

# HB 2066 & SB 144

Property Tax Exemption:  
Food Processing Machinery & Equipment

Joint Committee on Tax Expenditures

LRO | 4/28/2023



# Outline

- Food processing machinery and equipment (M&E) exemption
- What the bills do
- Measure history: HB 2066 & SB 144
- Issues discussed





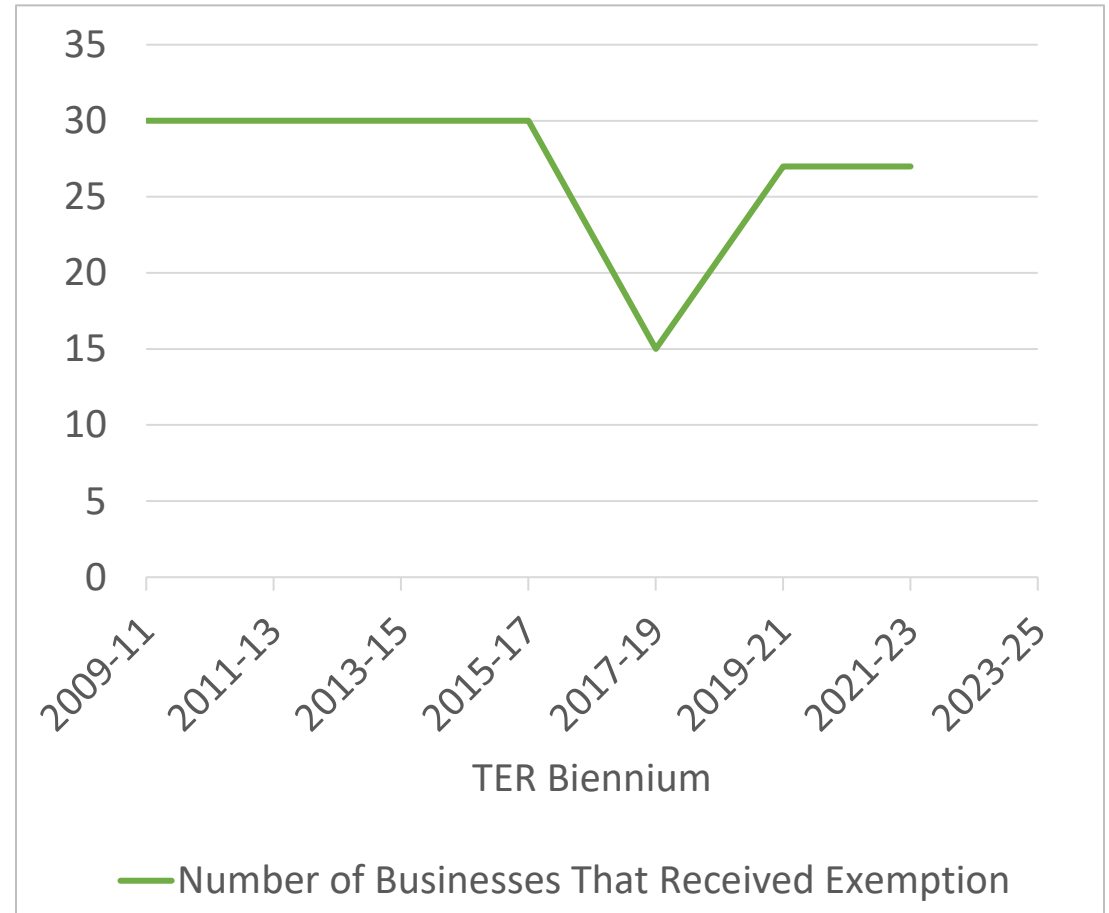
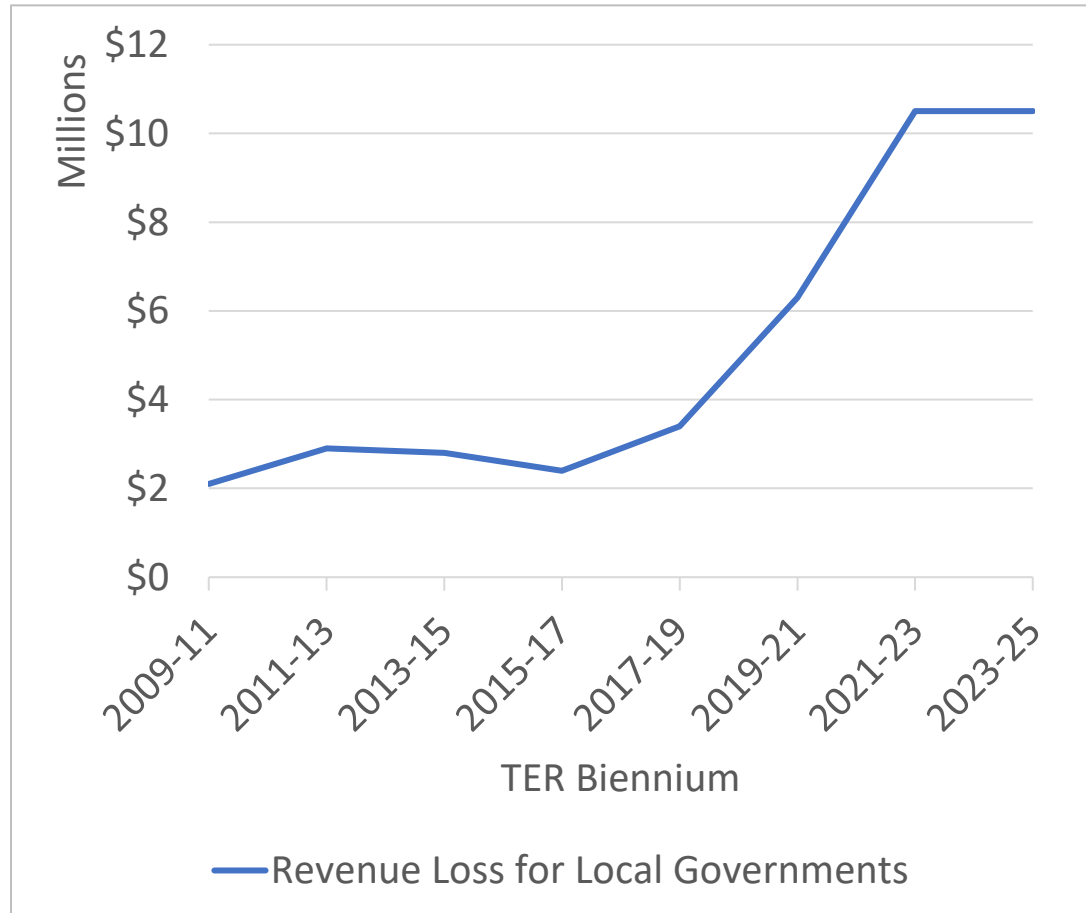
# Food processing M&E exemption

