



# Application for Exemption of Goods Exported from Texas ("Freeport Exemption")

For \_\_\_\_\_  
 Year

**GENERAL INSTRUCTIONS:** This exemption applies to "freeport goods" as governed by Texas Constitution, Article VIII, Section 1-j and Tax Code, Section 11.251. The exemption applies to items in your inventory that (1) are or will be forwarded out of Texas within 175 days of the date you acquire them or bring them into Texas and (2) are in Texas for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes. The exemption does not apply to oil, natural gas, or liquid or gaseous materials that are immediate derivatives of refining of oil or natural gas. The phrase "liquid or gaseous materials that are the immediate derivatives of the refining of oil or natural gas" is defined in Comptroller Rule 9.4201. The amount of the exemption for this year is normally based on the percentage of your inventory made up by such goods last year.

**APPLICATION DEADLINES:** You must file the completed exemption application form between January 1 and no later than April 30 of the year for which you are requesting an exemption. You must furnish all information required by the application. You may file a late application up to midnight the day before the appraisal review board approves the appraisal records for the year for which you are requesting the exemption. Pursuant to Tax Code, §11.4391, if you do file a late application and your application is approved, you are liable to each taxing unit for a penalty equal to 10 percent of the tax savings resulting from the Freeport Exemption.

**ANNUAL APPLICATION REQUIRED:** You must apply for this exemption each year you claim entitlement to the exemption.

**OTHER IMPORTANT INFORMATION:** Pursuant to Tax Code §11.45, after considering this application and all relevant information, the chief appraiser may request additional information from you. You must provide the additional information within 30 days of the request or the application is denied. For good cause shown, the chief appraiser may extend the deadline for furnishing the additional information by written order for a single period not to exceed 15 days.

## Step 1. Provide Name and Mailing Address of Property Owner and Identity of Person Preparing Application

|  |       |  |
|--|-------|--|
| Name of Property Owner   |       |  |
| Mailing Address  |       |  |
| City, State, Zip   | Phone |  |
| Property Owner is a(n) (check one):<br><input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Other (specify): _____ |       |  |
| Name of Person Preparing this Application  | Title | Driver's License, Personal I.D. Certificate, or Social Security Number * |

If this application is for an exemption from ad valorem taxation of property owned by a charitable organization with a federal tax identification number, that number may be provided here in lieu of a driver's license number, personal identification certificate number, or social security number: \_\_\_\_\_

\* Unless the applicant is a charitable organization with a federal tax identification number, the applicant's driver's license number, personal identification certificate number, or social security account number is required. Pursuant to Tax Code Section 11.48(a), a driver's license number, personal identification certificate number, or social security account number provided in an application for an exemption filed with a chief appraiser is confidential and not open to public inspection. The information may not be disclosed to anyone other than an employee of the appraisal office who appraises property, except as authorized by Tax Code Section 11.48(b). If the applicant is a charitable organization with a federal tax identification number, the applicant may provide the organization's federal tax identification number in lieu of a driver's license number, personal identification certificate number, or social security account number.

## Step 2. Authorized Agent's Name

|  |                                 |
|--|---------------------------------|
| Authorized Agent's Name <i>(If different from the above)</i> | Agent Code                      |
| Mailing Address <i>(number and street)</i>                   | Phone                           |
| City, State, ZIP   | Email Address <i>(optional)</i> |

## Step 3. Describe the Property for Which You are Seeking an Exemption

|   |   |
|---|---|
| <p><b>1. Appraisal District Account Number:</b><br/>                 _____<br/>                 Give appraisal roll account number if known or attach tax bill or copy of appraisal or tax office correspondence concerning this account. If unavailable, give the street address at which the property is located.</p> | <p><b>2. Location of Inventory (street address, city, Zip code):</b><br/>                 _____<br/>                 _____<br/>                 _____</p> |
| <p><b>3. Give a general description of the types of items in this inventory. (Use additional sheets if necessary.)</b><br/>                 _____<br/>                 _____</p>  |   |

**Step 4. Answer These Question About Your Property**

For the purposes of this application, "inventory" means your inventory of finished goods, raw materials, and work in process.

