



Georgia Department of Revenue

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The material within is intended to give the course participant a solid understanding of general principles in the subject area. As such, the material may not necessarily reflect the official procedures and policies of the Georgia Department of Revenue or the Department's official interpretation of the laws of the State of Georgia. The application of applicability to specific situations of the theories, techniques, and approaches discussed herein must be determined on a case-by-case basis.



Georgia Department of Revenue

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WELCOME!

Personal Property Session

C. Michelle Hughes, **DOR**, Compliance Specialist

Joe Mendola, **Mendola Consulting, LLC**, CPA

Jay Hamilton, **Georgia Manufactured Housing Association**, Executive Director



Georgia Department of Revenue

APPROVE IT OR DENY IT





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OBJECTIVE: OPERATION MAKE YOUR LIFE EASIER

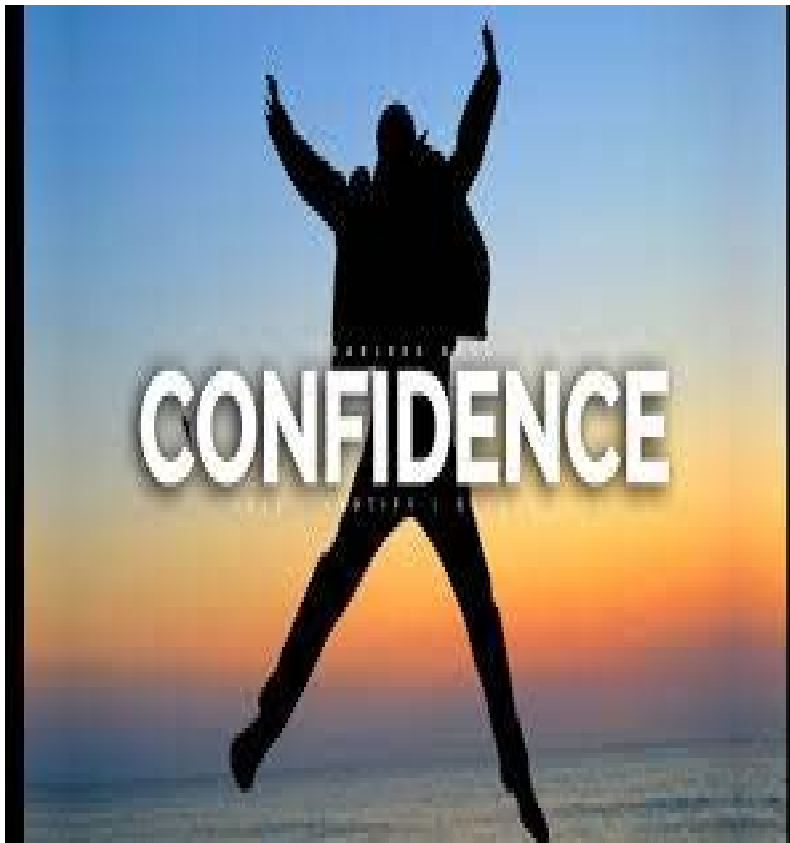


- **Inventory Level and/or Category**
- **Type of Inventory**
- **Type of Business**
- **Time Limits**



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OPERATION: MAKE YOUR LIFE EASIER



[illegible]



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FREEPORT EXEMPTION





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WHAT IS FREEPORT EXEMPTION?

