



City of Austin

Recommendation for Action

File #: 25-1625, **Agenda Item #:** 8.

9/25/2025

Posting Language

Approve the submission of a letter of no-objection to the designation of Applied Materials, Inc.'s Harris Branch, Howard Lane, Metric Boulevard, and Spectrum Drive sites by the U.S. Foreign Trade Zone Board as foreign trade zone sites, which would exempt certain foreign trade zone eligible inventory located at those sites from state and local ad valorem taxation and thereby reduce ad valorem tax revenue by approximately \$119,000 for the City annually. Funding: This action could result in a reduction in ad valorem tax revenue by approximately \$119,000 annually.

Lead Department

Economic Development.

Fiscal Note

This action could result in a reduction in ad valorem tax revenue by approximately \$119,000 annually.

Prior Council Action:

July 24, 2025 - Council approved submission of a letter of no-objection to the designation of Venkel Ltd. by the U.S. Foreign Trade Zone Board as a foreign trade zone facility on an 11-0 vote.

For More Information:

Anthony Segura, Interim Director, Economic Development Department, 512-974-3187.

Additional Backup Information:

The federal foreign trade zone (FTZ) program is designed to assist importers and exporters by reducing U.S. Customs duties, tariffs and other fees. FTZ designation also affects the taxability of inventory located within a FTZ. Inventory that has been imported into a FTZ and domestic inventory held in a FTZ for export are considered to be in international commerce. 19 U.S. Code § 810(e) (Exemption from State and Local Ad Valorem Taxation of Tangible Personal Property) exempts FTZ inventory from state and local personal property taxation. This means that qualified FTZ inventory is not included in the state comptroller's taxable value report. FTZ designation does not affect any property taxes assessed on buildings, equipment, or real estate. The FTZ application process includes notifying the applicable taxing jurisdictions about this ad valorem exemption and obtaining a no-objection letter from the City of Austin for property in the City's jurisdiction.

Applied Materials supplies engineering solutions, including equipment, services, and software for the manufacture of semiconductor chips, displays, and other related products. Applied Materials is seeking FTZ designation across multiple sites in the Austin area to strengthen the efficiency and competitiveness of its U.S. operations and to support retention and future growth of capital investment and employment in Austin, which it represents is a cornerstone of its U.S. operations and a hub for innovation and opportunity. Applied Material states that it currently employs over 5,500 people in the Austin area and that its operations support countless other businesses and their employees and that Applied Materials and its employees also provide extensive community support through donations and community partnerships.

Applied Materials is seeking FTZ designation across multiple sites in the Austin area in order to achieve the

FTZ benefits as inventory regularly moves between locations. FTZ procedures will provide Applied Materials with several customs-related benefits, including importing products into the US, deferring the payment of customs duties until the product leaves the FTZ facility, and eliminating duties when products are exported.