



# The AZ FTZ Program The most lucrative in the USA

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COAC committee





# What is an FTZ?

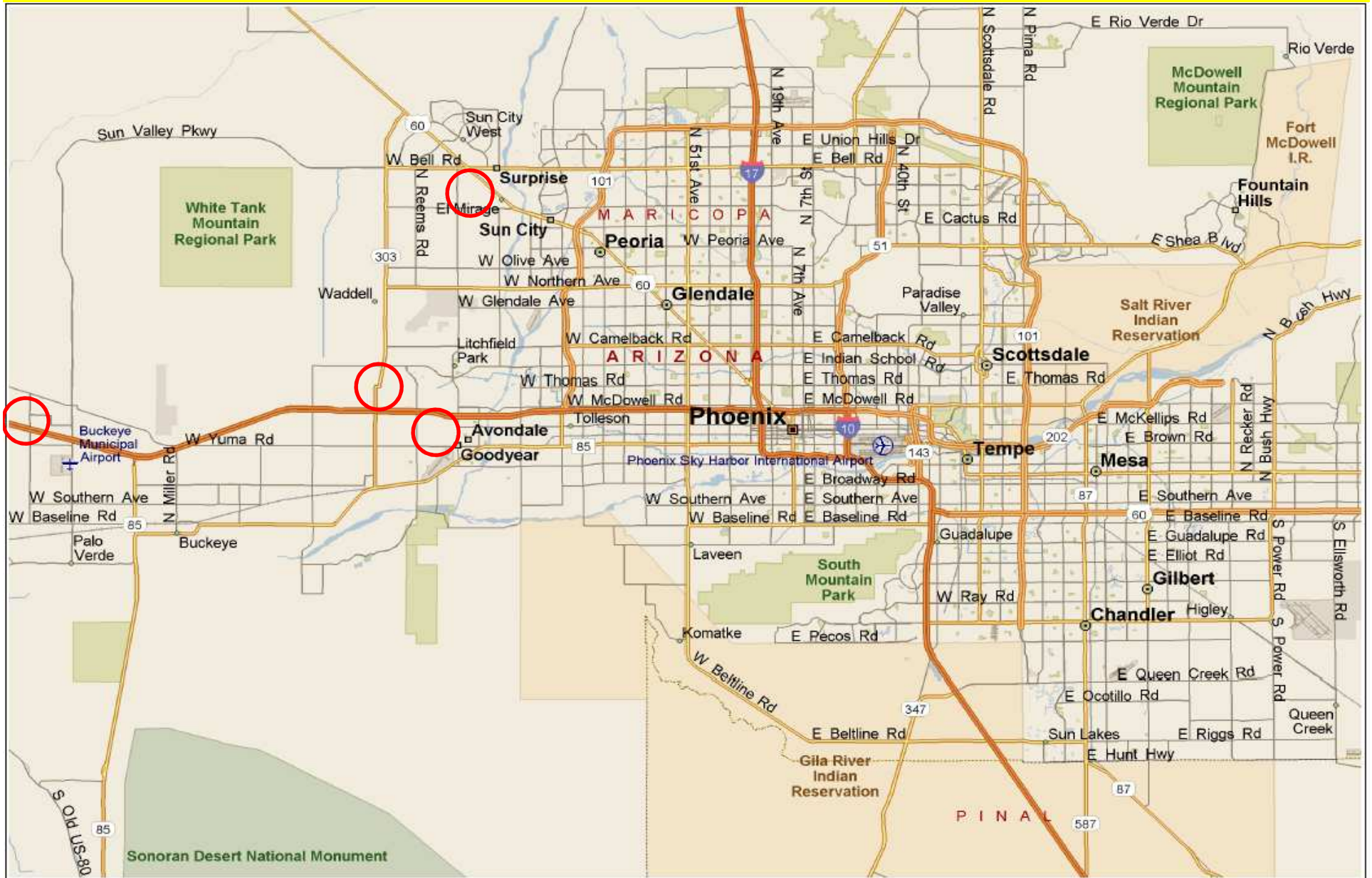
- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in TX and AZ.
- Anyone – any business who qualifies can get it.