An exemption from ad valorem taxation of certain tangible personal property inventory

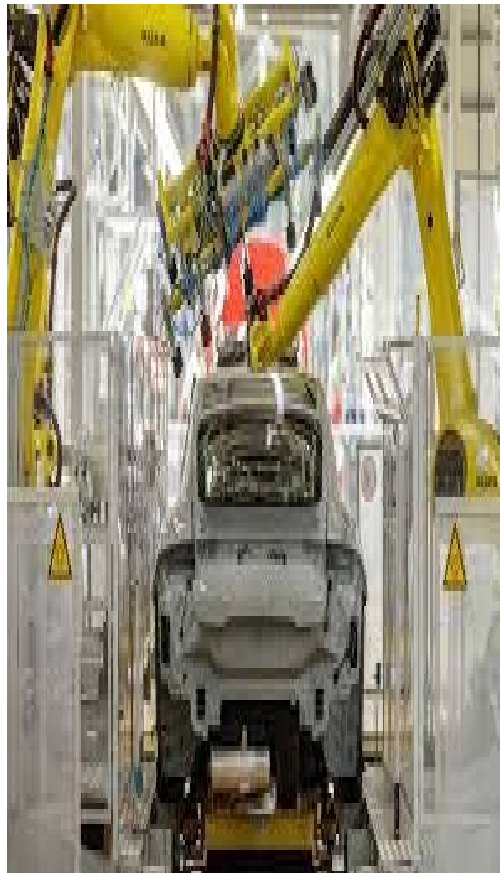


INVENTORY TAX EXEMPTION



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FREEPORT EXEMPTION IS **NOT** FOR....





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FREEPORT EXEMPTION IS FOR.....

Manufactured

Produced

Assembled

Distributed





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FREEPORT EXEMPTION IS FOR....





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RECAP

TRUE OR FALSE

FREEPORT INVENTORY
EXEMPTION IS FOR
TANGIBLE PERSONAL
PROPERTY **USED** IN THE
BUSINESS.

FALSE



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ANY QUESTIONS





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HISTORY OF FREEPORT EXEMPTION





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Lime 198-200

GEORGIA CONSTITUTION OF 1976

Level 1 Freeport Exemption Question 1 (Vote for One)

Shall the governing body of the City of Savannah be authorized to exempt from ad valorem taxation, including all such taxes levied for educational purposes and for state purposes, the inventory of goods in the process of manufacture or production which shall include all partly finished goods and raw materials held for direct use or consumption in the ordinary course of the taxpayer's manufacturing or production business in this state?

Yes

No





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Line 203-204

GEORGIA CONSTITUTION OF 1976



Election Summary Report

Putnam County

State of Georgia Presidential Preference Primary

March 1, 2016

Summary For Jurisdiction Wide, All Counters, All Races

OFFICIAL AND COMPLETE RESULTS

Date:03/04/16

Time:17:14:53

Page: 1 of 1

Freeport Exemption – Level 2

	Polling	ABM	AIP	PRO	Total	
Number of Precincts	5	5	5	5	5	
Precincts Reporting	5	5	5	0	5	100.0 %
Times Counted (Reg. Voters 13314)	3923	114	1101	0	5138	38.6 %
Total Votes	3681	102	962	0	4745	
YES	2172	55	532	0	2759	58.15%
NO	1509	47	430	0	1986	41.85%



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FREEPORT EXEMPTIONS BY COUNTY