- Upon application, real or personal property M&E newly acquired by food processing business is exempt from local property taxation for 5 years
- New or used M&E newly acquired by food processor
- A food processing business is engaged in freezing, canning, dehydrating, concentrating, preserving, processing, or repacking for human consumption raw or fresh fruit, vegetables, nuts, legumes, grains, bakery products, dairy products, eggs, or seafood in any procedure that occurs prior to point of first sale by processor





# Food processing M&E exemption (cont.)



Data Source: DOR TER 2.033





# What the bills do

- Extends full property tax exemption for food processing machinery and equipment 7 years by moving sunset from July 1, 2025, to July 1, 2032
- Takes effect January 1, 2024





# Measure history: HB 2066 & SB 144

## **SB 144**

### Senate Committee on Labor and Business

- 1/26 — Work Session (5-0-0-0). Without recommendation as to passage and be referred to Tax Expenditures by prior reference.

### Joint Committee on Tax Expenditure

- 4/21 — Public Hearing





# Measure history: HB 2066 & SB 144 (cont.)

## **HB 2066**

### Joint Committee on Tax Expenditures

- 4/21 — Public Hearing
- Issues discussed:
  - SB 479 (2005)
  - HB 3125 (2015)
  - HB 2164 (2019)
  - Capital intensity of food processing
  - Inflation driven cost increases
  - Whether food processing is a growing part of Oregon economy
  - Rank of food processing M&E
  - Oregon export economy
  - Depreciation period for food processing M&E





# Measure history: HB 2066 & SB 144 (cont.)

## HB 2066

### Joint Committee on Tax Expenditures

- 4/21 — Public Hearing
- Issues discussed:
  - **SB 479 (2005)**
  - **HB 3125 (2015)**
  - **HB 2164 (2019)**
  - Capital intensity of food processing
  - Inflation driven cost increases
  - **Whether food processing is a growing part of Oregon economy**
  - **Rank of food processing M&E**
  - Oregon export economy
  - Depreciation period for food processing M&E







# Issues discussed - SB 479 (2005)

## **SB 479**

- Established food processing M&E exemption
- Policy purpose: “The Legislative Assembly finds 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.”





# Issues discussed – HB 3125 (2015)

## **HB 3125**

- Expanded exemption to include M&E used to process grains, bakery products, dairy products, and eggs
- Excluded those engaged in business of processing marijuana items
- Created eligibility condition for real market value of grains and bakery products M&E
  - SB 1506 changed condition to cost of initial equipment investment





