

House Bill 707

By: Representatives Golick of the 30<sup>th</sup>, Wix of the 33<sup>rd</sup>, Parsons of the 40<sup>th</sup>, Johnson of the 35<sup>th</sup>, Cooper of the 31<sup>st</sup> and others

A BILL TO BE ENTITLED  
AN ACT

1 To amend Article 2 of Chapter 5 of Title 48 of the Official Code of Georgia Annotated,  
2 relating to exemptions from ad valorem taxation, so as to change provisions relating to the  
3 exemption of certain business inventory from taxation, commonly known as the freeport  
4 exemption; to authorize the granting of an exemption for all tangible personal property  
5 consisting of business property of a taxpayer; to provide for procedures for authorizing,  
6 claiming, and granting such exemption; to provide for related matters; to provide that the  
7 effectiveness of this Act shall be conditioned upon the approval by the voters of a certain  
8 constitutional amendment; to repeal conflicting laws; and for other purposes.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

10 **SECTION 1.**

11 Article 2 of Chapter 5 of Title 48 of the Official Code of Georgia Annotated, relating to  
12 exemptions from ad valorem taxation, is amended by striking subsection (b) of Code Section  
13 48-5-48.1, relating to procedures for claiming the freeport exemption, and inserting in its  
14 place a new subsection to read as follows:

15 "(b) The application for the tangible personal property inventory exemption shall provide  
16 for:

17 (1) A schedule of the inventory of goods in the process of manufacture or production  
18 which shall include all partly finished goods and raw materials held for direct use or  
19 consumption in the ordinary course of the taxpayer's manufacturing or production  
20 business in the State of Georgia;

21 (2) A schedule of the inventory of finished goods manufactured or produced within the  
22 State of Georgia in the ordinary course of the taxpayer's manufacturing or production  
23 business when held by the original manufacturer or producer of such finished goods; ~~and~~

24 (3) A schedule of the inventory of finished goods which on January 1 are stored in a  
25 warehouse, dock, or wharf, whether public or private, and which are destined for  
26 shipment outside the State of Georgia and the inventory of finished goods which are

1 shipped into the State of Georgia from outside this state and which are stored for  
 2 transshipment to a final destination outside this state. The information required by Code  
 3 Section 48-5-48.2 to be contained in the official books and records of the warehouse,  
 4 dock, or wharf where such property is being stored, which official books and records are  
 5 required to be open to the inspection of taxing authorities of this state and political  
 6 subdivisions thereof, shall not be required to be included as a part of or to accompany the  
 7 application for such exemption; and  
 8 (4) If applicable, a schedule of the tangible personal property consisting of business  
 9 inventory of the taxpayer."

## 10 SECTION 2.

11 Said article is further amended by striking subsections (b) and (c) of Code Section 48-5-48.2,  
 12 relating to authorization of freeport exemptions, and inserting in their place new subsections  
 13 to read as follows:

14 "(b) The governing authority of any county or municipality may, subject to the approval  
 15 of the electors of such political subdivision, exempt from ad valorem taxation, including  
 16 all such taxes levied for educational purposes and for state purposes, all or any combination  
 17 of the following types of tangible personal property:

18 (1) Inventory of goods in the process of manufacture or production which shall include  
 19 all partly finished goods and raw materials held for direct use or consumption in the  
 20 ordinary course of the taxpayer's manufacturing or production business in this state. The  
 21 exemption provided for in this paragraph shall apply only to tangible personal property  
 22 which is substantially modified, altered, or changed in the ordinary course of the  
 23 taxpayer's manufacturing, processing, or production operations in this state. For  
 24 purposes of this paragraph, the cleaning, drying, pest control treatment, or segregation by  
 25 grade of grain, peanuts or other oil seeds, or cotton shall constitute substantial  
 26 modification in the course of processing or production operations. For purposes of this  
 27 paragraph, remanufacture of aircraft engines or aircraft engine parts or components shall  
 28 constitute manufacturing operations in this state. Remanufacture of aircraft engines or  
 29 aircraft engine parts or components means the substantial overhauling or rebuilding of  
 30 aircraft engines or aircraft engine parts or components;

31 (2) Inventory of finished goods manufactured or produced within this state in the  
 32 ordinary course of the taxpayer's manufacturing or production business when held by the  
 33 original manufacturer or producer of such finished goods. The exemption provided for  
 34 in this paragraph shall be for a period not exceeding 12 months from the date such  
 35 property is produced or manufactured; or

1 (3) Inventory of finished goods which, on January 1, are stored in a warehouse, dock, or  
 2 wharf, whether public or private, and which are destined for shipment to a final  
 3 destination outside this state and inventory of finished goods which are shipped into this  
 4 state from outside this state and stored for transshipment to a final destination outside this  
 5 state. The exemption provided for in this paragraph shall be for a period not exceeding  
 6 12 months from the date such property is stored in this state. Such period shall be  
 7 determined based on application of a first-in, first-out method of accounting for the  
 8 inventory. The official books and records of the warehouse, dock, or wharf where such  
 9 property is being stored shall contain a full, true, and accurate inventory of all such  
 10 property, including the date of the receipt of the property, the date of the withdrawal of  
 11 the property, the point of origin of the property, and the point of final destination of the  
 12 same, if known. The official books and records of any such warehouse, dock, or wharf,  
 13 whether public or private, pertaining to any such property for which a freeport exemption  
 14 has been claimed shall be at all times open to the inspection of all taxing authorities of  
 15 this state and of any political subdivision of this state; or

16 (4) Tangible personal property consisting of business inventory of a taxpayer.

17 (c) Whenever the governing authority of any county or municipality wishes to exempt  
 18 ~~such tangible property~~ from ad valorem taxation, ~~as provided in this Code section~~ one or  
 19 more classes of property specified in subsection (b) of this Code section not previously  
 20 exempted in such political subdivision, the governing authority thereof shall notify the  
 21 election superintendent of such political subdivision, and it shall be the duty of said  
 22 election superintendent to issue the call for an election for the purpose of submitting to the  
 23 electors of the political subdivision the question of whether such exemption shall be  
 24 granted. The referendum ballot shall specify as separate questions the type or types of  
 25 property as defined in this Code section which are being proposed to be exempted from  
 26 taxation. The election superintendent shall issue the call and shall conduct the election  
 27 on a date and in the manner authorized under Code Section 21-2-540."

### 28 SECTION 3.

29 This Act shall become effective only if there is ratified at the 2002 general election a  
 30 constitutional amendment to authorize the General Assembly to provide by law for the  
 31 exemption by counties and municipalities of tangible personal property consisting of  
 32 business inventory. If such amendment is so ratified, this Act shall become effective January  
 33 1, 2003, and may be implemented as provided in this Act for the tax year beginning on that  
 34 date or any future tax year.

1 **SECTION 4.**

2 All laws and parts of laws in conflict with this Act are repealed.