



**ECONOMIC
DEVELOPMENT
CORPORATION**

To: Donna Dodgen, Mayor
Seguin City Council

CC: Steve Parker, City Manager
Mark Kennedy, City Attorney

From: Alora Wachholz, CEcD, MEDP
Deputy Director of Economic Development

Date: 08-05-2025

Subject: Goods in Transit Ordinance No. 2011-69 Repeal

Section 11.253 of the Texas Tax Code authorizes the exemption from taxation on certain types of goods that are acquired inside or outside of Texas, detained for storing purposes by the person or entity who acquired or imported those goods, and then shipped to another location inside or outside of Texas within 175 days. Certain goods are not eligible to be considered under this exemption, including oil, gas or petroleum products, or special inventories such as motor vehicles or boats in a dealer's retail inventory.

This exemption, in conjunction with the Freeport exemption (authorized by Section 11.251 of the Texas Tax Code and applied to taxable personal property inventory that is also detained in a single location for less than 175 days) are both considered prime, pro-business exemptions allowed by the State and have been a staple need for large businesses since they were approved in 2007. In Texas, these exemptions are made available to those who apply and are approved annually unless a taxing unit elects to deny the exemption and collect tax on those goods.

On October 6, 2007, the City of Seguin elected to opt-out of allowing this exemption to our businesses by choosing to pass Ordinance No. 07-101.

The Texas Legislature made further changes to the tax code in 2011 through Senate Bill 1, which again granted Texas businesses the widespread opportunity to benefit from the goods in transit exemption. Senate Bill 1 additionally established a very short deadline, for any taxing entities who wanted to require the collection of taxes on these goods, to pass ordinances to that effect.

The City of Seguin again chose to opt-out of allowing this exemption and passed Ordinance No. 2011-69 on December 6, 2011.

After speaking with the Guadalupe Appraisal District and Finance Director, Susan Caddell, Economic Development Staff have determined that allowing the goods in transit exemption to our businesses would be a prudent pro-business choice and help our growing community to be as competitive as other cities in the region. Although there are only a small number of companies that an exemption such as this would apply to (the Guadalupe Appraisal District found only one Seguin company who had inquired about the exemption since 2007), the impact to those companies can be significant. As for the impact to the City, in the case of the one company who expressed interest in the exemption, the cost to the City would have been an average of less than \$700 per year. This number will fluctuate, however, depending on eligible goods and the number of companies who apply for the exemption each year.

In order to allow the exemption and repeal the existing ordinance, a Repeal is required and included herein. Approval will effectively repeal Ordinance 2011-69 and will restore the goods in transit exemption opportunity to eligible Seguin businesses.

Fiscal Impact

Based on the number of Seguin companies that apply and are granted the exemption each year through the Guadalupe Appraisal District and the taxable value of the goods eligible for exemption from each company.

Staff Recommendation

Staff recommends Repeal of Ordinance No. 2011-69, allowing eligible Seguin businesses the opportunity to apply for the tax exemption of those items that the State allows under Section 11.253 of the Texas Tax Code, known as the goods in transit exemption.

Attachments

1. Ordinance No. 07-101
2. Ordinance No. 2011-69
3. Repeal of Ordinance No. 2011-69