

## **DRAFT MODEL LEGISLATION**

### The Secure Border Manufacturing Zones Incentive Act of 2007

An act providing tax credits equal to \_\_\_\_ percent of the value of qualified equipment and other property purchased by eligible cross-border manufacturing companies within  X  miles along the \_\_\_\_\_ - Mexico border to enhance supply chain visibility of commercial cargo through the implementation of advanced technologies and efficiency protocols.

Existing federal programs administered by the U.S. Department of Homeland Security (DHS) permits qualified businesses to voluntarily participate under the Customs-Trade Partnership Against Terrorism (C-TPAT) – a public / private partnership program aimed providing security and facilitation of commercial supply chain at U.S. land, air and sea ports of entry. Participating businesses provide U.S. Customs and Border Protection (CBP) a security profile outlining the specific security measures and address a broad range of security topics including personnel security; physical security; procedural security; access controls; education training and awareness; manifest procedures; conveyance security; threat awareness; document processing; business partners and relationships; vendors; and suppliers. Security profiles also list actions plans the companies implement to align security throughout the supply chain.

In return C-TPAT partners are offered, among other things, the following benefits:

- A reduced number of inspections and reduced border wait times;
- A C-TPAT supply chain specialist to serve as the CBP liaison for validations, security issues, procedural updates, communication and training;
- Access to the C-TPAT members through the Status Verification Interface;
- In the Automated Commercial System (ACS), C-TPAT certified importers receive reduced selection rate for Compliance Measurement Examinations and exclusion from certain trade-related local and national criteria;
- Self policing and self monitoring of security activities;
- Certified importers receive targeted benefits by receiving a “credit” via the CBP targeting system;
- Certified C-TPAT importers are eligible for access on the FAST lanes on the Canadian and Mexican borders;
- C-TPAT certified highway carriers, on the Canadian and Mexican borders, benefit from their access to the expedited cargo processing at designated FAST Lanes. These carriers are eligible to receive more favorable mitigation relief from monetary penalties;
- C-TPAT certified Mexican manufacturers benefit from their access to the expedited cargo processing at the designated FAST lanes;
- All certified C-TPAT companies are eligible to attend CBP sponsored C-TPAT supply chain security training seminars.

This bill would establish the Secure Border Manufacturing Zones Incentive Act of 2010 to complement federal programs aimed at enhancing security and safety of cross-border shipment of goods by providing eligible businesses within the state with tax incentives equal to \_\_\_ percent of their investment in the purchase of equipment and/or technologies to enhance supply chain visibility of their operations; value added trade; and efficient operations. This bill encourages investments in cargo supply chain security and efficiency processes to promote the development of Secure Manufacturing Zones along the U.S. – Mexico border region.

Eligibility:

- Businesses stationed and operating within X miles of the of the \_\_\_\_\_ border with Mexico;
- Businesses conducting no less than 75% of their operations in cross-border trade activities along the U.S. – Mexico border;
- Businesses licensed by the appropriate local, state and federal agencies on both sides of the border;
- Businesses enrolled in the C-TPAT and Fast and Secure Trade (FAST) programs;
- Businesses that conform to the manufacturing standards established by International Organizations for Standardization (ISO).

Investments Qualified for Tax Incentives

- Investment and implementation of security surveillance technologies on commercial vehicles and manufacturing plants from point of origin until final destination on the U.S. side of the border.
- Investment and implementation of advanced technologies that protect elements of the supply chain, including:
  - Secure trailers with intelligent locking devices and seals that meet ISO standards;
  - System that detects tampering or compromising of cargo;
  - Systems and protocols that provide instant alarms and response of cargo deviation;
  - Collaboration with appropriate federal and state agencies;
- Businesses that, as part of an overall security strategy, conduct and share information with appropriate federal and state agencies the assessment of pertinent drivers and key personnel;
- Retrofitting of commercial vehicles' engines with innovative, efficient natural gas systems and necessary refueling infrastructure;

- Implementation and certification of manufacturing and cross-border trade standards and protocols established by the International Standards Organization (ISO);
- Capital investments to existing manufacturing operations towards value added trade and national defense operations; and creating new jobs in specialized, high-skilled positions related to biotechnology, defense, medical, software, and other value added manufacturing fields;
- Investment in an integrated supply chain transportation systems that incorporates sophisticated, embedded broadband communications technology;