# Issues discussed - HB 2164 (2019)

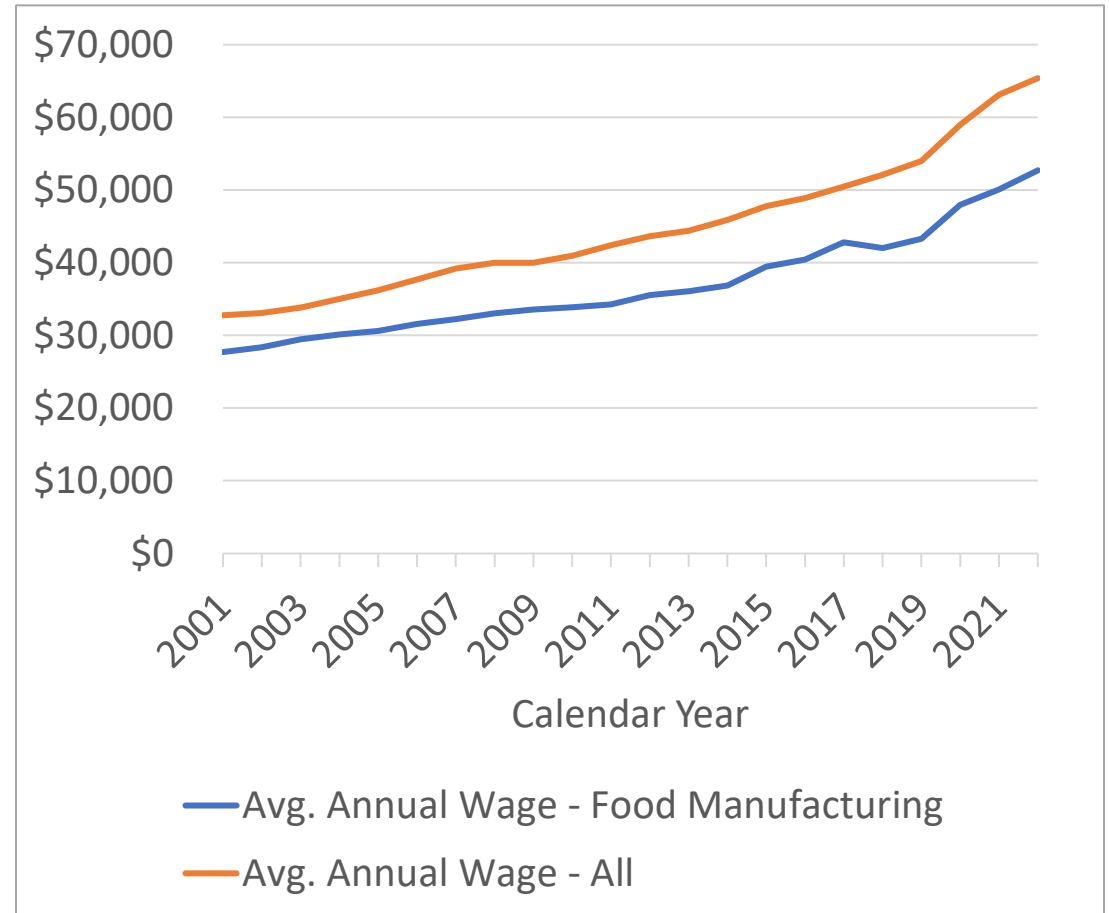
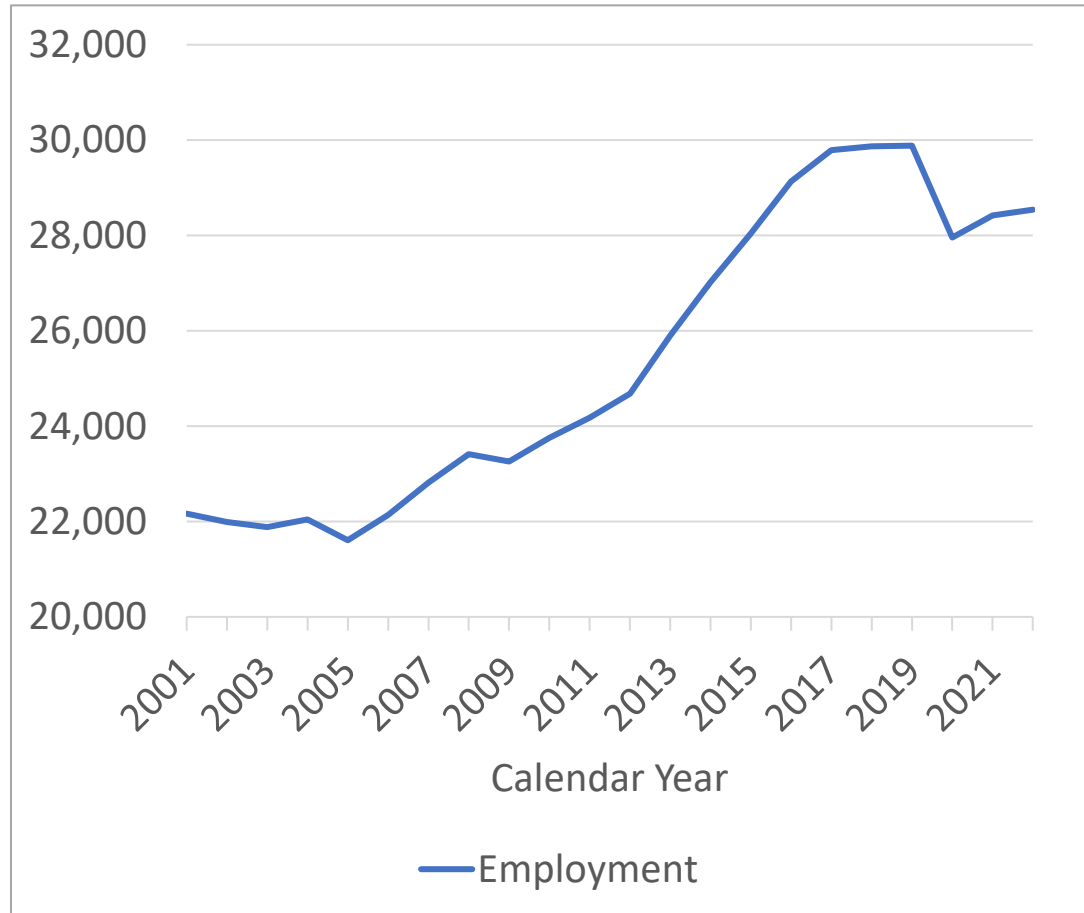
## HB 2164

- allows city or county to adopt ordinance or resolution that allows a lower exemption amount, a shorter exemption term, or opt in/out of exemption
  - Takes effect beginning of second tax year after it is adopted and must remain in effect for at least three consecutive property tax years
  - If shortens exemption term, eligible property at time ordinance is adopted continues receiving exemption on the same term
- Extended exemption to July 1, 2025
  - M&E that received exemption continue receiving it on same term after sunset





