

# B-Engrossed House Bill 3125

Ordered by the Senate June 29  
Including House Amendments dated June 8 and Senate Amendments  
dated June 29

Sponsored by Representative DAVIS; Representatives GILLIAM, HEARD, HOYLE, MCLAIN, Senators EDWARDS,  
THOMSEN

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Exempts from property taxation qualified machinery and equipment used to process grains, **bakery products, dairy products and eggs**. Excludes from definition of "food processor" persons engaged in business of producing marijuana or any product containing marijuana or marijuana extract **and persons without wholesale license issued by State Department of Agriculture engaged in business of producing bakery products**. Requires qualified machinery and equipment used to process grains **or bakery products** to have real market value of at least \$100,000 when placed in service to be eligible for exemption. **Provides that qualified machinery and equipment used to process bakery products is ineligible for exemption if proceeds from retail sales made at processing site constitute more than 10 percent of all proceeds from sales made at processing site.**

Authorizes [State] department [of Agriculture] to fix, assess and collect fees on food processors for certification of qualified machinery and equipment for purposes of exemption statute. Requires department to submit report to Legislative Assembly on impact of amendments to exemption statute. Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to property tax exemption for food processing equipment; creating new provisions; amend-  
3 ing ORS 184.484, 307.455 and 307.457; repealing ORS 307.462, 307.464 and 307.466; and prescrib-  
4 ing an effective date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 307.455 is amended to read:

7 307.455. (1) As used in this section and ORS 307.457:

8 (a) "Assessor" means the county assessor, or the Department of Revenue if under ORS 306.126  
9 the department is responsible for appraisal of the facility at which the qualified machinery and  
10 equipment is located.

11 **(b) "Bakery product" has the meaning given that term in ORS 625.010.**

12 **(c) "Dairy products" has the meaning given that term in ORS 621.003.**

13 [(b)] **(d) "Food processor":**

14 (A) Means a person engaged in the business of freezing, canning, dehydrating, concentrating,  
15 preserving, processing or repacking for human consumption raw or fresh fruit, vegetables, nuts,  
16 legumes, **grains, bakery products, dairy products, eggs** or seafood in any procedure that occurs  
17 prior to the point of first sale by the processor.

18 [(B) Does not include persons engaged in the business of producing alcoholic beverages.]

19 **(B) Does not include:**

20 **(i) Persons engaged in the business of producing alcoholic beverages, marijuana or any**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 **product that contains marijuana or a marijuana extract.**

2 **(ii) A person engaged in the business of producing bakery products unless the person has**  
3 **been issued a wholesale license by the State Department of Agriculture.**

4 [(c)] (e) "Integrated processing line" does not include forklifts, trucks or other rolling stock used  
5 to transport material to or from a point of manufacture or assembly.

6 [(d)] (f) "Qualified machinery and equipment" means property, whether new or used, that is  
7 newly acquired by a food processor and placed into service prior to January 1 preceding the first  
8 tax year for which an exemption under this section is sought, and that consists of:

9 (A) Real property machinery and equipment that is used by a food processor in the primary  
10 processing of raw or fresh fruit, vegetables, nuts, legumes, **grains, bakery products, dairy pro-**  
11 **ducts, eggs** or seafood; or

12 (B) Personal property machinery and equipment that is used in an integrated processing line for  
13 the primary processing of raw or fresh fruit, vegetables, nuts, legumes, **grains, bakery products,**  
14 **dairy products, eggs** or seafood.

15 (2)(a) On or before March 1 preceding the first tax year for which property is to be exempt from  
16 taxation under this section, a food processor seeking an exemption under this section shall apply to  
17 the assessor for exemption. The application shall be on a form prescribed by the Department of  
18 Revenue and shall include any information required by the department, including a schedule of the  
19 qualified machinery and equipment for which certification is sought.

20 (b) Notwithstanding paragraph (a) of this subsection, the assessor may approve an application  
21 that is filed after March 1, and on or before December 31 of the assessment year, if the statement  
22 is accompanied by a late filing fee of the greater of \$200 or one-tenth of one percent of the real  
23 market value of the property that is the subject of the application.

24 (c) The assessor shall review the application and, if the machinery and equipment that is the  
25 subject of the application constitutes qualified machinery and equipment certified by the State De-  
26 partment of Agriculture under ORS 307.457, shall approve the application and exempt the qualified  
27 machinery and equipment.

28 (d) If any of the machinery and equipment that is the subject of the application does not con-  
29 stitute qualified machinery and equipment certified by the State Department of Agriculture under  
30 ORS 307.457, the assessor shall exclude the nonqualified machinery and equipment from the appli-  
31 cation.

32 (3) Qualified machinery and equipment for which an application has been approved under sub-  
33 section (2) of this section shall be exempt for the tax year for which the application was approved  
34 and for the next four succeeding tax years, if as of the assessment date for each year the property  
35 constitutes qualified machinery and equipment.

36 (4) The duration of the exemption under subsection (3) of this section may not be extended as  
37 the result of the value of changes to qualified machinery and equipment that are attributable to  
38 rehabilitation, reconditioning or ongoing maintenance or repair.

39 **(5) Notwithstanding subsection (3) of this section, qualified machinery and equipment**  
40 **that is used to process grains or bakery products may not be granted exemption under this**  
41 **section unless the qualified machinery and equipment has a real market value of at least**  
42 **\$100,000 when placed in service by the food processor.**

43 **(6) Notwithstanding subsection (3) of this section, qualified machinery and equipment**  
44 **that is used to process bakery products may not be granted exemption under this section if**  
45 **proceeds from retail sales made at the processing site constitute more than 10 percent of**

1 **all proceeds from sales made at the processing site.**

2 **SECTION 2.** ORS 307.457 is amended to read:

3 307.457. (1) At the request of a food processor or [*under*] **on** the State Department of  
4 Agriculture's own initiative, the department shall certify **the eligibility of** qualified machinery and  
5 equipment [*as eligible*] for exemption under ORS 307.455.