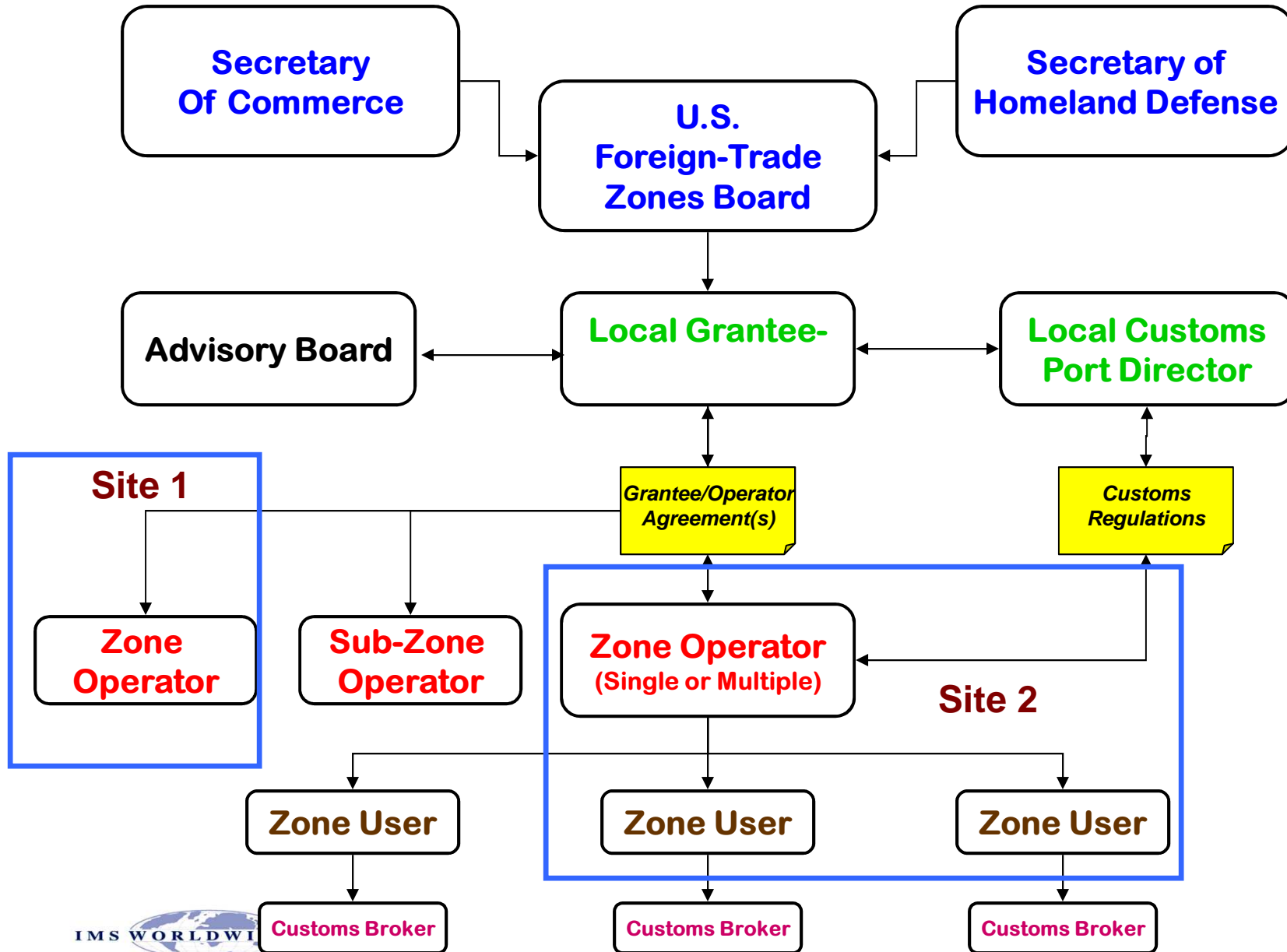
# What is the structure of an FTZ?

