

## **TST NA TRIM LLC**

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TST NA TRIM LLC is the legal name for TST NA TRIM (TST). TST is a Japanese manufacturing company expanding their business in Hidalgo. This location will be their Flame Lamination Facility where foam will be laminated to fabrics or leather. The seats will then be shipped to Mexico (Matamoros or Nuevo Laredo for seat cover trimming). After this process, the seats will be shipped to either US or Canada for seat framing. The finished products are then shipped to Honda.

TST NA TRIM has a corporate office in Ohio.  
They have a total of 67 locations in 11 countries.

### **Economic Impact**

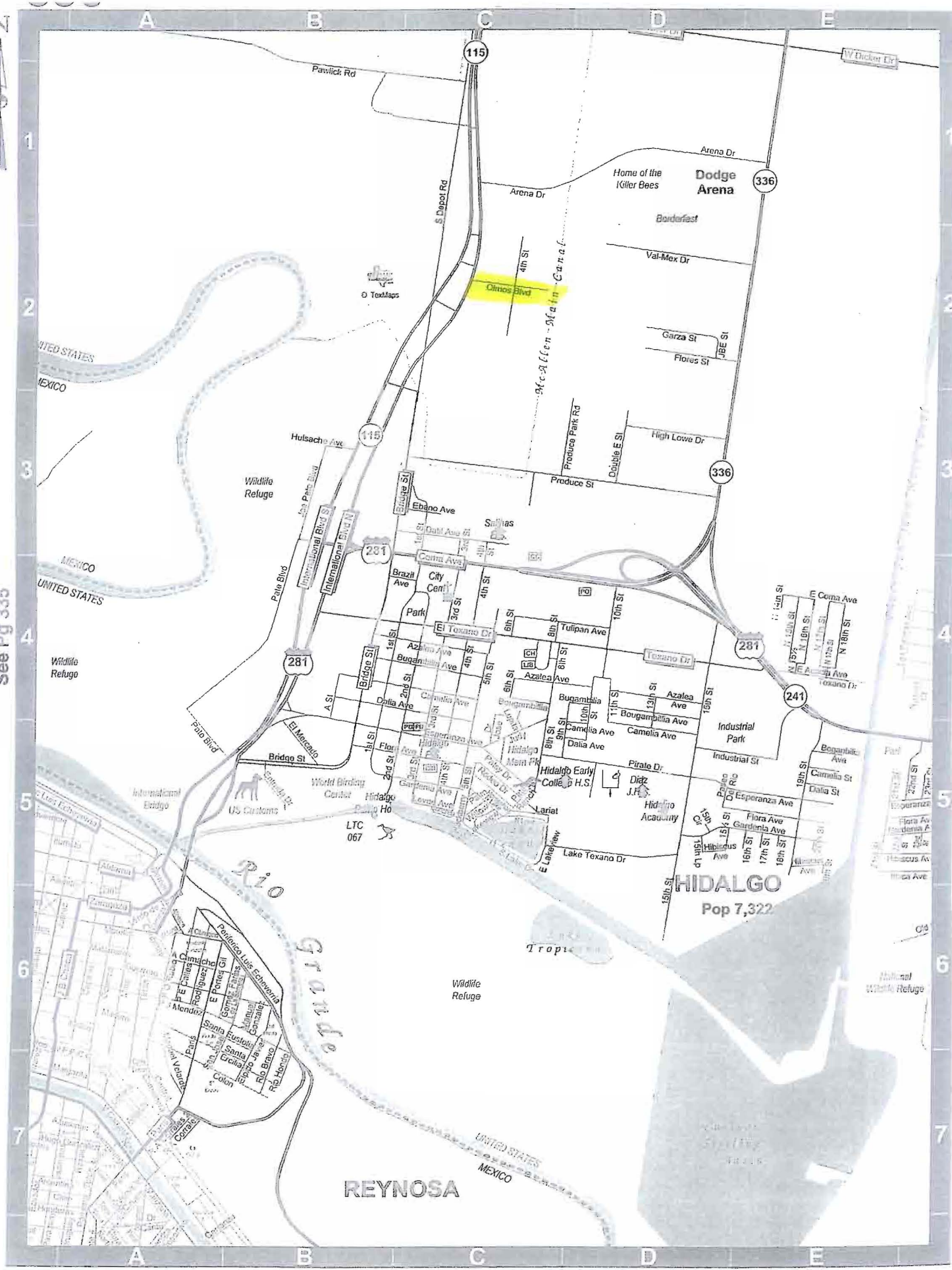
On December 2011, TST NA Trim established its manufacturing company at Hidalgo's Tres Puentes Industrial Park. TST has created employment for the residents of Hidalgo and neighboring cities. They currently have 27 employees and plan to hire an additional 23 employees by mid-year. They are considering making this facility their central operation plant thus creating additional jobs for the near future. TST has invested \$2 million on tenant equipment and \$4 million on machinery equipment bringing a total of \$6 million in private investment.