# Issues Discussed - Whether food processing is a growing part of Oregon economy

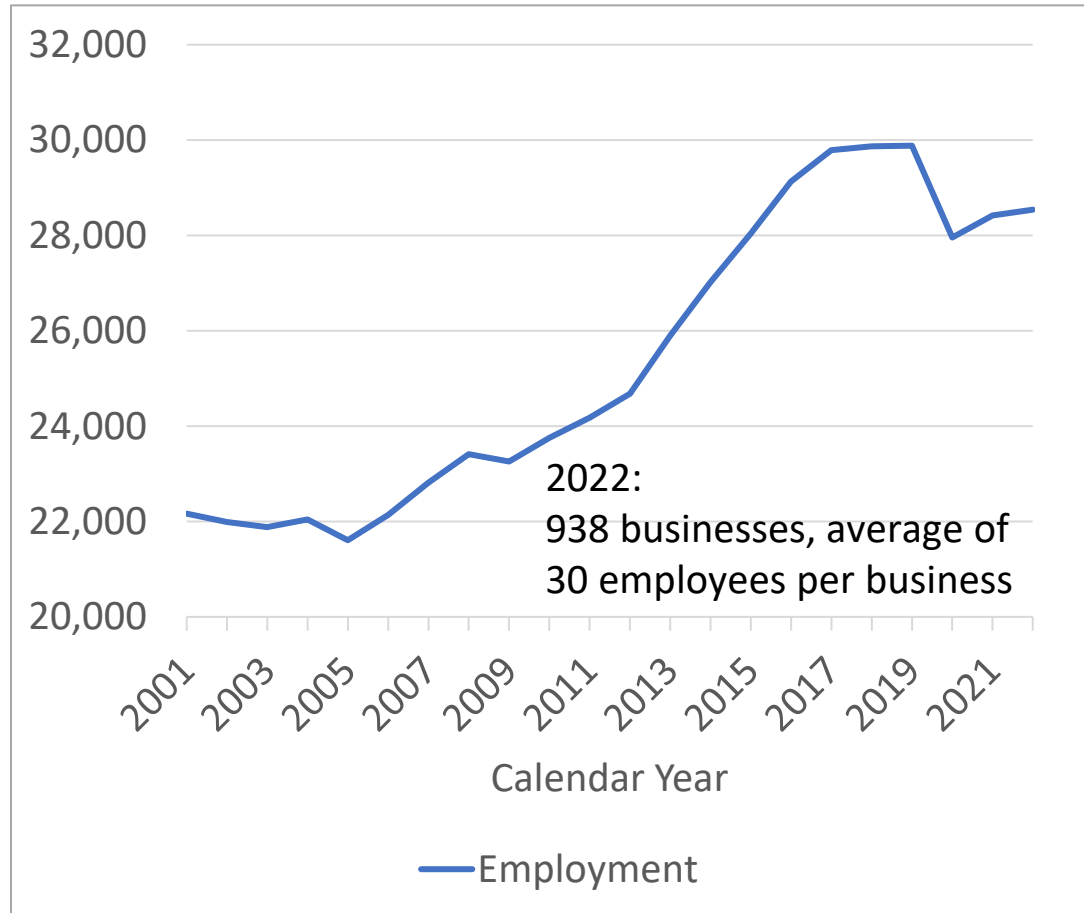


Data source: Oregon Employment Department

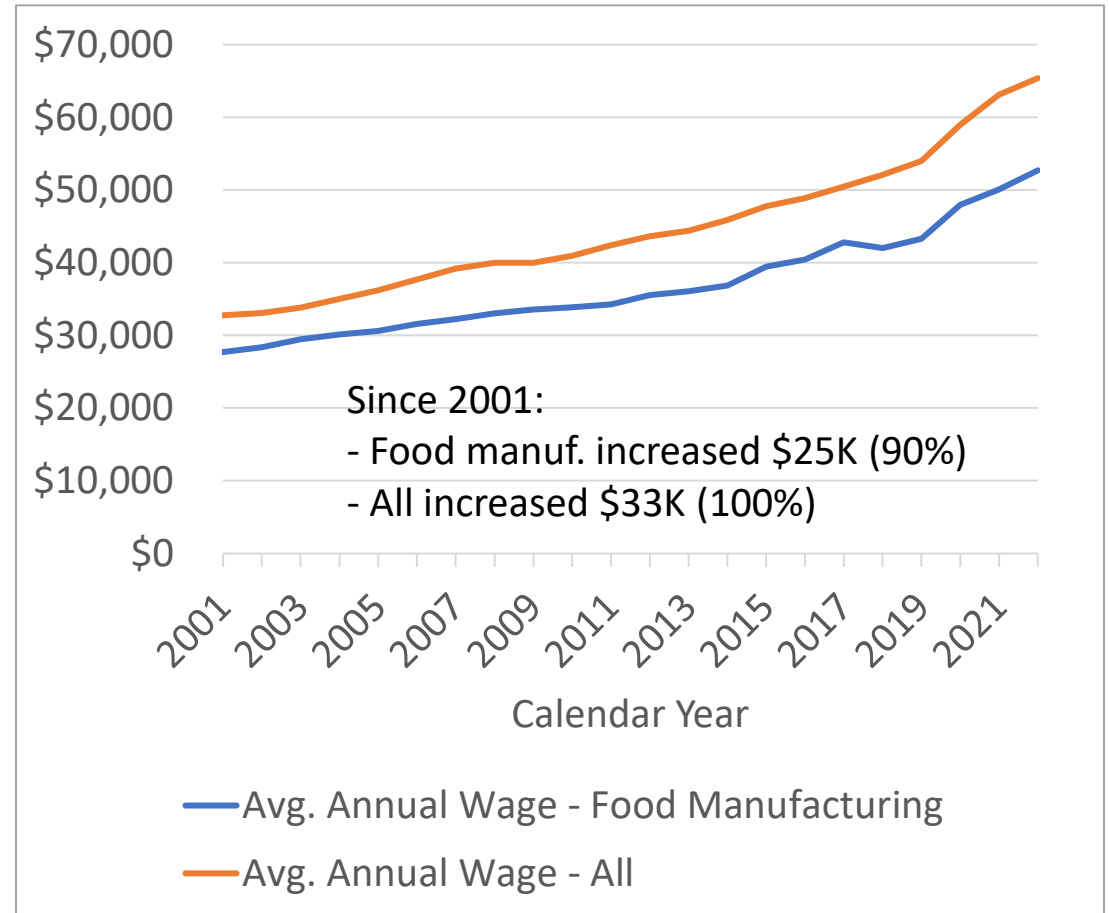




# Issues discussed - Whether food processing is a growing part of Oregon economy (cont.)



Data source: Oregon Employment Department





# Issues discussed - Rank of food processing M&E

Manufacturing Industry	Employment	Employment Rank	Avg. Annual Wage	Avg. Annual Wage Rank
Food (NAICS 311000)	28,539	2	\$52,704	15
Beverage and Tobacco Product (NAICS 312000)	7,518	8	\$46,985	18
Textile Mills (NAICS 313000)	98	21	\$42,092	20
Textile Product Mills (NAICS 314000)	816	18	\$41,927	21
Apparel (NAICS 315000)	933	17	\$52,066	16
Leather and Allied Product (NAICS 316000)	486	20	\$45,788	19
Wood Product (NAICS 321000)	23,193	3	\$64,455	10
Paper (NAICS 322000)	4,157	14	\$83,286	5
Printing and Related Support Activities (NAICS 323000)	3,905	15	\$54,860	14
Petroleum and Coal Products (NAICS 324000)	510	19	\$124,902	2
Chemical (NAICS 325000)	5,222	11	\$77,113	7
Plastics and Rubber Products (NAICS 326000)	5,199	12	\$59,070	13
Nonmetallic Mineral Product (NAICS 327000)	4,992	13	\$65,111	9
Primary Metal (NAICS 331000)	7,193	9	\$84,122	4
Fabricated Metal Product (NAICS 332000)	16,106	4	\$64,404	11
Machinery (NAICS 333000)	14,562	5	\$89,162	3
Computer and Electronic Product (NAICS 334000)	41,101	1	\$150,388	1
Electrical Equipment, Appliance, and Component (NAICS 335000)	2,324	16	\$79,268	6
Transportation Equipment (NAICS 336000)	10,750	6	\$69,538	8
Furniture and Related Product (NAICS 337000)	5,770	10	\$51,370	17
Miscellaneous (NAICS 339000)	8,766	7	\$61,240	12

