

Bexar Appraisal District

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 SAN ANTONIO, TX 78283-3946
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**Application for Exemption of Goods Exported from Texas
 ("Freeport Exemption")**

INSTRUCTIONS: This application applies to items in your inventory on January 1 (or September 1 of last year, if applicable) that (1) are or will be forwarded out of Texas within 175 days of the date you acquired them or brought them into Texas; and (2) are in Texas for assembling, storing, manufacturing, repair, maintenance, processing, or fabricating purposes. For aircraft parts, the governing body of a taxing unit may, by official action, extend the deadline by which freeport goods must be transported outside of the state to no more than 730 days after acquiring or importing the property into the state. The exemption does not apply to oil, to natural gas, or to liquids or gases that are immediate derivatives of refining oil or natural gas. The amount of the goods in Freeport Exemption for this year is normally based on the percentage of your inventory made up of such goods last year.

A complete form must be filed annually between January 1 and no later than April 30 of the current tax year. If a late application is filed and is approved, the property owner will be liable for a penalty equal to 10% of the tax savings resulting from the Freeport exemption. Please attach any additional documents requested by the Appraisal District.

The Chief Appraiser's Guidelines for the 2017 Freeport Exemption Application are provided with this application. It explains the Freeport Exemption process; it provides guidance on properly completing the application; and it requests the documentation required by the Chief Appraiser to validate and approve your exemption.

THE APPLICATION ENTRIES REQUIRED BY LAW ARE MARKED BY AN ASTERISK (*). THE REMAINING ENTRIES ARE REQUESTED BY THE CHIEF APPRAISER, AS AUTHORIZED BY THE LAW AND AS ADDRESSED IN THE ENCLOSED CHIEF APPRAISER'S GUIDELINES.

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| Step 1: Owner's Name and Address | *Owner / Corporate Officer Name | | *Account Number |
| | *Mailing Address | | Tax Payer ID Number |
| | *City, State, Zip Code | | *Phone (area code and number) |
| | Property Owner is a(n) (check one): <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Other (specify): | | |
| | * Name of person preparing the application | * Driver's License, Personal I.D. Certificate, or Social Security Number: | * Title |
| | If this application is for 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: _____ Pursuant to Tax Code Section 11.48(a) a driver's license, personal I.D. certificate, or social security 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). | | |
| Step 2: Describe the Property | * Location of Inventory (street address, city, state, zip code) | | |
| | * Give general description of the types of items in this Inventory. (Use additional sheets if necessary.) | | |
| Step 3: Answer These Questions About Your Property | For the purposes of this application, "inventory" means your inventory of finished goods, supplies, parts, raw materials, and work in process. | | |
| | * Will portions of this inventory be transported out of this state this year? | | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| | * Have you applied for September 1 Inventory appraisal? | | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| | * Were portions of your inventory transported out of this state throughout last year? | | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| | * If not, list the months during which portions of your inventory were transported out of the state last year. _____ | | |
| | * Will the percentage of goods transported out of Texas this year be significantly different than the percentage transported out last year? | | <input type="checkbox"/> YES <input type="checkbox"/> NO |
| * If yes, why? _____ | | | |

