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Proposed Bill to Expand Georgia's Freeport Exemption

HB 1082, which was proposed in the Georgia House of Representatives this month, includes a significant proposed change to the scope of the freeport exemption that Georgia counties are authorized to provide with respect to the taxation of business personal property. Under current Georgia Code Section 48-5-48.2 (the "freeport" exemption), Georgia counties are authorized to adopt a provision that exempts from ad valorem taxation:

1. a taxpayer's inventory of goods in the process of manufacture or production;
2. a taxpayer's inventory of finished goods manufactured or produced in Georgia when held by the original manufacturer or producer; and
3. a taxpayer's inventory of finished goods held in storage at a warehouse, dock or wharf and destined for shipment to a final destination outside the state.

HB 1082 retains the counties' existing authority to exempt these three categories of business personal property as a "level 1 freeport exemption." The bill then adds a "level 2" freeport exemption, under which counties could expand the application of their freeport exemptions to cover business inventory. Specifically, the bill would allow counties to exempt "the inventory of finished goods held by one in the business of making sales of such goods in this state." The bill then broadly defines the term "finished goods" to include all "goods, wares, and merchandise of every character and kind constituting a business's inventory which would not otherwise qualify for a level 1 freeport exemption." If passed, HB 1082 would greatly expand the scope of the freeport exemption allowed under Georgia law and would bring the scope of Georgia's exemption in line with those of other nearby states, including Alabama,¹ Florida,² South Carolina³ and Tennessee.⁴

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¹ Ala. Code § 40-9-1(23).

² Fla. Stat. § 196.185.

³ S.C. Code Ann. § 12-37-220(B)(30).

⁴ Tenn. Code Ann. § 67-5-901(a).

The procedure for passing a “level 2” freeport exemption would be the same as the procedure required to pass a freeport exemption under current Georgia law. As under current law, if a level 2 freeport exemption is passed, the governing authority of the county or municipality must then pass a resolution stating whether the exemption will apply to 20, 40, 60, 80 or 100 percent of the value of the exempt property.

Finally, under HB 1082, a county could pass either a level 1 freeport exemption, a level 2, or both.

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