

House Bill 1261 (AS PASSED HOUSE AND SENATE)

By: Representatives Huddleston of the 72nd, Dickey of the 134th, Williamson of the 112th,
Frye of the 122nd, Cannon of the 172nd, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Part 1 of Article 2 of Chapter 5 of Title 48 of the Official Code of Georgia
2 Annotated, relating to tax exemptions, so as to provide for level 1 freeport exemptions for
3 certain goods in inventory for electric utilities; to provide for application for such
4 exemptions; to provide for related matters; to repeal conflicting laws; and for other purposes.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

6 style="text-align:center">**SECTION 1.**

7 Part 1 of Article 2 of Chapter 5 of Title 48 of the Official Code of Georgia Annotated,
8 relating to tax exemptions, is amended by revising subsection (b) of Code Section 48-5-48.1,
9 relating to level 1 freeport exemption, application, filing, and renewal, as follows:

10 "(b) The application for the level 1 freeport exemption shall provide for:

11 (1) A summary, as prescribed by the department, of the inventory of goods in the process
12 of manufacture or production which shall include all partly finished goods and raw
13 materials held for direct use or consumption in the ordinary course of the taxpayer's
14 manufacturing or production business in the State of Georgia;

15 (2) A summary, as prescribed by the department, of the inventory of finished goods
16 manufactured or produced within the State of Georgia in the ordinary course of the

17 taxpayer's manufacturing or production business when held by the original manufacturer
18 or producer of such finished goods;

19 (3) A summary, as prescribed by the department, of the inventory of finished goods
20 which on January 1 are stored in a warehouse, dock, or wharf, whether public or private,
21 and which are destined for shipment outside the State of Georgia and the inventory of
22 finished goods which are shipped into the State of Georgia from outside this state and
23 which are stored for transshipment to a final destination outside this state. The
24 information required by Code Section 48-5-48.2 to be contained in the official books and
25 records of the warehouse, dock, or wharf where such property is being stored, which
26 official books and records are required to be open to the inspection of taxing authorities
27 of this state and political subdivisions thereof, shall not be required to be included as a
28 part of or to accompany the application for such exemption; ~~and~~

29 (4) A summary, as prescribed by the department, of the stock in trade of a fulfillment
30 center which on January 1 is stored in the fulfillment center. The information required
31 by Code Section 48-5-48.2 to be contained in the official books and records of the
32 fulfillment center where such property is being stored, which official books and records
33 are required to be open to the inspection of the taxing authorities of this state and political
34 subdivisions thereof, shall not be required to be included as a part of or to accompany the
35 application for such exemption; and

36 (5) A summary, as prescribed by the department, of the inventory of finished goods and
37 parts held in the ordinary course of an electric utility taxpayer's operations which are
38 destined for incorporation into any electric generation, distribution, or transmission
39 infrastructure located in this state through construction, improvement, repair, or
40 maintenance."

41 **SECTION 2.**

42 Said part is further amended by revising subsection (c) of Code Section 48-5-48.2, relating
43 to level 1 freeport exemption and referendum, as follows:

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

48 (1) Inventory of goods in the process of manufacture or production which shall include
49 all partly finished goods and raw materials held by the taxpayer, the taxpayer's affiliate,
50 or the taxpayer's designated agent for direct use or consumption in the ordinary course
51 of the taxpayer's manufacturing or production business in this state. The exemption
52 provided for in this paragraph shall apply only to tangible personal property which is
53 substantially modified, altered, combined, or changed in the ordinary course of the
54 taxpayer's manufacturing, processing, or production operations in this state. For purposes
55 of this paragraph, the following activities shall constitute substantial modification in the
56 ordinary course of manufacturing, processing, or production operations:

57 (A) The cleaning, drying, pest control treatment, or segregation by grade of grain,
58 peanuts or other oil seeds, or cotton;

59 (B) The remanufacture of aircraft engines or aircraft engine parts or components,
60 meaning the substantial overhauling or rebuilding of aircraft engines or aircraft engine
61 parts or components;

62 (C) The blending of fertilizer bulk materials into a custom mixture, whether performed
63 at a commercial fertilizer blending plant, retail outlet, or any application site;

64 (D) The substantial assembly of finished parts; and

65 (E) The remanufacture, which includes repair or modification of goods manufactured,
66 processed, or produced by the taxpayer;

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

72 (3) Inventory of finished goods which, on January 1, are stored in a warehouse, dock, or
73 wharf, whether public or private, and which are destined for shipment to a final
74 destination outside this state and inventory of finished goods which are shipped into this
75 state from outside this state and stored for transshipment to a final destination outside this
76 state, including foreign merchandise in transit. The exemption provided for in this
77 paragraph shall be for a period not exceeding 12 months from the date such property is
78 stored in this state. Such period shall be determined based on application of a first-in,
79 first-out method of accounting for the inventory. The official books and records of the
80 warehouse, dock, or wharf where such property is being stored shall contain a full, true,
81 and accurate inventory of all such property, including the date of the receipt of the
82 property, the date of the withdrawal of the property, the point of origin of the property,
83 and the point of final destination of the same, if known. The official books and records
84 of any such warehouse, dock, or wharf, whether public or private, pertaining to any such
85 property for which a freeport exemption has been claimed shall be at all times open to the
86 inspection of all taxing authorities of this state and of any political subdivision of this
87 state; or

88 (4) Stock in trade of a fulfillment center which, on January 1, is stored in a fulfillment
89 center and which is made available to remote purchasers who may make such purchases
90 by electronic, internet, telephonic, or other remote means, and where such stock in trade
91 of a fulfillment center will be shipped from the fulfillment center and delivered to the
92 purchaser at a location other than the location of the fulfillment center. The exemption
93 provided for in this paragraph shall be for a period not exceeding 12 months from the date

94 such property is stored in this state. Such period shall be determined based on application
95 of a first-in, first-out method of accounting for the inventory. The official books and
96 records of the fulfillment center where such property is being stored shall contain a full,
97 true, and accurate inventory of all such property, including the date of the receipt of the
98 property and the date of the withdrawal of the property. The official books and records
99 of any such fulfillment center pertaining to any such property for which a freeport
100 exemption has been claimed shall be at all times open to the inspection of all taxing
101 authorities of this state and of any political subdivision of this state; or
102 (5) Inventory of electric utility equipment, including, but not limited to, motors, turbines,
103 boilers, regulators, steel, concrete, masonry, conductor, cable, poles, transformers,
104 capacitors, circuit breakers, fuses, insulators, switchgear, and any other capital equipment
105 and supplies that are held in inventory by an electric utility for use in the normal course
106 of business within this state. Electric utility equipment that has been incorporated into
107 operating electric generation, distribution, or transmission facilities shall not, however,
108 be exempt from ad valorem taxation pursuant to this Code section."

109 **SECTION 3.**

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