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| Step 4: Calculate The Exemption | A. INVENTORY TURNOVER TEST * 1. Total Cost of Goods sold from Inventory for the year ended December 31, 2016 2. Average Inventory (1-1-2016 Inv plus 12-31-2016 Inv divided by 2) 3. Inventory Turnover Factor (A1 divided by A2) 4. Inventory Turnover in days (365 divided by A3) NOTE: If turnover in days exceeds 175 days, the Inventory as whole does not qualify for Freeport and you must document what part of the Inventory was shipped out of Texas within 175 days from the date acquired. | |
| | B. FREEPORT PERCENTAGE 5. Total Sales from Inventory for year ended December 31, 2016 * 6. Total Cost of Goods Sold from Inventory for year ended December 31, 2016 * 7. LESS: Cost of Goods Sold from Inventory not eligible for Freeport because: a. Slow Moving – Held more than 175 days . . . <input style="width:100px;" type="text"/> b. Shipped to Texas destinations <input style="width:100px;" type="text"/> c. Total B7a plus B7b <input style="width:100px;" type="text"/> * 8. Cost of Goods Sold from Inventory eligible for Freeport – (B6 minus B7c) * 9. Percentage of last year's Inventory represented by Freeport Goods (B8 divided by B6) NOTE: Attach a breakdown Summary of total Sales from Inventory, Cost of Goods Sold from Inventory, and Intracompany Transfers of Inventory by state and foreign country. | |
| | C. INVENTORY ELIGIBLE FOR FREEPORT * 10. Cost of Inventory on January 1, 2017, (September 1, 2016) 11. Adjustment for write downs, etc, - Attach documentation that explains. . . . 12. Adjusted Cost of Inventory (C10 minus C11) If LIFO, the LIFO Reserve must be included in cost | |
| | D. FREEPORT EXEMPTION AND NONEXEMPT CALCULATIONS * 13. FREEPORT EXEMPTION CLAIMED (C12 above times B9 above) 14. NOT EXEMPT (C12 above minus D13) | |
| | *E. On what types of records do you base the amounts given above? (Check as many as apply.) Attach copies that clearly verify the above entries. <input type="checkbox"/> Audited Financial Statements <input type="checkbox"/> Sales Records <input type="checkbox"/> Internal Reports <input type="checkbox"/> Bills of Lading <input type="checkbox"/> Texas Franchise Tax Reports <input type="checkbox"/> Other (describe) _____ | |
| Step 5: Read the Notes And Sign the Form | *NOTE: The Chief Appraiser may require supporting documents and records with this application. If required, the records must be supplied within 30 days of the date of the written request. Failure to deliver the documentation required within the 30 days or by the date appraisal records are approved for the year, will forfeit the right to receive the exemption. Approval usually occurs in JULY. If the documentation is delivered before the appraisal review board approves appraisal records for the year but not within the 30 days and the exemption is allowed, a penalty equal to 10% of the tax savings resulting from the exemption must be paid. The Chief Appraiser requests that source documentation for the above application entries be submitted with this application. This serves as written request as required by the above note. * 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. | |
| | *Print Here | *Title |
| | *Sign Here | *Date |
| | 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. | |

CHIEF APPRAISER'S GUIDELINES

2017 FREEPORT EXEMPTION APPLICATION

BEXAR APPRAISAL DISTRICT

Dear Freeport Applicant:

The purpose of the Chief Appraiser's Guidelines and its companion Freeport Exemption Application is to simplify, clarify, and expedite the Freeport Exemption process and to improve the quality of the Application entries and supporting source documentation.

TEXAS LAW: The basic law is that all property is taxable according to its market value. However, various exemptions have been legislated with subsequent voter approval to amend the Constitution, including the "Exemption for Goods Exported from Texas" under certain conditions and referred to as the "Freeport Exemption".

CONDITIONS: The basic conditions applicable to the Freeport Exemption are as follow:

1. The Freeport Exemption Application must be filed each year between **January 1** and **April 30**.
A late application may be filed the day before the appraisal review board approves appraisal records for the year. Approval usually occurs in **JULY**. If the application is approved, the property owner is liable to each taxing unit for a penalty in an amount equal to 10% of the difference between the amount of tax imposed by the taxing unit on the Freeport goods and the amount that would otherwise have been imposed.
2. The Freeport Exemption applies only in Taxing Units, which by resolution, approved implementation of the exemption. The Taxing Units which have approved the exemption, along with those that have not, are shown in the endnote.¹
3. The Freeport Exemption applies only to inventory other than oil, natural gas, and other petroleum or derivatives.
4. Eligible inventory must be transported to destinations outside of Texas not later than 175 days after the date acquired or imported into Texas.
5. Freeport eligible inventory includes property detained in Texas for assembling, storing, manufacturing, processing, or fabricating purposes.
6. Freeport Exemption Applications will be acted on by the Chief Appraiser as the law and facts warrant. The Chief Appraiser can: (1) approve the exemption value claimed, (2) modify and approve the modified exemption value, (3) disapprove the exemption and request additional information, or (4) deny the exemption. The Chief Appraiser will provide written notice of the decision. If the property owner fails to deliver the information requested in a disapproval notice before the 31st day after the date the notice is delivered to the property owner or before the date the appraisal review board approves the appraisal records, whichever is later, the property owner forfeits the right to receive the exemption for that year. If the property owner delivers the information requested in the notice before the date the appraisal review board approves the appraisal records but not before the 31st day after the date the notice is delivered and the exemption is allowed, the property owner is liable to pay a penalty equal to 10% of the tax savings resulting from the exemption. The applicant may protest the Chief Appraiser's decision and be scheduled for a hearing with the Appraisal Review Board.

APPLICATION: The Bexar Appraisal District Application is an expanded version of the State of Texas Application published by the State Comptroller. The information required by the Texas Application is preceded by an asterisk (*). The remainder has been added as a part of the documentation requested by the Chief Appraiser. The Application must be signed and all required entries completed to be approved.

APPLICATION CALCULATIONS: Each section of STEP 4 that relates to calculating the exemption is discussed below. The Freeport Exemption involves only inventory held in and shipped from Bexar County. Any reference to Sales or Cost of Goods Sold relates only to inventory. Sales of Services and Cost of Services or any other non-inventory entries in the Financial Statements must be excluded from all calculations.

1. STEP 4, Section A – This section determines whether or not your entire Inventory may be eligible for Freeport consideration. If it turns in 175 days or less, it is generally eligible. However, if the Inventory consists of Raw Materials, Work in Process, Finished Goods, Supplies, etc., there may be Inventory within one or more categories that does not turn in 175 days or less and this must be deducted along with all other non eligible Cost of Goods Sold from Inventory in STEP 4, Section B, Line 7a. If the Inventory as a whole turns in more than 175 days, documentation must be attached that shows the Cost of Inventory that was shipped out of Texas in 175 days or less from the date acquired.
2. STEP 4, Section B – This section is used to calculate a percentage of last year's Inventory represented by Freeport Goods. The calculations are generally self explanatory. However, STEP 4, Section B, Line 7a requires special attention. The slow moving Cost of Goods not eligible for Freeport includes non eligible components commingled with eligible components on manufactured or assembled Finished Goods shipped out of Texas. STEP 4, Section B, Line 7b involves all Inventory shipped to Texas destinations. In connection with STEP 4, Section B, as a whole, a breakdown summary of total Sales, Cost of Goods Sold, and Intracompany Transfers by destination state and foreign country is required. Substitute documentation may be submitted so long as it shows where the Inventory was shipped and the dollar amount involved.

3. STEP 4, Section C – The purpose of this section is to identify the current year Inventory that is eligible for the Freeport Exemption. The Cost of Inventory must be as of January 1 of the current year, or September 1 of the prior year if elected as valuation date. Any adjustments shown require documentation to explain them and must track to your Financial Statements.
4. STEP 4, Section D – This section is used to calculate the exemption claimed and the non-exempt remainder. It is self explanatory, using figures calculated in the previous steps.