Full FP Exemption

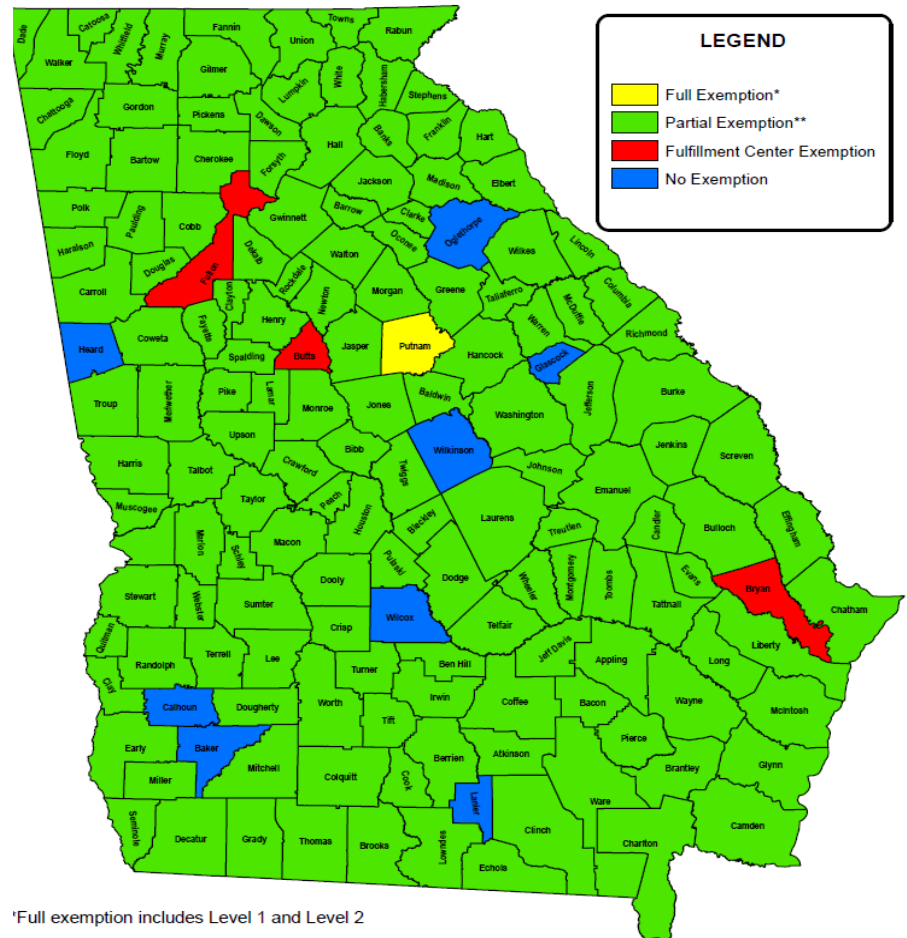
- Level 1 & 2 at 100%
- 1 County

Partial FP Exemption

- Any combination of class and percentage
- 150 counties

No FP Exemption

- 8 counties



*Full exemption includes Level 1 and Level 2

**Partial exemption may include 100% exemptions on certain classes of goods or partial exemption on all classes



RESOLUTION

O.C.G.A. § 48-5-48.2(e)

Once approved by voters a copy of resolution must be given to Revenue

Commissioner stating:

- Type of inventory exempted
- Percentage exempt by CGA

A RESOLUTION ON FREEPORT

WHEREAS, Freeport referenda have been held in Appling County Georgia concerning category 1, 2, and 3; and

WHEREAS, a majority of the voters in said referenda approved Freeport categories 1, 2, and 3 be granted pursuant to state law;

NOW THEREFORE BE IT RESOLVED, by the Board of Commissioners of Appling County that Freeport categories 1, 2 and 3 are hereby enacted at 100% evaluation, effective January 1, 1989.

SO RESOLVED, This first day of November 1988.



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RECAP

TRUE OR FALSE

ANY FREEPORT
EXEMPTION OFFERED IN
THE COUNTY MUST HAVE
A MAJORITY VOTE BY
CITIZENS OF THE COUNTY.

TRUE



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RECAP

TRUE OR FALSE

AFTER A FREEPORT
EXEMPTION HAS BEEN
APPROVED, A RESOLUTION
MUST BE TRANSMITTED TO
REVENUE COMMISSIONER
STATING THE TYPE OF
INVENTORY EXEMPTED AND
AMOUNT EXEMPTED .

TRUE



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ANY QUESTIONS








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Line 15-16, 242-243

FREEPORT EXEMPTION

Did they apply?