4. Will portions of this inventory be transported out of state this year? ..... 4. Yes  No
5. Have you applied for appraisal of your inventory on September 1? ..... 5. Yes  No
6. Were portions of your inventory transported out of this state throughout last year? ..... 6. Yes  No   
 a. If "No," because inventory transported only part of year, give the months during which portions of your inventory were transported out of the state last year.  
 \_\_\_\_\_
7. Give the total cost of goods sold for the entire year ending December 31, \_\_\_\_\_ \$ \_\_\_\_\_
8. Give the total cost of goods sold that were shipped out of Texas within 175 days of the date you acquired them in or brought them into Texas last year, less the cost of any goods, raw materials or supplies incorporated into them that were not eligible for the freeport exemption or were in Texas more than 175 days. \_\_\_\_\_ \$ \_\_\_\_\_
9. On what types of records do you base the amount given above? (Check as many as apply.)  
 Audited Financial Statements       Internal Reports       Texas Franchise Tax Reports  
 Sales Records       Bill of Lading       Other (describe) \_\_\_\_\_
10. Percentage of last year's value represented by freeport goods. (Divide line 8 by line 7.)      % \_\_\_\_\_
11. Will the percentage of goods transported out of Texas this year be significantly different from the percentage transported out last year? ..... 11. Yes  No
12. If "Yes," why? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
13. What was the market value of your inventory on January 1 of this year (or September 1 of last year, if you have qualified for September 1 inventory appraisal)? ..... \$ \_\_\_\_\_
14. What is the value of the inventory you claim will be exempt this year? ..... \$ \_\_\_\_\_

**Step 5. Read, Sign, and Date**

By signing this application, you certify that the information provided in this application and all attachments is true and correct to the best of your knowledge and belief.

|   |                           |
|---|---------------------------|
| Sign here  | Date                      |
| Title   | Email Address (Optional): |

If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.

Completed applications should be mailed to: Harris County Appraisal District, ATTN: Business Industrial Property Division, P. O. Box 922005 Houston, TX. 77292-2005. For additional information, please call (713) 957-5607.

**HCAD Use Only**

- P Entered by \_\_\_\_\_       (A) Approved, (L) Late, (D) Denied, (M) Modified
- Entered by \_\_\_\_\_
- Reviewed by \_\_\_\_\_       To Special Audit Date: \_\_\_\_\_
- \_\_\_\_\_ % \$ \_\_\_\_\_       To Appraiser \_\_\_\_\_ Date: \_\_\_\_\_

## **Additional Important Information for Completing Form 11.251 - Freeport Exemption Application for Exemption of Goods Exported from Texas**

### **Constitutional Provisions**

Article VIII, Sec. 1j of the Texas Constitution provides that goods, wares, ores, merchandise as well as personal property used in the repair of air carrier equipment, can qualify for a property tax exemption, if they meet certain criteria. Oil, natural gas, and petroleum products, however, will not qualify. In order to qualify, items must be detained in Texas for assembling, storing, manufacturing, fabricating, or processing purposes. More importantly, the items must leave the state within 175 days or less after the date they were acquired or brought into Texas.

The Texas Constitution authorizes counties, cities, or towns, school districts, and junior college districts to opt to continue taxing the property. In Harris County, several of these taxing units do not offer the exemption. Qualified property will be eligible for exemption, however, in other units. For a list of jurisdictions that grant the Freeport Exemption go to: <http://www.hcad.org/Resources/Exemptions/Freeport.asp>. If you need more information about taxing jurisdictions in Harris County that grant this exemption, or if you have any other questions, please call (713) 957-5607.

### **Section 11.251, Tax Code**

Section 11.251, Texas Tax Code, implements the Freeport Exemption and stipulates how the chief appraiser must calculate the exemption. This law is reprinted on the back of this sheet.

### **Section 11.48, Tax Code**

Pursuant to Tax Code Section 11.48(a), a driver's license number, personal identification certificate number, or social security account number provided in an application for an exemption filed with a chief appraiser is confidential and not open to public inspection. The information may not be disclosed to anyone other than an employee of the appraisal office who appraises property, except as authorized by Tax Code Section 11.48(b).

## Section 11.251, Tax Code Tangible Personal Property Exempt

a) In this section, "freeport goods" means property that under Article VIII, Section 1-j, of the Texas Constitution is not taxable.

b) A person is entitled to an exemption from taxation of the appraised value of that portion of the person's inventory or property consisting of freeport goods.

c) The exemption provided by Subsection (b) is subtracted from the market value of the inventory or property determined under Section 23.12 to determine the taxable value of the inventory or property.

d) Except as provided by Subsections (f) and (g), the chief appraiser shall determine the appraised value of freeport goods under this subsection. The chief appraiser shall determine the percentage of the market value of inventory or property owned by the property owner in the preceding calendar year that was contributed by freeport goods. The chief appraiser shall apply that percentage to the market value of the property owner's inventory or property for the current year to determine the appraised value of freeport goods for the current year.

