

SENATE BILL REPORT

SB 5157

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 2, 2011

Title: An act relating to the operation of foreign trade zones on property adjacent to but outside a port district.

Brief Description: Concerning the operation of foreign trade zones on property adjacent to but outside a port district.

Sponsors: Senators Murray, Prentice, White, Swecker, Delvin, Kohl-Welles and Shin.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/26/11, 2/02/11 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5157 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Ericksen, Hatfield, Holmquist Newbry, Kilmer, Shin and Zarelli.

Staff: Edward Redmond (786-7471)

Background: Foreign Trade Zones (FTZ) were created in the United States (U.S.) to provide special customs procedures to U.S. manufacturers engaged in international trade-related activities. Duty-free treatment is accorded to items that are processed in FTZs and then re-exported; duty payment is deferred on items until they exit the FTZ for sale in the U.S. market. There is no time limit on goods stored inside an FTZ and certain foreign and domestic merchandise held in FTZs may be exempt from state and local inventory taxes.

FTZs are divided into general-purpose zones (GPZ) and subzones. The FTZ Board accepts and reviews applications for both. State or local governments, port authorities, nonprofit organizations, or economic development agencies typically sponsor GPZs. GPZs involve public facilities that can be used by more than one firm, and are most commonly ports or industrial parks used by small to medium-sized businesses for warehousing/distribution and some processing/assembly. Subzones are sponsored by GPZs but usually involve a single firm site used for more extensive manufacturing/processing or warehousing/distribution, which cannot easily be accomplished in a GPZ.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

FTZs were first authorized under Washington law in 1977. Currently, there are 13 GPZs and five sub-zones operational across the state from Seattle to Spokane, involved in the manufacturing of products from boats to consumer electronics.

Summary of Bill (Recommended Substitute): New authority is granted to port districts concerning FTZs subject to the approval of the U.S. A port district is authorized to establish, operate, and maintain an FTZ within its district and on property adjacent to but outside its district, if the property is beyond the boundaries of any other FTZ grantee and it is not currently designated as a FTZ.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute): Clarifies that a port district is authorized to operate a foreign trade zone both within its district and in an area adjacent to but outside its district. Clarifies the condition and location for which a port district may establish a foreign trade zone outside its district.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: The purpose of this bill is to deal with a unique situation involving the Port of Seattle's FTZ boundaries and a customer's warehouse location. The Port of Seattle's boundaries are coterminous with King County. Under RCW 53.08.030, the Port is authorized to operate FTZs within the district boundaries. The Customer, Amer Sport, has a Woodinville warehouse that sits on the county line and is technically outside of the Port's boundaries. It is also outside of the Port of Everett's boundaries in unincorporated Snohomish County, which is not an FTZ grantee. This bill will allow the Port of Seattle to extend its FTZ boundary outside its district to encompass the warehouse. The Port has a technical amendment to remove confusing language in the bill.

Persons Testifying: PRO: Tom Tanaka, Linda Hull, Port of Seattle.