### **Facility**

The physical address for TST NA Trim LLC is 401 Olmos, Hidalgo, Texas located within Hidalgo's Tres Puentes Industrial Park. This facility located at 401 Olmos, Hidalgo, Texas is the only address named in the subzone application for Foreign Trade Zone status.



See Pg 335



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## Chapter 2

### LAWS, REGULATIONS, ORGANIZATION, DUTIES, AND GENERAL INFORMATION CONCERNING FOREIGN-TRADE ZONES

2.1 Laws and Regulations - Foreign-trade zones operate under the Foreign-Trade Zones Act and two sets of regulations; the Foreign-Trade Zones Regulations (15 CFR Part 400) and the Customs Regulations (19 CFR Part 146). They are also affected by other laws and regulations. This section deals with the interplay among the various laws and regulations and how they are applied in zones. Whenever the term "zone" or "FTZ" is used in this manual, it is understood to include subzones, unless the context indicates otherwise.



(a) Foreign-Trade Zones Act - The principal statute governing foreign-trade zones is the Foreign-Trade Zones Act of 1934 (FTZA), which has been codified in the United States Code as Title 19, Sections 81a through 81u. The FTZA has been periodically amended. The FTZA generally covers how and where zones are established, how they are administered, and what may and may not be done in them. Every zone grantee and operator, and most zone users, should have a copy of the FTZA, updated with recent amendments.

(b) Foreign-Trade Zone Regulations - The Foreign-Trade Zones Regulations provide regulations and procedures on how zones are established and modified; how they are to be managed and administered by zone grantees and operators; and how the Foreign-Trade Zones Board conducts its business.

(c) Customs Laws and Regulations - Merchandise of every description, except such as is prohibited by law, may be brought into a foreign-trade zone and stored or processed there under certain circumstances without being subject to the Customs laws of the United States. (19 USC 81c(a)). "Customs laws" means, generally, the laws codified in Title 19 of the U.S. Code, including the Harmonized Tariff Schedule of the United States. The Foreign-Trade Zones Act itself is a Customs law, since it is codified in Title 19. "Customs laws" also includes Sections 541 through 552 of Title 18, U.S. Code, since they were included in the original Tariff Act of 1930, most of which was codified in Title 19.

(1) Applicability of Customs Laws - Except as otherwise provided, Customs laws are not usually applicable in zones. However, they are applicable to merchandise passing through U.S. Custom's territory before admission to, or after transfer from, foreign-trade zones. Customs laws are also applicable to prohibited merchandise in a zone (see Section 6.2 FTZM), vessels and aircraft entering or leaving a zone (see Section 2.5 FTZM), and merchandise which has been brought into a zone for purposes not specified in the Act. (Section 15 CFR 400.1(c)).

(5) apply to the Board for a grant of authority to establish a subzone or to expand or otherwise modify its zone project (15 CFR 400.22(d), 400.26(a)(1));

(6) to permit the erection of buildings necessary to carry out the approved zone project in accordance with 19 USC 81m and 15 CFR 400.28(a)(6);

(7) operate, maintain, and administer the zone project under the FTZA, FTZR, CR, applicable laws and regulations administered by Customs for other agencies or administered directly by other agencies, and the schedules of rates and charges made and fixed by the grantee, in accordance with 15 CFR 400.41, 400.42(b)(1);

(8) make written application to the Port Director for approval of a new zone operator, pursuant to 19 CFR 146.7(e), (f);

(9) the grantee may make application if acting as the operator or must provide concurrence to a request for activation, de-activation or reactivation.