6 (2) The method of certification under this section shall be provided by rules adopted by the State  
7 Department of Agriculture, after consultation with the Department of Revenue.

8 (3) A decision by the State Department of Agriculture to deny certification of certain property  
9 may be appealed to the Director of Agriculture as a contested case under ORS chapter 183.

10 (4) **The State Department of Agriculture may fix, assess and collect, or cause to be col-**  
11 **lected, fees on food processors for the certification of qualified machinery and equipment**  
12 **under subsection (1) of this section. The fees must be in an amount reasonably necessary to**  
13 **cover the costs of the certification and of the administration of this section. The fees must**  
14 **have a uniform basis, but the scale of fees may vary according to the location of the qualified**  
15 **machinery and equipment.**

16 **SECTION 3. ORS 307.462, 307.464 and 307.466 are repealed.**

17 **SECTION 4.** ORS 184.484 is amended to read:

18 184.484. (1) For each statute authorizing a tax expenditure that has a purpose connected to  
19 economic development and is listed in subsection (2) of this section, the state agency charged with  
20 certifying or otherwise administering the tax expenditure shall submit a report to the Oregon De-  
21 partment of Administrative Services. If no agency is authorized by statute, or if the statute does not  
22 provide for certification or administration of the tax expenditure, the Department of Revenue shall  
23 submit the report.

24 (2) This section applies to:

25 (a) ORS 285C.175, 285C.309, 285C.362, 307.123, 307.455, [*307.462,*] 315.141, 315.331, 315.336,  
26 315.341, 315.507, 315.514, 315.533, 316.698, 316.778, 317.124, 317.391 and 317.394.

27 (b) Grants awarded under ORS 469B.256 in any tax year in which certified renewable energy  
28 contributions are received as provided in ORS 315.326.

29 (c) ORS 315.354 except as applicable in ORS 469B.145 (2)(a)(L) or (N).

30 (d) ORS 316.116, if the allowed credit exceeds \$2,000.

31 (3) The following information, if it is already available in an existing database maintained by the  
32 agency, must be included in the report required under this section:

33 (a) The name of each taxpayer or applicant approved for the allowance of a tax expenditure or  
34 a grant award under ORS 469B.256.

35 (b) The address of each taxpayer or applicant.

36 (c) The total amount of credit against tax liability, reduction in taxable income or exemption  
37 from property taxation granted to each taxpayer or applicant.

38 (d) Specific outcomes or results required by the tax expenditure program and information about  
39 whether the taxpayer or applicant meets those requirements. This information shall be based on data  
40 already collected and analyzed by the agency in the course of administering the tax expenditure.  
41 Statistics must be accompanied by a description of the methodology employed in their generation.

42 (e) An explanation of the agency's certification decision for each taxpayer or applicant, if ap-  
43 plicable.

44 (f) Any additional information submitted by the taxpayer or applicant and relied upon by the  
45 agency in its certification determination.

1 (g) Any other information that agency personnel deem valuable as providing context for the in-  
2 formation described in this subsection.

3 (4) The information reported under subsection (3) of this section may not include proprietary  
4 information or information that is exempt from disclosure under ORS 192.410 to 192.505 or 314.835.

5 (5) No later than September 30 of each year, agencies described in subsection (1) of this section  
6 shall submit to the Oregon Department of Administrative Services the information required under  
7 subsection (3) of this section as applicable to applications for allowance of tax expenditures ap-  
8 proved by the agency during the agency fiscal year ending during the current calendar year. The  
9 information shall then be posted on the Oregon transparency website required under ORS 184.483  
10 no later than December 31 of the same year.

11 (6) In addition to the information described in subsection (3) of this section, the Oregon De-  
12 partment of Administrative Services shall post on the Oregon transparency website copies of all  
13 reports that the department, the Department of Revenue or the Oregon Business Development De-  
14 partment receives from counties and other local governments relating to properties in enterprise  
15 zones that have received tax exemptions under ORS 285C.170, 285C.175 or 285C.409, or that are el-  
16 igible for tax exemptions under ORS 285C.309, 315.507 or 317.124 by reason of being in an enterprise  
17 zone. The reports shall be submitted to the Oregon Department of Administrative Services in a  
18 manner and format prescribed by the department.

19 (7) The information described in this section that is available on the Oregon transparency  
20 website must be accessible in the format and manner required by the Oregon Department of Ad-  
21 ministrative Services.

22 (8) The information described in this section shall be furnished to the Oregon transparency  
23 website by posting reports and providing links to existing information systems applications in ac-  
24 cordance with standards established by the Oregon Department of Administrative Services.

25 **SECTION 5. The State Department of Agriculture shall submit, in the manner provided**  
26 **by ORS 192.245, a report on the impact that the amendments to ORS 307.455 by section 1 of**  
27 **this 2015 Act have had on the use of the exemption for qualified food processing machinery**  
28 **and equipment to the interim committees of the Legislative Assembly related to revenue not**  
29 **later than September 15, 2018.**

30 **SECTION 6. (1) The amendments to ORS 307.455 (1)(d)(B)(i) and 307.457 by sections 1 and**  
31 **2 of this 2015 Act apply to property tax years beginning on or after July 1, 2015.**

32 **(2) The amendments to ORS 307.455 by section 1 of this 2015 Act relating to grains,**  
33 **bakery products, dairy products and eggs apply to property tax years beginning on or after**  
34 **July 1, 2016.**

35 **SECTION 7. This 2015 Act takes effect on the 91st day after the date on which the 2015**  
36 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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