



Foreign Trade Zone 183

Foreign Trade Zone (FTZ) 183 was created in 1991 to capitalize on the growth of the high tech industry and to provide local businesses with a tool to help them compete in the global economy by leveling the playing field with competitors worldwide. The Foreign Trade Zone of Central Texas, Inc. (FTZCTI), a non-profit corporation established by the cities and chambers of commerce in Austin, Georgetown, Round Rock and San Marcos, administers FTZ 183. In FTZ parlance, FTZCTI is the "grantee" of FTZ 183. A board of directors appointed by the founding cities and chambers runs FTZCTI.

About FTZs

FTZs are generally established at a U.S. Customs Port of Entry. The purpose of a FTZ is to provide U.S. based businesses the ability to compete with firms manufacturing abroad. The "zone" is treated as being outside of U.S. Customs territory. The benefits to businesses located in a FTZ include:

- **Duty Deferral.** No duty on imports until they leave the FTZ for domestic destination
- **Duty Exemption.** No duty on items brought into the FTZ and exported, as these items never enter Customs territory
- **Inverted Tariff.** Where FTZ manufacturing results in finished product with lower duty rate than the rate on foreign input, finished product may be entered at the duty rate that applies to its condition as it leaves the zone – if approved by FTZ Board.
- **Logistical Benefits.** Companies using FTZ procedures may have access to streamlined customs procedures (*e.g.*, "weekly entry" or "direct delivery").
- **Scrap/Waste.** Duty may be reduced on foreign articles that become scrap/waste through FTZ activity.
- **Other Benefits.** No state or local personal property tax on domestic inventory held for export or on imported inventory.

WHAT ACTIVITY IS PERMITTED IN FTZs?

- In an FTZ, merchandise may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed, & destroyed.
- Certain activity (*e.g.* manufacturing/processing) needs specific approval by FTZ Board.
- Retail trade is prohibited. No one can reside in an active FTZ.

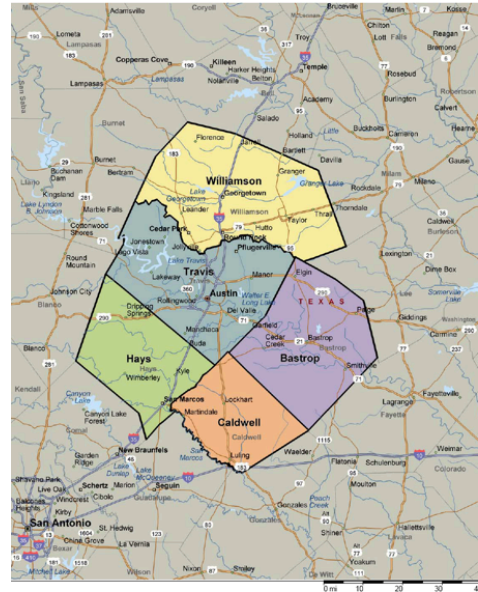
- All other federal, state, and local laws apply. FDA, TTB, and EPA all have regulations that apply to FTZs.

Alternative Site Framework and FTZ 183

The US Foreign-Trade Zones Board has adopted a new set of rules called the Alternative Site Framework (ASF). Under ASF, the FTZ grantee applies for “pre-designation” of a service area (typically defined by counties). This pre-designation can result in an expedited approval process when a business wishes to activate as a zone user with a shorter application.

The Foreign Trade Zone of Central Texas was approved into the ASF program in 2012 and its service area includes the entire five-county metropolitan area (Bastrop, Caldwell, Hays, Travis, and Williamson Counties), allowing for expedited and low cost access to the program for new and existing businesses.

In addition, there are currently 2,818 acres of property spread throughout Williamson, Travis and Hays counties that are magnet sites. Any business can locate on that property and be eligible to "activate" FTZ operations with U.S. Customs and Border Protection.



Application and Activation Process

Putting a subzone/usage driven site into operation is a two-stage process. The first stage is gaining approval by the US Foreign-Trade Zones Board. The second stage is gaining approval by U.S. Customs and Border Protection for activation to allow merchandise to be admitted to the site in zone status. Only after the approval of activation will users gain the benefits conferred under the FTZ Act.

A Quick Note: Foreign Trade Zone and Freeport

There is quite a bit of overlap of the FTZ and Freeport exemptions. Freeport exempts inventory that is held in Texas for less than 175 days. The FTZ exempts any item imported from outside the U.S., regardless of the ultimate destination, and there is no time restriction. So, inventory that is held in Austin for 90 days and then goes to Arkansas would be exempt under Freeport, but not FTZ. Inventory imported into an Austin FTZ from Japan that is sold to a customer in Fort Worth is exempt under FTZ, but not Freeport. Practically speaking, for jurisdictions, which have a Freeport exemption, the incremental effect of the FTZ is to exempt inventory that has been imported from outside the U.S. and is destined for a Texas customer. All other inventory that might be exempt under the FTZ exemption is already exempt under Freeport. And, of course, the Freeport exemption applies to all property within the jurisdiction, while the FTZ exemption is site specific, applying only to inventory in activated FTZ space.