



The West Valley's Own FTZ No. 277

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IMS WORLDWIDE INC.

Member of the 9th and 10th

COAC committee



What is an FTZ?

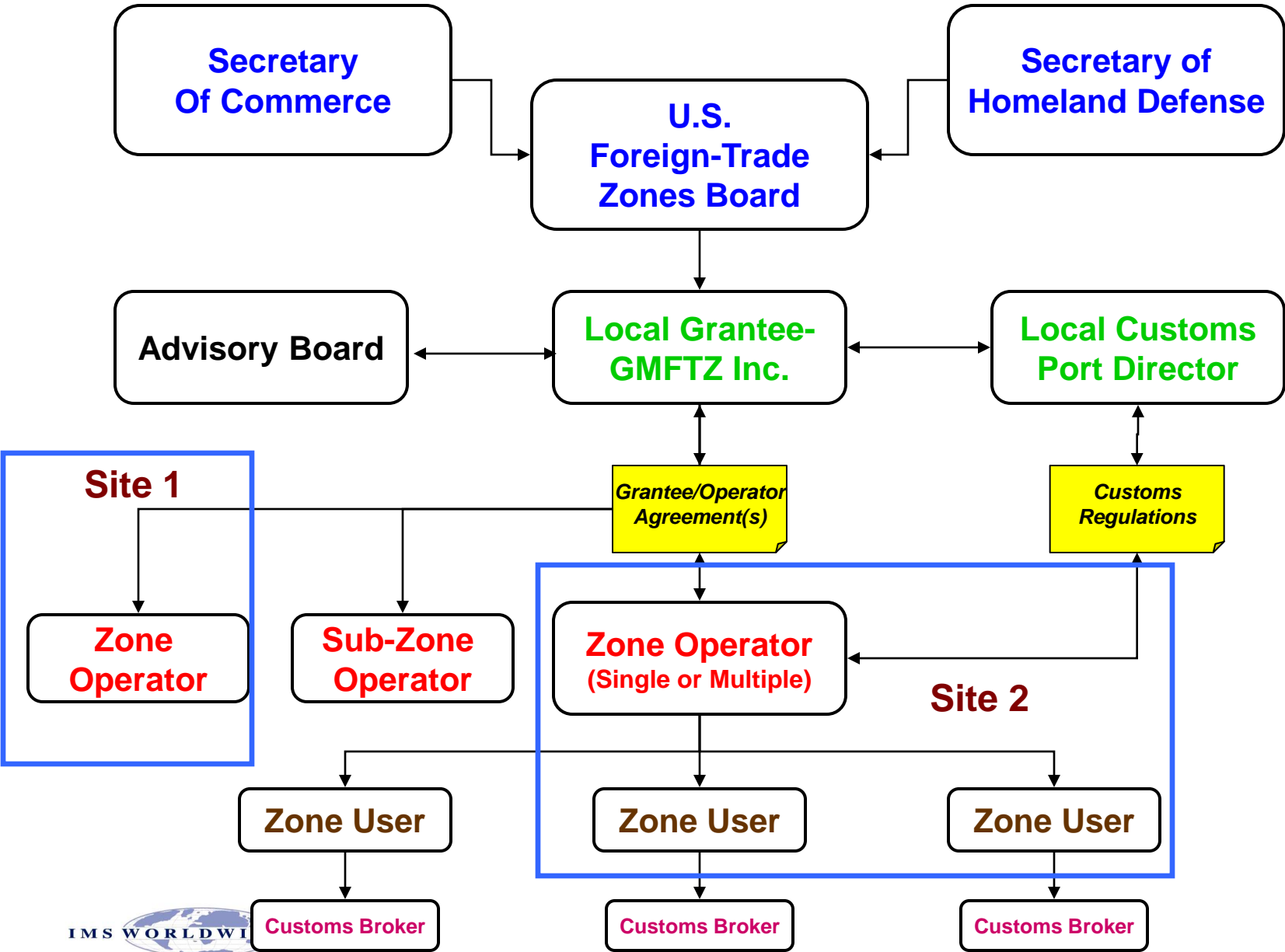
- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in OH, TX and AZ.
- Anyone – any business who qualifies can get it.



What is the structure of an FTZ?