- **Federal Approvals (Commerce and DHS).**
- **Local Approvals/Sponsorship (the Grantee and Customs).**
- **Operators (In-house or 3<sup>rd</sup> Party Operators).**

# Sites in the New FTZ # 277 Zone



# FTZ Authority Structure





## Role of the Greater Maricopa FTZ

- Private, non-profit corporation authorized to establish and operate a General Purpose FTZ
  - provides support to Cities & Landowners
- Saves Cities money by Cities not having to pay upfront or ongoing costs
- GMFTZ will administer, market and promote the Zone's development & provide support to Users/Operators and Land-Owners.
- Membership for City on advisory board of GMFTZ



# So, What does an FTZ do?

- The FTZ **speeds up the supply chain.**
- The FTZ **importing process costs less.**
- The FTZ **security is better** than other methods.
- FTZs Create JOBS!

**FASTER - CHEAPER - BETTER**



# Using the an FTZ to Cut Costs

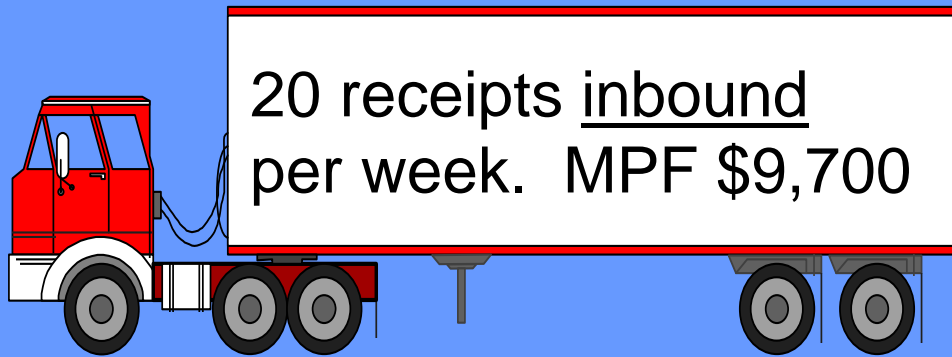
- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



# How does an FTZ Cut Costs?

The FTZ importing process **costs less:**

- **\$300,000 to \$1,000,000 on AVERAGE:**
  - Duty Deferral
  - Duty Elimination
  - Duty Reduction
- **State Tax Reduction (TX, AZ)**
- **Merchandise Processing Fee Elimination**
- **let me explain this last step....**