- File a **written application and summary**  with the county board of tax assessors
- APM Rule: **Reviewing Applications** still applicable



PT50P Rev 12/6/17		APPLICATION FOR FREEPORT INVENTORY EXEMPTION		TAX YEAR	IF ASSISTANCE NEEDED CALL	ACCOUNT NUMBER
See O.C.G.A. 48-5-48.1, 48-5-48.2, 48-5-48.5, and 48-5-48.6 RETURN COMPLETED FORM TO ADDRESS LISTED BELOW				DUE DATE	MAP AND PARCEL I.D. NO.	NAICS NO.
COUNTY NAME AND RETURN ADDRESS				TAXPAYER NAME AND ADDRESS		
The last day for filing this application to receive full exemption is shown in the DUE DATE box above. If filing after the DUE DATE, a reduced exemption amount may be applicable as follows: if filed April 2- April 30 (66.67% of the full exemption), if filed May 1- May 31 (58.33%), if filed on June 1 (50%). Failure to file by June 1 shall constitute a waiver of the entire exemption for the year (0.0%).				BUSINESS PHYSICAL LOCATION		
				IF NAME OR MAILING ADDRESS IS INCORRECT, PROVIDE CORRECT DATA		
				NAME:		
				ADDRESS:		
				CITY, STATE, ZIP:		
1. Describe the type of business:						
2. Inventory values must be reported at 100% full cost at level of trade which includes freight, burden, overhead, and other charges as of January 1 of taxable year						
3. List the method of inventory valuation used: _____ List the method of inventory cost identification: _____						
4. SUMMATION OF INVENTORY						
a. Total value of "All Inventory" held on January 1 of taxable year \$ _____						
b. Total value of all inventory held as "Stock in Trade of a Retailer" as of January 1 of taxable year \$ _____						
5. FREEPORT LEVEL "1" (NOTE: Not all counties offer Level 1 Freeport – check with county for appropriate exemption % for each category)						
a. "Finished Goods" held longer than 12 months \$ _____						
b. Packaging materials (boxes, cartons, cases, fillers, labels, liners, pallets, plastic trays, shrink wrap, tape, etc.) \$ _____						
c. Other expensed supplies (i.e. gasoline, medical supplies, office supplies, production supplies, safety gear, uniforms, etc.) \$ _____						
d. Spare parts inventory \$ _____						
e. Enter the "FULL COST" for each category below and enter the combined "FULL COST" for all categories here: →						
Category 1 – Raw materials and Goods in Process of a MANUFACTURER						
"FULL COST" Category 1 Exemption % = "EXEMPTION AMOUNT"						
Category 2 – "Finished Goods" manufactured in Georgia held by original MANUFACTURER less than 12 months						
"FULL COST" Category 2 Exemption % = "EXEMPTION AMOUNT"						
Line 5e - Category 3 – "Finished Goods" of DISTRIBUTOR held less than 12 months destined for out-of-state shipment						
"FULL COST" from Page 2, Line 8(a) Exemption % = "EXEMPTION AMOUNT"						
Category 4 – "Stock in Trade of a FULFILLMENT CENTER" held less than 12 months						
"FULL COST" Category 4 Exemption % = "EXEMPTION AMOUNT"						
f. Apply the appropriate Level 1 exemption percentages above and enter the combined "EXEMPTION AMOUNT" on this line. This represents the total Freeport Level "1" Exemption amount \$ _____						
6. FREEPORT LEVEL "2" (NOTE: Not all counties offer Level 2 Freeport – check with county for appropriate exemption %)						
a. Enter total cost of all merchandise held as inventory from Line "4a" excluding amounts entered on Lines "5b", "5c", "5d", and "5e" \$ _____						
b. Multiply Line "6a" by "appropriate exemption %" for Level 2 Freeport and enter amount on this line. This represents the total applicable Freeport Level "2" Exemption amount \$ _____						
7. ATTACH AND FILE THIS FORM WITH PT50P-TAXPAYER RETURN						
a. Total Freeport "1" & "2" Exemption (add Lines "5f" and "6b" and enter amount here and on PT50P, Page 1, Line "P") \$ _____						
b. Total Taxable Inventory (Subtract Line "7a" from Line "4a" and enter amount here and on PT50P, Page 1, Line "I") \$ _____						