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

GMFTZ Authority Structure

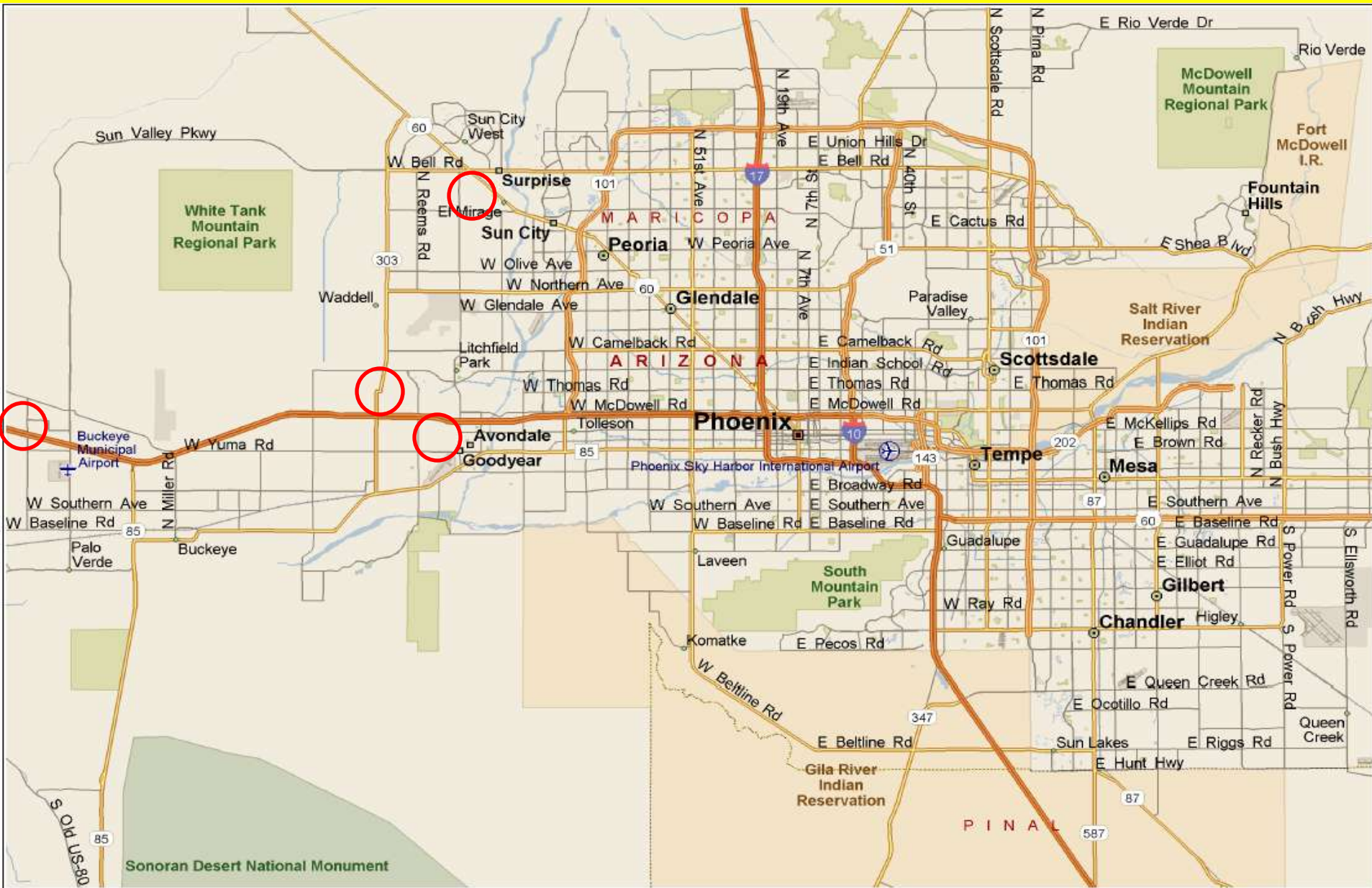




Role of the Greater Maricopa FTZ

- 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

Sites in the New FTZ # 277 Zone



Sites that want to be added to GMFTZ Zone

Phoenix, Arizona



Surprise Pointe FTZ Site 2

www.SURPRISEPOINTE.com

±290 ACRE COMMERCIAL BUSINESS PARK

OFFICE / RETAIL / INDUSTRIAL LOTS

-  ESCROW
-  AVAILABLE
-  CLOSED





FTZ Benefits

- 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

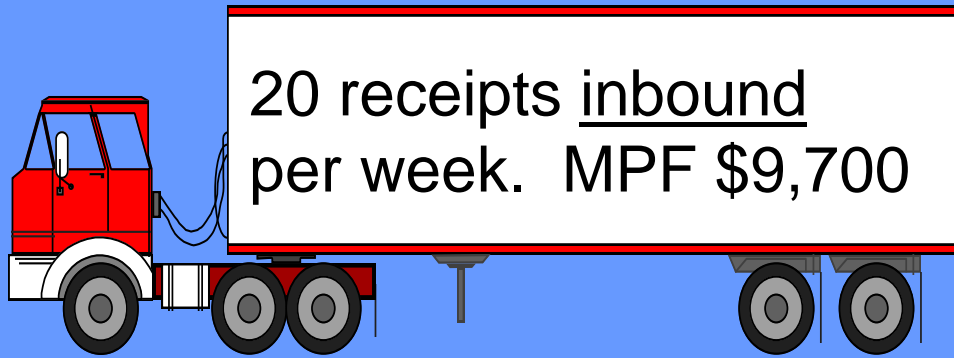
- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



