ Works



Additional Corporate Benefits

Reduction in Merchandise Processing Fee

CBP assesses a merchandise processing fee (MPF) for each entry of merchandise into the US. FTZ regulations provide for “weekly entry procedures” that combine FTZ activity into a single Customs entry document. A single weekly entry is subject to only one MPF, capped at \$485. Assuming cap is reached, the annual MPF payment in a FTZ is only \$25,220.

Reduction in Brokerage Fees

Brokerage fees are normally negotiated and applied on a per-transaction basis. The use of FTZ weekly entry procedures reduces the amount of documentation filed with U.S. customs and corresponding broker fees.

Quota Alleviation

U.S. quota restrictions do not apply to merchandise admitted to a FTZ. Most merchandise subject to quota, may be held in FTZ, even if it is subject to U.S. quota restriction. When the next quota period opens, the merchandise may be shipped into customs territory.

Elimination of Drawback

The duties paid on exported merchandise may be refunded through a process called drawback. Through the use of a FTZ, the need for drawback process and cost may be eliminated.

Magnet Sites

Several existing industrial building and land sites within central Texas have been pre-designated as FTZ magnet sites. These magnet site parks are open to multiple users, or build to suit end users. Magnet sites do not require an application to the federal FTZ board, which allows companies to immediately start working on activation of the zone site with US Customs. Magnet site activation in FTZ 183 must be completed prior to July 31, 2017. The most common activities in magnet sites are warehousing and distribution.

Additional Resources

Visit www.ftzcentraltexas.com for more information including:

- Map of designated magnet sites in central Texas
- FTZ Savings Calculator for Warehousing/Distribution Companies
- FTZ Savings Calculator for Manufacturing Companies
- FTZ Handbook (Ernst & Young LLP)

Contact Information

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