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APM RULE: REVIEWING APPLICATIONS

2. Reviewing applications. The appraisal staff shall, upon receipt of a freeport application, reconcile the figures reported on such form (PT-50PF) to any inventory totals that may have been returned **(PT-50P/Schedule B)** by the property owner. The appraisal staff may obtain relevant information as is available from financial records **(trial balance, balance sheet, general ledger)** or other records of the property owner when needed to reconcile the figures reported on the application. Once the appraisal staff has completed the reconciliation of the freeport application, they shall forward the application and their recommendations, along with any supporting documentation, to the board of tax assessors. When the appraisal staff recommends the freeport application be denied, in whole or in part, they shall include the reasons for their recommendation.



FREEPORT EXEMPTION

Where is the inventory located?

- Application shall be filed in the county the inventory is located



LEVEL 1 FREEPORT EXEMPTION

INVENTORY CATEGORY	CATEGORY I	CATEGORY II	CATEGORY III	CATEGORY IV
TYPE OF INVENTORY	Raw Materials Partly Finished Goods	Finished Goods	Finished Goods	Finished Goods
QUALIFIERS	<ul style="list-style-type: none"> Used for direct use in manu/prod operation Held by TP or TP  designated agent Substantially modified, altered, combined, or changed in ordinary course of operation* 	Held by the original manufacturer	On January 1, stored in a private or public warehouse, dock, or wharf and destined for shipment outside GA	On January 1, stored in a fulfillment center and purchases are made by electronic, internet, telephonic, or other remote means and shipped to a location other than the FC
TYPE OF BUSINESS	Manufacturing Business	Manufacturing Business	Wholesaler/Distributor Some Retailers	Fulfillment Center
TIME LIMITS	No Time Limit	Not exceeding 12 months	Not exceeding 12 months	Not exceeding 12 months

***Exceptions to the exemptions**



EXCEPTIONS TO RAW MATERIAL & PARTLY FG



The substantial assembly of
finished parts



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Line 249-250

LEVEL 2 FREEPORT EXEMPTION

INVENTORY CATEGORY	N/A
TYPE OF INVENTORY	Finished Goods
QUALIFIERS	Held by one in the business of making sales of such goods
TYPE OF BUSINESS	Retailer
TIME LIMITS	Not exceeding 12 months



FILED PROPERLY

TIMELY FILING OF
COMPLETED APP WITH:

- CLERICAL **ERROR**
- TYPOGRAPHICAL
ERROR
- SCRIVENER'S **ERROR**
- UNINTENTIONAL
IMMATERIAL **ERROR** OR
OMISSION





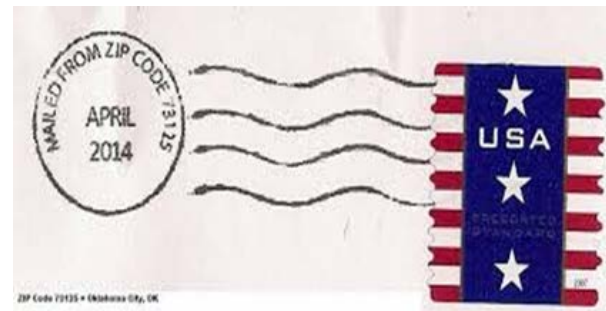
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Line 294-297



PROPERLY & TIMELY FILED

- Postal date is on or before due date
- **Metered** or **Stamped** mail acceptable





PROPERLY & TIMELY FILED



**Document incorrectly
determined to be
untimely filed**

- Upon Sufficient Proof
- Entitled to credit
against future
assessments

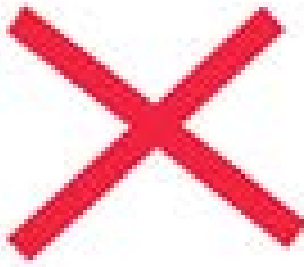


FREEPORT EXEMPTION WAIVERS

I.