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....**



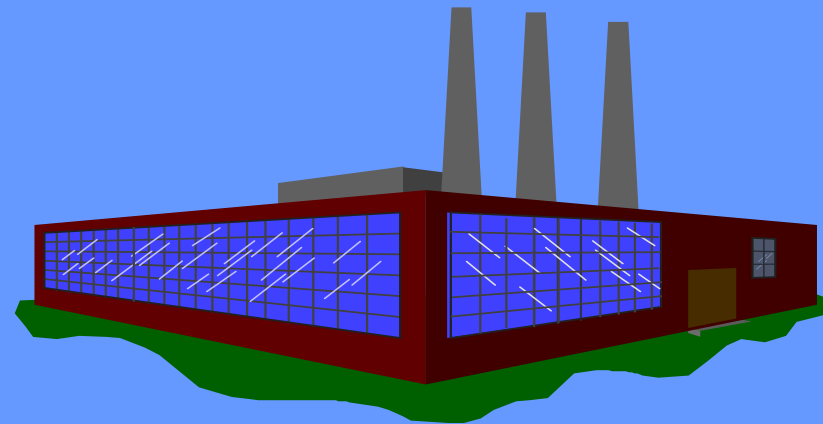
Shipments into Site

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

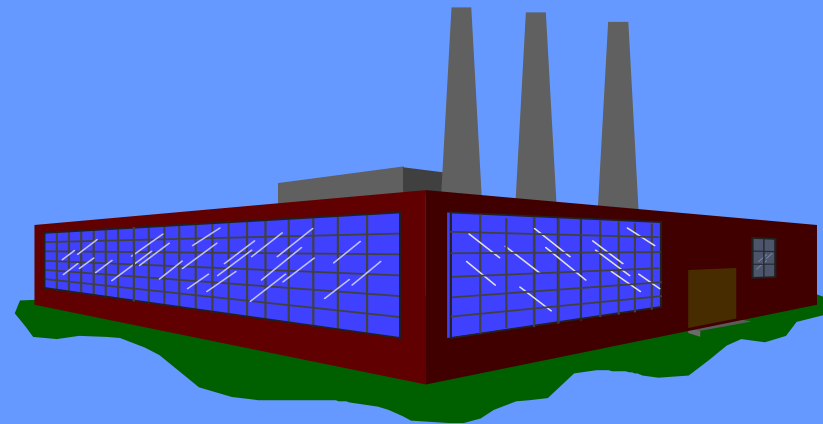
\$479,180 per YEAR!



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 (3rd 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

- **MPF & Broker Savings**
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GMFTZ Inc. 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

FTZ Benefits & Expenses By Type	Year 1	Year 2	Year 3	Year 4	Year 5	5-YEAR TOTAL
FTZ Benefits						
Re-Exports ¹	\$0	\$0	\$0	\$0	\$0	\$0
Reject, scrap, & military sales	112,500	118,125	124,031	130,233	136,744	621,634
One-time benefit ²	---					
Ongoing duty deferral	335,813	352,603	370,233	388,745	408,182	1,855,576
Property Tax Benefits	733,950	755,969	778,648	802,007	826,067	3,896,640
Merchandise Processing Fee savings	289,780	304,269	319,482	335,457	352,229	1,601,217
Total FTZ Benefits	\$1,472,043	\$1,530,966	\$1,592,395	\$1,656,441	\$1,723,223	\$7,975,067
FTZ-RELATED EXPENSES						
Internal FTZ Operation Expenses	\$135,000	\$139,050	\$143,222	\$147,518	\$151,944	\$716,733
Grantee fees	15,000	15,450	15,914	16,391	16,883	79,637
TOTAL FTZ-RELATED EXPENSES	\$150,000	\$154,500	\$159,135	\$163,909	\$168,826	\$796,370
NET FOREIGN-TRADE ZONE BENEFITS	\$1,322,043	\$1,376,466	\$1,433,260	\$1,492,532	\$1,554,397	\$7,178,697

Totals may vary, due to rounding.

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

Application and activation expense	\$75,000
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² 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
FTZ Benefits					
Re-Exports ¹	\$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 ²	---				
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
Total FTZ Benefits	\$516,891	\$533,406	\$550,467	\$568,092	\$586,303
FTZ-RELATED EXPENSES					
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
TOTAL FTZ-RELATED EXPENSES	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551
NET FOREIGN-TRADE ZONE BENEFITS	\$416,891	\$430,406	\$444,377	\$458,820	\$473,752

Totals may vary, due to rou

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

Application and activation expense	\$75,000
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IMS WORLDWIDE INC.

² One-time benefit available after	9 weeks	\$165,901
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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