Using a Foreign Trade Zone in North Texas

Bill Methenitis william.methenitis@ey.com

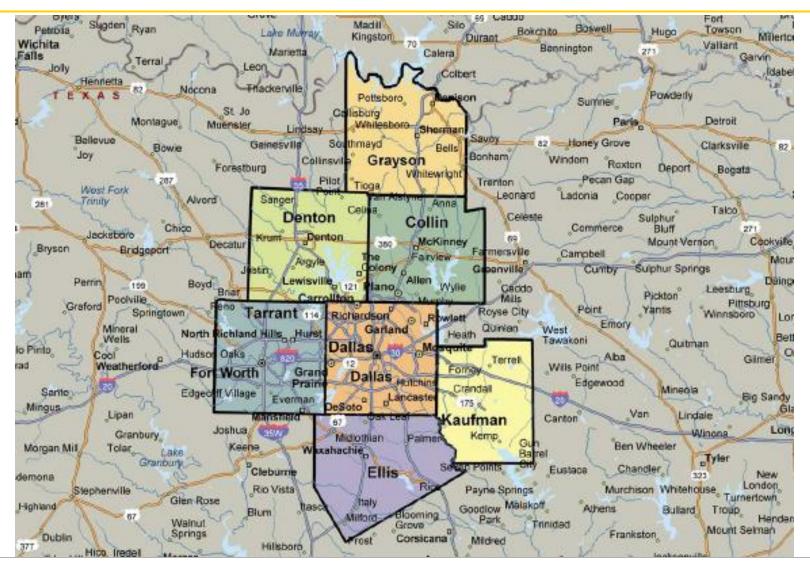
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Topics

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

North Texas FTZ service areas



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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

