



CITY OF HOUSTON

Finance Department

Interoffice

Correspondence

To: Budget and Fiscal Affairs
Committee

From: Kelly Dowe, Director ^{KD}
Finance Department

Date: November 7, 2011

Subject: Super Freeport Tax Exemption

January 1, 2012, a property tax exemption on certain goods-in transit, known as the "Super Freeport" exemption, will automatically take effect unless the city takes action to prevent it. The City has already once prevented this exemption from taking effect (in 2007), but Senate Bill 1 of the 2011 Texas Special Session requires cities to once again take official action, between October 1, 2011, and December 31, 2011, to provide for the taxation of Super Freeport goods-in-transit in 2012. The city must conduct a public hearing prior to doing so.

The Super Freeport law covers all goods-in-transit, expanding the existing "Freeport" exemption that covers export goods only. To qualify for the exemption, the goods must be detained at a location in this state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property and be transported to another location in this state or outside this state not later than 175 days after the date the person acquired the property in or imported the property into this state.

Jurisdictions such as the Houston, Spring Branch, and Alief Independent School Districts have already in voted to again prevent this exemption from taking place, and other taxing jurisdictions in the Houston metropolitan area are in process of doing so.

This exemption would cost the city of Houston at least \$5.9 million (estimated) in property tax revenue in all future fiscal years beginning in FY 2013.

A Request for Council Action is on the November 9, 2011 agenda to call a hearing on taxing Super Freeport goods.