



Foreign Trade Zone

of CENTRAL TEXAS

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. The FTZ program is an effective planning strategy for companies to mitigate against U.S. Customs duties and U.S. punitive tariffs (e.g. Section 301 (China tariffs), Section 232 (Steel and Aluminum tariffs), Anti-Dumping, and Countervailing duties). The Foreign Trade Zone of Central Texas (FTZ 183) operates under the alternative site framework designation. The entire Austin-Round Rock MSA (Bastrop, Caldwell, Hays, Travis and Williamson counties) is preapproved by the federal government as FTZ eligible. This designation allows for more expeditious processing of applications.

Corporate Benefits of Foreign Trade Zone Designation

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

Elimination of Duties

Customs duties (including Section 232, Section 301, Anti-Dumping, and Countervailing 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 U.S. for Canada or Mexico. Duties are also avoided on imported goods/merchandise which become defective, damaged or obsolete. Duties may also be avoided or reduced for waste or scrap.

Inventory Tax Reduction

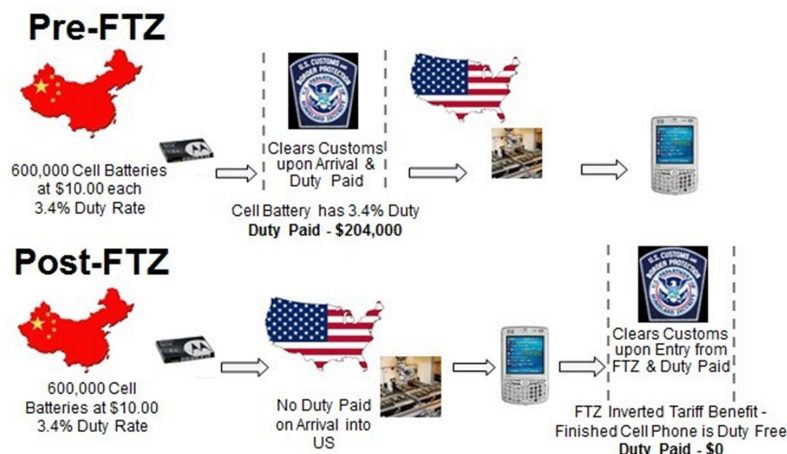
Goods that have either been imported into an FTZ or are being held in an FTZ for export are exempt from business personal property tax. Unlike Freeport, there is no requirement that goods must leave the state of Texas nor is there a time limit for inventory to be held within an FTZ.

Deferral of Duties

Customs duties (and punitive tariffs) on imported goods/merchandise are paid only when merchandise leaves the FTZ and enters U.S. commerce. This often provides companies with significant operational cash flow relief.

Inverted Tariff

When imported goods are manufactured into other products within the FTZ, the importer may elect to pay the duty rate applicable to either the imported good or the finished product, whichever is lower. The graphic below offers an example of this benefit.



Inverted Tariff Example

Additional Corporate Benefits with FTZ Designation

Reduction in Merchandise Processing Fee

U.S. Customs assesses a merchandise processing fee (MPF) for each entry of merchandise into the U.S. FTZ regulations provide for “weekly entry procedures” that combine FTZ activity into a single U.S. Customs entry document. A single weekly entry is subject to only one MPF, currently capped at \$538.40. Assuming that cap is reached, the annual MPF payment in an FTZ is only \$27,996.80.

Quota Alleviation

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

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 as well as the corresponding broker fees.

Elimination of Drawback

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

FTZ Designation Savings Comparison for Distribution Operations

Costs without FTZ Designation on annual imports of \$25m inventory

Assumptions	Cost
Average import duty of 6%	\$1,500,000
MPF of \$538.40 with 17 entries each week (total of 884 entries)	\$475,945.60
Customs Broker Entry Fee of \$175 for each of the year's 884 entries	\$154,700
Scrap/Waste 2% of import goods (total value \$500,000) with 6% duty	\$30,000
COSTS WITHOUT FTZ Designation	\$2,160,645.60

Savings with FTZ Designation when re-exporting \$25m imported inventory

Assumptions	Savings
No import duty applied	\$1,500,000
Only one MPF each week with annual cap of \$27,996.80	\$447,948.80
Customs Broker Entry Fee of \$200 x 52 weekly entries (total \$10,400)	\$144,300
No import duty on certain goods that are scrapped in the FTZ	\$30,000
SAVINGS WITH FTZ Designation	\$2,122,248.80

Magnet Sites

A limited number of existing industrial buildings and land sites were pre-designated as FTZ magnet sites in our region. 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 U.S. Customs.

Additional Resources

Visit www.ftzcentraltexas.com for more information including:

- FTZ Savings Calculator for Warehousing/Distribution Companies
- FTZ Savings Calculator for Manufacturing Companies
- Map of designated magnet sites in central Texas
- FTZ Handbook and Zone Schedule

Contact Information

Ben Ramirez

Administrator, Foreign Trade Zone of Central Texas

ben.ramirez@ftzcentraltexas.com

(512) 595-0741

v.10-2021