



Using a Foreign Trade Zone in North Texas

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Topics

- ▶ How do I get a FTZ designation?
- ▶ How do I access FTZ benefits?
- ▶ What do I need to be careful about?

Approving the geography

- ▶ Each of the four area FTZs has pre-designated sites.
- ▶ If not in a pre-designated site, but within the Service Area, any business which intends to use the FTZ is eligible for expedited approval:
 - ▶ Make a request to the appropriate Grantee: DFW Airport, Alliance, or Midlothian.
 - ▶ Compile basic information:
 - ▶ Address, acreage, legal description, zoning
 - ▶ Map or schematic showing existing and planned buildings
 - ▶ Company name and planned activities
 - ▶ Identify owner of property, and if not the business, evidence of right to use (current lease, owner consent letter)
 - ▶ Concurrence letter from DFW Customs
 - ▶ Concurrence letters from impacted local taxing authorities
 - ▶ With needed information, approval in less than 45 days (current timing about 3 weeks)

Approving the geography – tax authority approvals

- ▶ FTZ Act prohibits state or local governments from assessing ad valorem tax on inventory that has either been imported into a FTZ, or is held in the FTZ for export.
- ▶ FTZ Board approves zone projects based on “public interest”
 - ▶ Views of taxing authorities are important
 - ▶ For ASF FTZs, FTZ Board has effectively pre-approved any business in the Service Area, pending views of taxing authorities
 - ▶ A concurrence letter from each authority completes the process

Approving the geography – tax authority approvals

- ▶ Key to getting prompt approval:
 - ▶ Understand impact
 - ▶ Understand offsetting benefits
 - ▶ Communicate
- ▶ Different from, but significant overlap with, the Texas Freeport Exemption;
 - ▶ FTZ Exemption: imports and exports
 - ▶ Freeport Exemption: property leaving Texas within 175 days
 - ▶ In Freeport areas, biggest incremental FTZ Exemption benefit is usually imported inventory sold to Texas customers.
- ▶ Texas School Finance Impact
 - ▶ School districts have two primary sources of revenue, property taxes and state funding
 - ▶ FTZ property (like Freeport property) is not counted for Texas school finance rules
 - ▶ State of Texas largely holds school districts harmless from FTZ tax loss, with some exceptions

Accessing benefits

- ▶ Operating agreement with the grantee
- ▶ Production authority
 - ▶ Manufacturing, assembling, kitting
 - ▶ Separate approval needed
 - ▶ New regulation make simpler and easier
- ▶ Activation with Customs
 - ▶ Inventory control and recordkeeping
 - ▶ Facility security
 - ▶ Background checks on key personnel
 - ▶ FTZ operator's bond

Be careful

- ▶ Have a good cost/benefit assessment before proceeding
 - ▶ Validate achievable benefits
 - ▶ Understand operating costs

- ▶ Understand property tax impact of your project
 - ▶ Separate considerations for each impacted jurisdiction
 - ▶ Talk with them early in the process

- ▶ If activity involves more than distribution
 - ▶ Evaluate need for production authority
 - ▶ Generally fast and easy, but required in advance