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Date: February 22, 2017

To: House Committee on Economic Development & Trade

From: Gil Riddell, Policy Director, The Association of Oregon Counties

Subject: House Bill 2151

Please add to the records of the House Economic Development & Trade Committee these comments related to the legislative history of the property tax exemption program amended by House Bill 2151 (2017), which is on the committee's agenda for public hearing on February 22, 2017.

<u>The Purpose of the Property Tax Exemption for Newly Acquired Food Processing Machinery and Equipment</u>

The property tax exemption program sought to be amended to include cannabinoid edibles and alcoholic beverages and liquors, grants a five-year property tax exemption to newly acquired food processing equipment of certain industries.

Created in 2005 with the support of AOC (the lone public sector organization to support it), the program was **narrowly targeted** to particular types of primary food processing <u>to provide a lifeline to this sector of the industry, which was in a tailspin from foreign competition and economic disadvantages</u>. The Northwest Food Processors Association (NWFPA) provided a compelling case, complete with a study of plant closures and very negative regional trends. The industry is doing much better now: Since 2005, annual employment has increased 11.8% and food processing payroll has increased 25% ($166 million).

The alcohol and cannabis industries, in sharp contrast, are already major, competitive industries in Oregon. **They do not need a lifeline**.

Questions to ask before considering expanding or creating a property tax expenditure: Is the proposal *necessary* to implement an important statewide program? Is the property tax expenditure the *only way* to accomplish the purpose, e.g., as opposed to creating an income tax credit? Will the economic sector *fail* without the property tax expenditure?

The property tax system is already cut, capped, and limited to the benefit of the property owner.

Under Oregon's rate-based property tax system, a new or expanded exemption causes a straight loss of revenue for education and public services. The counties' share of property taxes helps the county fund state-shared services to the same constituents as the state. The loss to revenues for education will be back-filled by state moneys.

I respectfully ask the Committee to consider these points before taking action on HB 2151.

1201 Court Street NE, Suite 300 | Salem, Oregon 97301-4110 | 503.585.8351 | www.oregoncounties.org