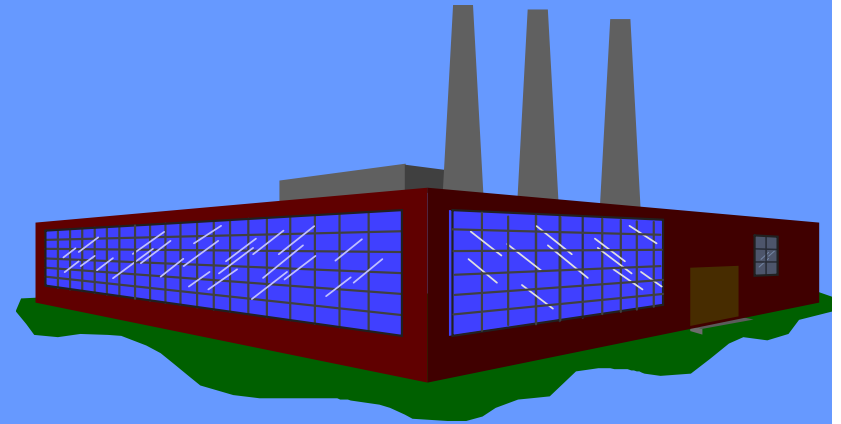
Shipments into Site

In a single week an FTZ importer can save  
\$9,200/week in MPF Fees, or

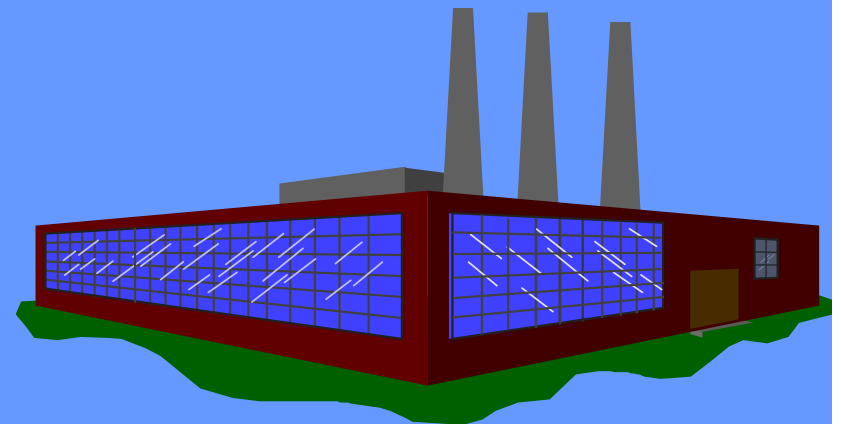
**\$479,180 per YEAR!**



Shipments into commerce  
with weekly entry.



**Pre-Foreign-Trade  
Zone**



**Foreign-Trade Zone**



# Who Uses the FTZ?

- **FTZs are used by:**
  - **Manufacturers (oil, auto, solar, appliance, R&D, pharma, etc)**
  - **Importers (retail, consumer goods companies).**
  - **3PLs (3<sup>rd</sup> Party Logistics Providers).**
  - **REITs – Developers (as a benefit to their customers).**



# Retail Importers Using FTZ's

- Dell
- HP
- Onkyo
- Winnebago
- Skechers
- Reebok
- Adidas
- IKEA (3)
- Black and Decker (4)
- Academy Sport Goods (2)
- Laufen Tile (3 DC's)
- Arizona Tile



# Retail Importers Using FTZ's (primarily for MPF savings)

- Gymboree
- Helen of Troy
- Sharp Electronics
- J C Penney's
- JVC Electronics
- Pioneer Electronics
- Thompson Consumer Electronics
- Conair
- JJ Baker
- Oneida



# Retail Importers Using FTZ's

- Nine West
- Coach Leather Goods
- Mercury Marine
- Sony (3) Adding 7 DC's in LA
- LA Gear
- Lexmark Printers
- Keds
- Clarion
- Abercrombie & Fitch
- AMAZON.COM
- SubZero



# Using the an FTZ to Cut Costs

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



# An FTZ allows me to alter Duty Rates!

- If my parts (imported) carry ANY duty at all:
- AND— my finished product which I manufacture or assemble can be imported by a competitor directly---at 0% Duty---  
**I CAN GET THE SAME BENEFIT!**
- Whether it's crude oil, TVs, satellite dishes, solar panels, refrigerators, **WHATEVER!!**
  - **Some Restrictions Apply!!**



# An FTZ allows me to alter Duty Rates!

- This “rule” works for Pick-&-Pack too!
- Example: Speakers carry 4.9% duty. DVD players are 0%. Home Theater Systems (ie. Combined: speakers + DVD players) are dutiable at ZERO%
- Therefore I claim 0%.
- **For every \$10 Million in Speakers, I save \$490,000!!**



