



**DATE:** October 20, 2011

**TO:** Bruce Glasscock, City Manager

**FROM:** Karen Rhodes-Whitley, Director of Budget & Research

**SUBJECT:** "Goods-In-Transit" - Local Option to Tax for 2012

In the 2007 legislative session, the Texas Legislature passed Tax Code Section 11.253 or the "Goods-In-Transit" exemption as it is more commonly known. At that time, the City Council chose to opt-out of the tax exemption.

During the 2011 special session, the legislature revised and narrowed the goods-in-transit exemption under 11.253 of the Property Tax Code. The goods-in-transit property tax exemption, commonly referred to as the "Super Freeport" exemption, allows a local option exemption for goods traveling elsewhere in Texas and can be claimed when goods are at a certain warehouse not owned by the owner of the goods.

Senate Bill 1 requires cities to take official action (adopt an ordinance) between October 1, 2011, and December 31, 2011, to provide for the taxation of goods-in-transit in 2012. The city must conduct a public hearing prior to doing so. The failure to take official action within the time frame will mean that the goods-in-transit will be exempt from taxation in 2012.

At the Preliminary Open Meeting scheduled for Monday, October 24, 2011, discussion and direction regarding the "Goods-In-Transit" – Local Tax Option is scheduled. A presentation providing more details regarding the tax exemption is planned. Based on the discussion at this meeting, we will hold the public hearing and vote on the action item at the Monday, November 14, 2011 City Council meeting. Please let me know if you have any questions.