Failure to report inventory in the summary  in the app

- The **difference** between FMV reported & FMV determined applicable



II.



Failure to file a completed  application timely

- Filed on **6/2**, waived for the entire year





FREEPORT EXEMPTION WAIVER I.

Inventory FMV Reported on application by **Taxpayer**  Inventory FMV Determined Applicable by **County** 

\$\$\$

WAIVED





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FREEPORT EXEMPTION WAIVER I.

UNDERVALUATIONS

- Undervalued inventory
- Property **has** been filed

OMISSIONS

- Unreported inventory
- Property **has not** been filed

COUNTY: \$100 FMV @ \$1 each

TAXPAYER: \$50 FMV @ \$.50 each

\$50 UNDERVALUATION

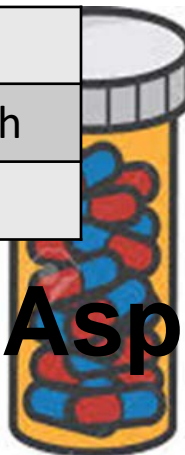
COUNTY: \$100 FMV @ \$1 each

TAXPAYER: \$50 FMV @ \$1 each

\$50 OMITTED



100 Aspirin Bottles





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FREEPORT EXEMPTION WAIVER I.

3

Court of Appeal Cases

have concluded the failure to report any inventory (**OMISSIONS**), **not an undervaluing of inventory**, results in a waiver of the freeport exemption.

- Georgia Art Light Designs, Inc v. Gwinnett County BTA (1993)
- William L. Bonnell Company, Inc. v. Coweta County BTA (2001)
- Gwinnett County BTA v. Standard Distributing & Supply of GA (2003)



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RECAP

TRUE OR FALSE

HB 888 STATES METERED
MAIL **IS NOT** ACCEPTABLE IN
ORDER FOR AN
APPLICATION TO BE
CONSIDERED FILE TIMELY .

FALSE



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RECAP

TRUE OR FALSE

HB 888 STATES....

A document incorrectly
determined to be timely
filed, upon sufficient proof
IS entitled to credit
against future
assessments.

TRUE



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RECAP

Scenario:

\$2 million of inventory was properly filed for Freeport (RM, WIP, FG), an application was received on 4-1-17. Subsequently, it was discovered by the taxpayer on 6-23-17 that an additional \$13 million of additional inventory was not reported on the application. The taxpayer had personal issues, etc.

What is the total value of inventory that should be approved? Why?

\$2,000,000



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RECAP

Scenario:

\$3 million of inventory was properly filed for Freeport (RM, WIP, FG), an application was received on 2-1-17. Subsequently, the board conducted an audit and determined the inventory was undervalued by \$1 million.

What is the total value of inventory that should be approved? Why?

\$4,000,000



FREEPORT EXEMPTION WAIVER II.

FILING DATE	PERCENTAGE
April 1	100% ✓
April 2 – April 30	66.67% ✓
May 1 – May 31	58.33% ✓
June 1	50% ✓
June 2	0% ✗



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ANY QUESTIONS





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APPLICATION DENIAL PROCEDURES





APPLICATION DENIAL PROCEDURES

- Denial letter issued by BTA
- Denying all or a portion of application





APPLICATION DENIAL PROCEDURES

Contents of denial letter:

- Type of inventory
- Total FMV for all inventory listed on application
- Listed as approved or denied
- **APM** – Rule 560-11-10-.2-.08(1)(c)(2)





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FREEPORT APPLICATION DENIAL LETTER

Re: Account PXXXXXX (Business Address)

Dear Taxpayer:

The XXXXXX County Board of Tax Assessors has completed the review of your 2018 Application for Inventory/Freeport Exemption received on April 1, 2018 for the above referenced account. In accordance to O.C.G.A. 48-5-48.1, the county board of tax assessors shall determine the eligibility of all types of tangible personal property listed on the application upon receiving a Freeport application. If any property has been listed which the board believe is not eligible for the exemption, the board shall notify the applicant, **not later than 180 days after receiving the application**, that all or portion of the application has been denied. Your request for Freeport Exemption of inventory for Account PXXXXXX has been denied partially or in full for the following reason(s):

____ Your application for Freeport Exemption was not received or postmarked on or before April 1st, in accordance with Georgia Code 48-5-48.1.