e) In determining the market value of freeport goods that in the preceding year were assembled, manufactured, repaired, maintained, processed or fabricated in this state or used by the person who acquired or imported the property in the repair or maintenance of aircraft operated by a certificated air carrier, the chief appraiser shall exclude the cost of equipment, machinery, or materials that entered into and became component parts of the freeport goods but were not themselves freeport goods or that were not transported outside the state before the expiration of 175 days after they were brought into this state by the property owner or acquired by the property owner in this state. For component parts held in bulk, the chief appraiser may use the average length of time a component part was held in this state by the property owner during the preceding year in determining whether the component parts were transported out of this state before the expiration of 175 days.

f) If the property owner was not engaged in transporting freeport goods out of this state for the entire preceding year, the chief appraiser shall calculate the percentage of cost described in Subsection (d) for the portion of the year in which the property owner was engaged in transporting freeport goods out of this state.

g) If the property owner or the chief appraiser demonstrates that the method provided by Subsection (d) significantly understates or overstates the market value of the property qualified for an exemption under Subsection (b) in the current year, the chief appraiser shall determine the market value of the freeport goods to be exempt by determining, according to the property owner's records and any other available information, the market value of those freeport goods owned by the property owner on January 1 of the current year, excluding the cost of equipment, machinery, or materials that entered into and became component parts of the freeport goods but were themselves freeport goods or that were not transported outside the state before the expiration of 175 days after they were brought into this state by the property owner or acquire by the property owner in this state.

h) The chief appraiser by written notice delivered to a property owner who claims an exemption under this section may require the property owner or a person designated in writing by the importer of record to provide copies of inventory or property records in order to determine the amount and value of freeport goods. If the property owner or the designated person fails to deliver the information requested in the notice before the 31<sup>st</sup> day after the date the notice is delivered to the property owner or before the date the appraisal review board approves the records under Section 41.12, whichever is later, the

property owner forfeits the right to claim or receive the exemption for that year. If the property owner or designated person delivers the information requested in the notice before the date the appraisal review board approves the appraisal records but not before the 31<sup>st</sup> day after the date the notice is delivered to the property owner and the exemption is allowed, the property owner is liable to each taxing unit for a penalty in an amount equal to 10 percent of the difference between the amount of tax imposed by the taxing unit on the inventory or property and the amount that would otherwise have been imposed. The chief appraiser shall make an entry on the appraisal records for the inventory or property indicating the property owner's liability for the penalty and shall deliver a written notice of imposition of the penalty, explaining the reason for its imposition, to the property owner. The assessor for a taxing unit that taxes the inventory or property shall add the amount of the penalty to the property owner's tax bill, and the tax collector for the unit shall collect the penalty at the time and in the manner the collector collects the tax. The amount of the penalty constitutes a lien against the inventory or property against which the penalty is imposed, as if it were a tax, and accrues penalty and interest in the same manner as a delinquent tax.

i) The exemption provided by Subsection (b) does not apply to a taxing unit that takes action to tax the property under Article VIII, Section 1-j Subsection (b), of the Texas Constitution.

j) Petroleum products as set forth in Article VIII, Section 1-j, of the Texas Constitution shall mean liquid and gaseous materials that are the immediate derivatives of the refining of oil or natural gas.

k) Property that meets the requirements of Article VIII, Sections 1-j(a) (1) and (2), of the Texas Constitution and that is transported outside of this state not later than 175 days after the date the person who owns it on January 1 acquired it or imported it into this state is freeport goods regardless of whether the person who owns it on January 1 is the person who transports it outside of this state.

---

## Section 11.4391, Late Application for Freeport Exemption

a) The chief appraiser shall accept and approve or deny an application for an exemption for freeport goods under Section 11.251 after the deadline for filing it has passed if it is filed before the date the appraisal review board approves the appraisal records.

b) If the application is approved, the property owner is liable to each taxing unit for a penalty in an amount equal to 10 percent of the difference between the amount of tax imposed by the taxing unit on the inventory or property, a portion of which consists of freeport goods, and the amount that would otherwise have been imposed.

c) The chief appraiser shall make an entry on the appraisal records for the inventory or property indicating the property owner's liability for the penalty and shall deliver a written notice of imposition of the penalty, explaining the reason for its imposition, to the property owner.

d) The tax assessor for a taxing unit that taxes the inventory or property shall add the amount of the penalty to the property owner's tax bill, and the tax collector for the unit shall collect the penalty at the time and in the manner the collector collects the tax. The amount of the penalty constitutes a lien against the inventory or property against which the penalty is imposed, as if it were a tax, and accrues penalty and interest in the same manner as a delinquent tax.