# Using the an FTZ to Cut Costs

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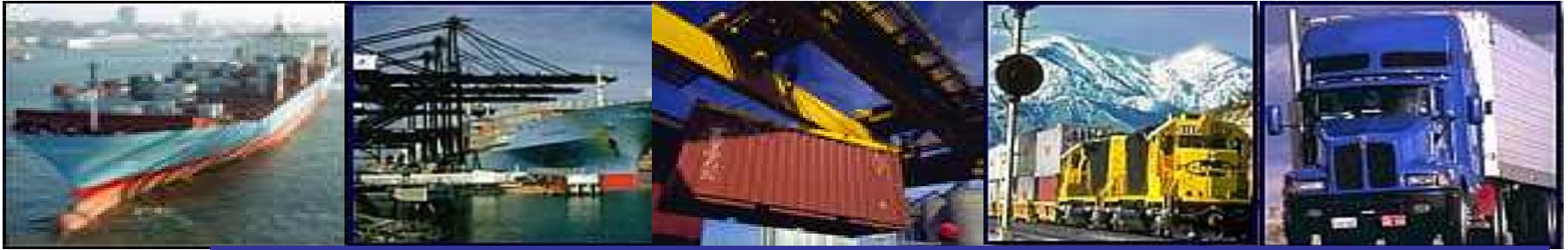
## AZ-FTZ Typical Tax Policies

- Greenfield sites get 5% Re-Class, existing sites (with development) only get 5% on NEW construction or added value. Protects all current tax entity revenue.
- Same as other Valley cities with Foreign Trade Zones:
  - Mesa
  - Phoenix
- Non-restrictive on type of company that can qualify for local FTZ benefits



## Tax/Economic Implications

- Assessed valuation of activated FTZ site reduces to 5% from 20%
- Generates additional tax revenues when compared to agricultural-use sites (\$300 per 10 acres)
- Catalyst for other development not requiring FTZ tax benefits which results in full tax rate on those businesses
- New development brings additional tax revenues sooner
- Many FTZ companies bring higher paying jobs



# Why is there so much interest in the FTZ process?

- ECONOMICS! FTZ's PAY FOR THEMSELVES!
- FTZ status (approved and activated) gives a huge Federal and Local incentive to the businesses that use it.
- Qualifying is the issue. Federal regulations are strict, but not too strict.
- The importing community has now embraced the FTZ process nationally! EXAMPLE:

**Foreign-Trade Zone Cost-Benefits Projections:  
AZ DC Case case 2**

<b>FTZ Benefits &amp; Expenses By Type</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>FTZ Benefits</b>					
Re-Exports <sup>1</sup>	\$0	\$0	\$0	\$0	\$0
Reject, scrap, & military sales	112,500	118,125	124,031	130,233	136,744
One-time benefit <sup>2</sup>	---				
Ongoing duty deferral	335,813	352,603	370,233	388,745	408,182
Property Tax Benefits	733,950	755,969	778,648	802,007	826,067
Merchandise Processing Fee savings	289,780	304,269	319,482	335,457	352,229
<b>Total FTZ Benefits</b>	<b>\$1,472,043</b>	<b>\$1,530,966</b>	<b>\$1,592,395</b>	<b>\$1,656,441</b>	<b>\$1,723,223</b>
<b>FTZ-RELATED EXPENSES</b>					
Internal FTZ Operation Expenses	\$135,000	\$139,050	\$143,222	\$147,518	\$151,944
Grantee fees	15,000	15,450	15,914	16,391	16,883
<b>TOTAL FTZ-RELATED EXPENSES</b>	<b>\$150,000</b>	<b>\$154,500</b>	<b>\$159,135</b>	<b>\$163,909</b>	<b>\$168,826</b>
<b>NET FOREIGN-TRADE ZONE BENEFITS</b>	<b>\$1,322,043</b>	<b>\$1,376,466</b>	<b>\$1,433,260</b>	<b>\$1,492,532</b>	<b>\$1,554,397</b>

Totals may vary, due to round

<sup>1</sup>Export benefits to Canada and/or Mexico subject to applicable free trade agreements.