(b) Operators - An operator is a corporation, partnership, or person that operates a zone or subzone under the terms of an agreement with the zone grantee. (19 CFR 400.2(q). For Customs purpose, the term "operator" includes a zone grantee that operates its own zone. (19 CFR 146.1(b). Activation of a zone requires the execution of a Foreign-Trade Zone operator's bond on Customs Form 301, which contains the bond conditions required by 19 CFR 113.73. (19 CFR 146.6(d), (c). The bond insures the principals' agreement to comply with the pertinent laws and Customs regulations, and section 146.4, Customs regulations and delineates the particular responsibilities of the operator. The grantee may also be considered the operator for Customs Regulation purposes.

(c) Zone Users - A zone user is a corporation, partnership, or person that uses a zone under agreement with the zone grantee or operator for storage, handling, processing, or manufacturing of merchandise in zone status, whether foreign or domestic. (15 CFR 400.2(t) and 19 CFR 146.1(b)). Usually, the zone user is the entity which requests a Customs permit to admit, process, or remove zone status merchandise. In subzones, the operator and user are usually the same entity. They may be permitted by the grantee to construct their own buildings or structures in which they conduct their own business, according to the provisions of 19 USC 81m and 15 CFR 400.28(a)(6). They are sometimes referred to as "tenants", but the more inclusive term "users" is used in this Manual.

\* 2.4 Subzones - A subzone is a special-purpose zone established as part of a zone project for a limited purpose that cannot be accommodated within an existing zone. (19 CFR 146.1(b)(17) and 15 CFR 400.2(n)). A subzone may be authorized if the Board finds that the operation cannot be served in the existing zone project and meets the required public

interest test in 15 CFR 400.23(b). Subzones were originally authorized in 1952 under FTZO 29, and the courts have approved subzone designations. See, e.g., *Armco Steel v. Stans*, 431 F.2d 779 (2d Cir. 1970).

**2.5 Vessels and Other Carriers** - Vessels and carriers entering and leaving a zone are subject to the laws of the United States, except as otherwise provided in the FTZA. Vessels leaving a zone and arriving in the Customs territory are subject to regulation under Title 19 CFR Part 4 to protect the revenue and carry out laws concerning navigation. Foreign-flag vessels are not permitted to carry goods shipped from one zone to another zone or port or points within the zone in the protected U.S. coastwise trade. (19 USC 81e and 19 CFR 146.12(b)). Through the operation of 19 USC 1644a, the foregoing vessel provisions are applicable also to aircraft entering and leaving a zone. The docking, loading, and unloading facilities of a zone are intended primarily for the use of vessels, aircraft, and vehicles loading or unloading zone merchandise. Their use for other purposes may be terminated if found to endanger the revenue or impede the primary use of the facility. (19 CFR 146.12(a)).

(a) **Movement of Zone Merchandise** - Imported merchandise, including that imported in mail shipments, being transported to and from foreign-trade zones through the Customs territory must be transported in bond under the provisions of 19 CFR Parts 18, 112, and 125. (19 CFR 146.11 and 144.37(g)). Domestic goods transported to a zone or goods removed from a zone comprised wholly of domestic status products need not be transported in bond.

**2.6 Supplies Used in Zone** - Supplies brought into a zone for use in a manner other than those uses enumerated in 19 USC 81c(a) are not entitled to exemption from applicable duties, taxes and fees under the FTZA, and therefore do not have zone status. Such supplies may include, but are not limited to, office furniture, office machines, and office equipment, food to be eaten in the zone; and water and fuel which do not become part of a zone product (except certain fuel noted in Section 2.6(a) FTZM which is exempt under the FTZA).

(a) **Receipt of Supplies** - If such supplies are imported, they cannot be brought into a zone without first being entered for consumption. Supplies which are produced in a zone from imported material and consumed in the zone are considered by Customs to have lost their exemption from duty under the FTZA, and must be entered for consumption, except for certain petroleum refinery fuels covered by the fact situation cited in *Hawaiian Independent Refinery v. United States*, 460 F. Supp. 1249 (Cust. Ct. 1978). (See CSD 79-418 and Section 11.6(j) FTZM).

(1) User Fee Airports - User fee airports established under 19 USC 58b may be accepted by the Board as the equivalent of ports of entry for the purposes of the location requirements of Section 81b, Title 19 (19 USC 81b). Operators of such airports must reimburse Customs for the cost of Customs services to the airport, including any service to a zone established at or in the vicinity of the airport. (19 USC 58b(f); 15 CFR 400.2(i)). This is an exception to the general prohibition against charging any Customs costs to zones. (19 USC 58c(e)(2), (6) and see Section 3.11 FTZM).