DOCUMENTATION: As stated in the application instructions published by the Texas Comptroller, you are required to submit source documentation that is requested. The following source documentation is requested by the Chief Appraiser:

1. Audited Financial Statements with notes for the prior calendar year which includes the Balance Sheet, Operations Statement, and the Cost of Goods Sold statement if not included in the Operations Statement, if available, otherwise the closest substitute available that is consistent with Generally Accepted Accounting Principles (GAAP). This documentation must show Beginning Inventory, Ending Inventory, LIFO reserve (if applicable), and adjustments to Inventory, total Sales, and total Cost of Goods Sold, including calculations of the Cost of Goods Sold.
2. Sales, Cost of Sales, and Intracompany Transfers breakdown by dollar amount, destination state and foreign country, or any other documentation that shows your annual Inventory Sales and Cost of Inventory sales shipment pattern. The overall objective is to document the Cost of Goods Sold from Inventory that were shipped out of Texas within 175 days from the date acquired.

RENDITION REQUIREMENT: The Property Tax Code requires that all tangible personal property held to produce income be rendered each year. Attach the Freeport application and documentation to the completed rendition. Upon receipt, your claim will be processed and if Freeport is approved, the Inventory will be moved to an exempt Freeport Account for the tax year.

I urge you to submit your completed Rendition and Freeport Application with Documentation at the earliest possible date. Your cooperation is appreciated.

Sincerely,

Patrick Romo

Patrick Romo, Personal Property Manager
For Chief Appraiser Michael A. Amezcua

| <u>Tax Units that grant Freeport Exemption</u> | <u>Tax Units that DO NOT grant Freeport Exemption</u> |
|---|---|
| 06 – Road & Flood | 09 – Alamo Community College District |
| 08 – San Antonio River Authority | 30 – Town of Hollywood Park |
| 10 – University Health System | 32 – City of Leon Valley |
| 11 – Bexar County | 33 – City of Live Oak |
| 12 – Atascosa County | 34 – City of Olmos Park |
| 15 – Medina County | 39 – City of Terrell Hills |
| 18 – Bandera County | 40 – Universal City |
| 21 – City of San Antonio | 42 – City of Helotes |
| 22 – City of Alamo Heights | 45 – City of Fair Oaks Ranch |
| 23 – City of Balcones Heights | 51 – East Central ISD |
| 24 – City of Castle Hills | 52 – Edgewood ISD |
| 25 – City of China Grove | 53 – Harlandale ISD |
| 26 – City of Converse | 55 – North East ISD |
| 27 – City of Elmendorf | 56 – Northside ISD |
| 28 – City of Grey Forest | 58 – South San ISD |
| 29 – City of Hill Country Village | 59 – Southside ISD |
| 31 – City of Kirby | 65 – Floresville ISD |
| 35 – City of Selma | 68 – Medina Valley ISD |
| 36 – City of Shavano Park | 72 – Somerset ISD |
| 37 – City of Somerset | 73 – Southwest ISD |
| 38 – City of St. Hedwig | |
| 41 – City of Windcrest | |
| 43 – City of Schertz | |
| 47 – City of Von Ormy | |
| 50 – Alamo Heights ISD | |
| 54 – Judson ISD | |
| 57 – San Antonio ISD | |
| 61 – Boerne ISD | |
| 63 – Comal ISD | |
| 64 – Schertz / Cibolo ISD | |
| 75 – Bexar Co. Emergency Svc District # 6 | |
| 76 – Bexar Co. Emergency Svc District # 5 | |
| 77 – Bexar Co. Emergency Svc District # 7 | |
| 78 – Bexar Co. Emergency Svc District # 3 | |
| 79 – Bexar Co. Emergency Svc District # 2 | |
| 84 – Bexar Co. Emergency Svc District # 1 | |
| 85 – San Antonio MUD # 1 | |
| 100 – Bexar Co. Emergency Svc District # 4 | |
| 101 – Bexar Co. Emergency Svc District # 8 | |
| 102 – Bexar Co. Emergency Svc District #10 | |
| 111 – Bexar Co. Emergency Svc District #11 | |
| 112 – Bexar Co. Emergency Svc District #12 | |
| ELPID – Elmendorf PID Butterfield Ranch | |
| CCSID – Cibolo Canyons Special Improvement District | |
| WSSID – Westside 211 Public Improvement District | |