Application and activation expense	\$75,000
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<sup>2</sup> One-time benefit available after 13 weeks	\$5,596,875
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# Example 2-Smaller Volume Importer 400,000 ft building

FTZ Benefits & Expenses By Type	Year 1	Year 2	Year 3	Year 4	Year 5
<b>FTZ Benefits</b>					
Re-Exports <sup>1</sup>	\$10,106	\$10,611	\$11,141	\$11,699	\$12,283
Reject, scrap, & military sales	5,053	5,305	5,571	5,849	6,142
One-time benefit <sup>2</sup>	---				
Ongoing duty deferral	9,954	10,452	10,974	11,523	12,099
Property Tax Benefits	466,470	480,464	494,878	509,724	525,016
Merchandise Processing Fee savings	25,308	26,574	27,902	29,297	30,762
<b>Total FTZ Benefits</b>	<b>\$516,891</b>	<b>\$533,406</b>	<b>\$550,467</b>	<b>\$568,092</b>	<b>\$586,303</b>
<b>FTZ-RELATED EXPENSES</b>					
Internal FTZ Operation Expenses	\$90,000	\$92,700	\$95,481	\$98,345	\$101,296
Grantee fees	10,000	10,300	10,609	10,927	11,255
<b>TOTAL FTZ-RELATED EXPENSES</b>	<b>\$100,000</b>	<b>\$103,000</b>	<b>\$106,090</b>	<b>\$109,273</b>	<b>\$112,551</b>
<b>NET FOREIGN-TRADE ZONE BENEFITS</b>	<b>\$416,891</b>	<b>\$430,406</b>	<b>\$444,377</b>	<b>\$458,820</b>	<b>\$473,752</b>

Totals may vary, due to rou

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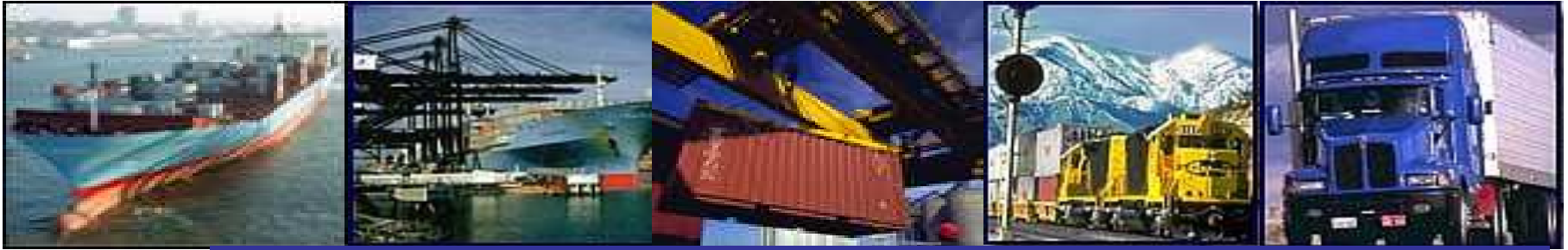
IMS WORLDWIDE INC.

<sup>2</sup> One-time benefit available after	9 weeks	\$165,901
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# What is the process to get a new FTZ?

- Call IMSW at 281-554-9099
- We can create or “connect” you to the Grantee that will sponsor your application under the super-fast ASF format, available by April 1, 2011.
- Activation is required to take advantage of the 75% Tax Break.
- Normal processing time for all this = 12-18 ~~months. NO, now~~ it can all be done in 6 months!



# Bottom Line?

- FTZ process is now a “site requirement” 40-50%
- FTZ pays for itself at 250-300% ROI in the first year of implementation---if you Qualify.
- FTZ status is becoming a real factor in speeding up the supply chain, which for many of your customers is WAY more important than supply chain costs



AZ FTZs

**Any Questions?**