(b) Grantee Sponsorship - The Foreign-Trade Zones Board Regulations define eligible grantees when there is more than one zone project for a subzone project. Normally, the closest grantee would be the sponsor of a subzone. However, section 15 CFR 400.22(d)(ii) specifically provides that the zone grantee of another zone in the same state is eligible to apply for a grant of authority if the Board, or the Executive Secretary, finds that such sponsorship better serves the public interest.

(c) Qualifications of Applicant - Grants to public and private corporations will not be approved unless the applicant has been authorized by an act of the state legislature. (15 CFR 400.22(b)(c)). The applicant must demonstrate its ability to adequately finance and conduct the undertaking. (15 CFR 400.23(a)(2)).

\* (d) Subzones - Applications for subzones must be submitted by a grantee of an existing general-purpose zone within the same state, or a state agency specifically authorized to submit such an application by an act of the state legislature. (15 CFR 400.22(d)(i)(iii)). A subzone may be authorized by the Board if the Board finds that the operation cannot be accommodated in the existing multi-purpose zone facilities within the zone project and meets the required public interest test in Sections 15 CFR 400.31 (c) and 400.23(b). In practice, the Board requires additional information from the applicant zone to describe the particular zone benefit(s) sought for the subzone and why such benefits are in the public interest.

(e) Application Fees - In certain circumstances, a fee may be required with the submission of the application to the FTZB. Information regarding the fees may be found in Section 15 CFR 400.29.

(f) Criteria for Grants - When determining whether to issue a grant, the board will consider the need for zone services in the port area, adequacy of operational and financial plans, suitability of site and facilities, extent of state and local support, and views of persons or firms likely to be affected by the project when determining whether to issue a grant. Any zone project that involves manufacturing will have to be evaluated against the criteria in Section 15 CFR 400.3.

(g) Initiation of Procedure - The application procedures and requirements are set out in detail at 15 CFR 400.24 through 400.26. All applications will be filed with the

- (e) Exemption from State and local ad valorem taxation of tangible personal property

Tangible personal property imported from outside the United States and held in a zone for the purpose of storage, sale, exhibition, repackaging, assembly, distribution, sorting, grading, cleaning, mixing, display, manufacturing, or processing, and tangible personal property produced in the United States and held in a zone for exportation, either in its original form or as altered by any of the above processes, shall be exempt from State and local ad valorem taxation.

(June 18, 1934, ch. 590, Sec. 15, 48 Stat. 1002; Oct. 30, 1984, Pub. L. 98-573, title II, Sec. 231(b)(1), 98 Stat. 2991.)

#### AMENDMENTS

1984 - Subsec. (e). Pub. L. 98-573 added subsec. (e).

#### EFFECTIVE DATE OF 1984 AMENDMENT

Section 231(b)(2) of Pub. L. 98-573 provided that: "The amendment made by paragraph (1) (amending this section) shall take effect on January 1, 1983."

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#### § 81p. Accounts and recordkeeping

- (a) Manner of keeping accounts

The form and manner of keeping the accounts of each zone shall be prescribed by the Board.

- (b) Annual report by grantee

Each grantee shall make to the Board annually, and at such other times as it may prescribe, reports on zone operations.

- (c) Report to Congress

The Board shall make a report to Congress annually containing a summary of zone operations.

(June 18, 1934, ch. 590, Sec. 16, 48 Stat. 1002; Dec. 28, 1980, Pub. L. 96-609, title II, Sec. 204, 94 Stat. 3561; Aug. 22, 1986, Pub. L. 99-386, title II, Sec. 203(b), 100 Stat. 823.)

#### AMENDMENTS

1986 - Subsec. (b). Pub. L. 99-386, Sec. 203(b)(1), substituted "reports on zone operations" for "reports containing a full statement of all the operations, receipts, and expenditures, and such other information as the Board may require". Subsec. (c). Pub. L. 99-386, Sec. 203(b)(2), added subsec. (c) and struck out former subsec. (c) which required the Board to make an annual report to Congress containing a summary of the operation and fiscal condition of each zone, and transmit copies of the annual report of each grantee. 1980 - Subsec. (c). Pub. L. 96-609 substituted "by April 1 of each year" for "on the first day of each regular session".