____ The County does not offer the following freeport inventory exemption: _____

____ Your business enterprise is not considered manufacturing in accordance with Georgia Code 48-5-48.2 (G) (1) (2).

____ Your business enterprise does not meet the requirements as a wholesale distributor in accordance with O.C.G.A. 48-5-48 (6) (3).

The type and associated fair market value of the inventory approved and denied is indicated below.

TYPE OF INVENTORY	LEVEL 1				LEVEL 2
	Manufacturer Raw Materials & Partly Finished Goods	Manufacturer Finished Goods	Distributor Finished Goods (out of state shipment)	Fulfillment Center Finished Goods	Retailer Merchandise
INVENTORY REPORTED					
TOTAL FMV APPROVED					
TOTAL FMV DENIED					

You have the right to appeal this decision in accordance with Georgia Code 48-5-311. If you decide to appeal, the appeal must be received or postmarked no later than 45 days from the date of this letter.

Sincerely,



APPLICATION DENIAL PROCEDURES

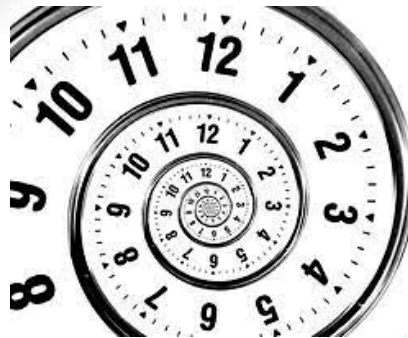
- Applicant has appeal rights (**O.C.G.A. 48-5-311**)
 - **Except** on inventory that has been waived due to failure to report
- BTA can not send **second denial letter** based on new grounds from initial denial letter





APPLICATION DENIAL PROCEDURES

Denial letter must be issued within **180 days** upon receiving application



**ONLY FOR
LEVEL 1**



APPLICATION DENIAL PROCEDURES

IF NOT, application accepted in its entirety



100%



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RECAP

TRUE OR FALSE

HB 888 STATES IF A DENIAL
LETTER IS NOT RECEIVED
WITHIN **180 DAYS**, THE
APPLICATION IS ACCEPTED
IN ITS ENTIRETY.

TRUE



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example



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MANUFACTURING PROCESS

How It's Made: SOAP BARS

<https://www.youtube.com/watch?v=1baLzbathvl>





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SOAP RAW MATERIALS



Fragrance Oils





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SOAP PARTLY FINISHED GOODS



Work in process – a good that is being developed and not yet complete.



SOAP FINISHED GOODS



Finished goods – the good is completed as to manufacturing but not yet sold or distributed.



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RECAP

Scenario:

Tifton has a cold storage facility and the owner is a broker. The broker buys peanuts from a farmer. The broker stores the peanuts at the facility and sells them. Broker sells them to Mars, Inc. Mars is located in AL. The broker ships the peanuts to AL.

Does the broker qualify for Freeport? If so, what level and category?

Yes. Category 3





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RECAP

Scenario:

Same facility, same nuts. Mars (AL) buys nuts from the broker and the nuts are in storage facility (GA) on January 1st and destined to be shipped to AL.

Can Mars qualify for Freeport Exemption? If so, what category?

No, must be a GA manufacturer





WHAT DO YOU KNOW?

60



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ANY QUESTIONS

