

HB 2900 A STAFF MEASURE SUMMARY
House Committee On Economic Development

Action Date: 04/08/19

Action: Do pass with amendments and be referred to Revenue by prior reference. (Printed A-Eng.)

Vote: 10-1-0-0

Yeas: 10 - Barreto, Bonham, Drazan, Helm, Lively, Marsh, McKeown, McLain, Wallan, Witt

Nays: 1 - Fahey

Fiscal: No fiscal impact

Revenue: Revenue impact issued

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Meeting Dates: 3/25, 4/8

WHAT THE MEASURE DOES:

Extends sunset for property tax exemption on qualified real property machinery and equipment used in food processing. Allows county governing body to make, by ordinance or resolution, the property tax exemption inoperative for the county and all other taxing districts within the county for any property tax year. Provides that qualified property already exempt under program on the effective date of county-adopted ordinance or resolution continues to be exempt for eligible tax years. Allows county to subsequently make exemption operative again. Requires county to notify county assessor, Department of Revenue, State Department of Agriculture, and taxpayers with exempt property when exemption is made inoperative or operative. Becomes operative on July 1, 2020 for property tax years beginning on or after July 1, 2021. Takes effect 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Number of food processors using program
- Confidentiality of company information and use of exemption
- Use of Oregon-grown products by processors receiving exemption
- Meeting carbon emission policy goals by updating machinery
- Local weigh-in on property tax exemption

EFFECT OF AMENDMENT:

Allows county governing body to make, by ordinance or resolution, the property tax exemption on food processing machinery or equipment inoperative for the county and all other taxing districts within the county for any property tax year. Provides that qualified property already exempt under program on the effective date of county-adopted ordinance or resolution continues to be exempt for eligible tax years. Allows county to subsequently adopt ordinance or resolution to make exemption operative again. Requires county action to make exemption operative or inoperative to be in effect for at least three consecutive property tax years. Requires county to notify county assessor, Department of Revenue, State Department of Agriculture, and taxpayers with exempt property. Becomes operative on July 1, 2020 for property tax years beginning on or after July 1, 2021.

BACKGROUND:

Current Oregon law provides an exemption from property tax for newly acquired machinery or equipment used by a food processing business. The machinery and equipment may be new or used, provided it is newly acquired by the food processor. The tax exemption is for food processors engaged in the business of processing, repacking, freezing, canning, dehydrating, concentrating, or preserving raw or fresh fruit, vegetables, nuts, legumes, or seafood for human consumption before the point of the first sale by the processor. Qualified machinery and equipment is certified by the Oregon Department of Agriculture and is exempt for five years following

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certification.

This exemption was first enacted by the Legislative Assembly in 2005 and was extended in 2011 and 2013. In the 2005 legislation, the Legislative Assembly found that "food processing activities make significant contributions to the economy of this state and are important in supporting and maintaining a high level of agricultural diversity, upon which consistent economic performance is based. The Legislative Assembly declares that a property tax exemption for qualified real property machinery and equipment encourages continued operation and expansion of the food processing industry in this state." (ORS 307.453) In 2015, House Bill 3125 amended the program to include grains, eggs, bakery products, and dairy products.

According to the 2019-2021 Tax Expenditure Report by the Oregon Department of Revenue, the 2019-2021 estimated property tax revenue loss from the food processing equipment exemption is \$8.8 million, with a shift of taxes to other taxpayers totaling \$1.8 million. The report also indicated that 27 businesses used the exemption for 122 pieces of equipment in tax year 2017-2018.

House Bill 2900-A extends the sunset for the property tax exemption on qualified real property machinery and equipment that is used in food processing to July 1, 2025, and allows county governing bodies to decide whether to disallow or re-allow the exemption for the county and all other taxing districts within the county for periods of at least three consecutive property tax years.