Data source: Oregon Employment Department, 2022 data





# Issues discussed - Rank of food processing M&E (cont.)

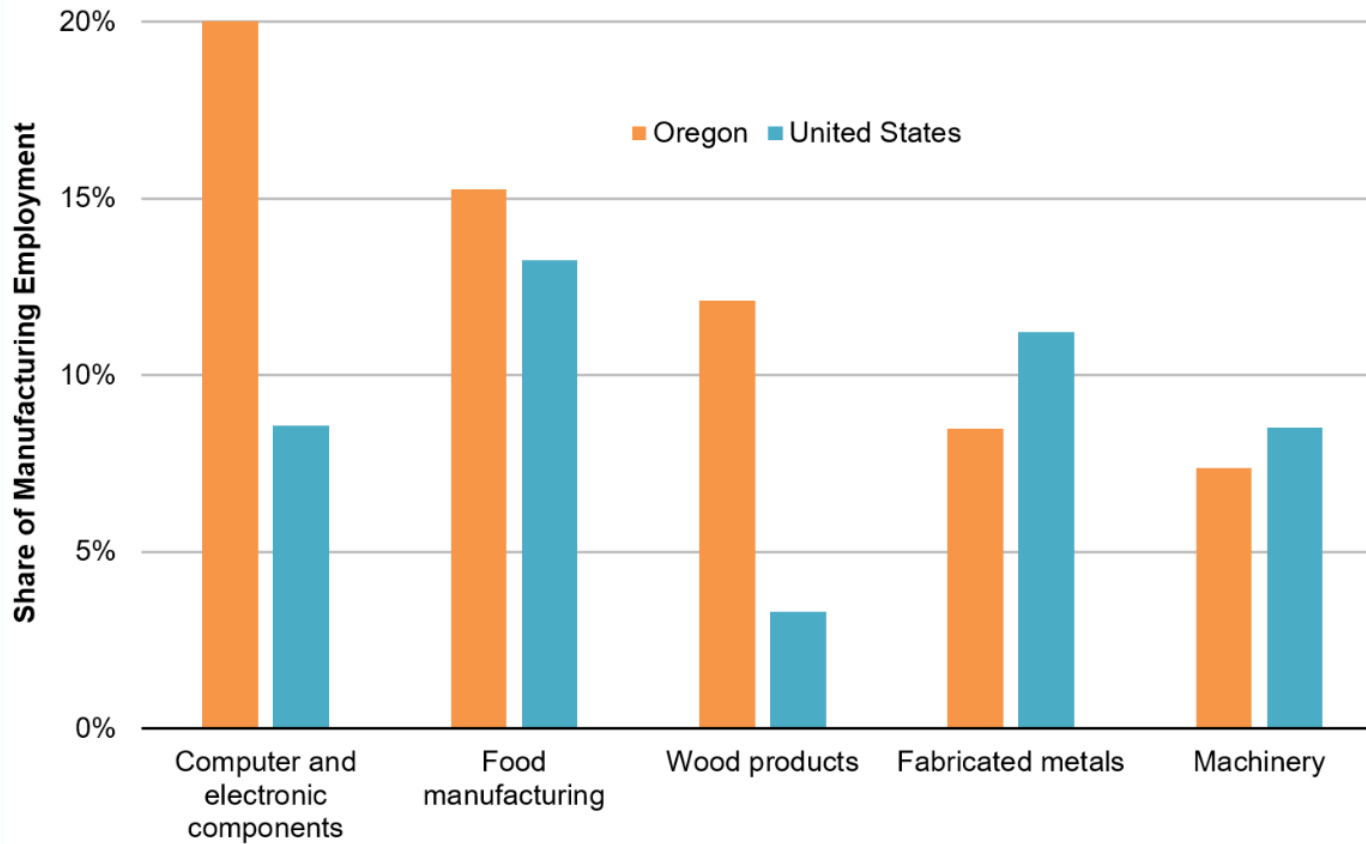
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# Issues discussed - Rank of food processing M&E (cont.)



Source: Oregon Employment Department and Bureau of Labor Statistics, 2021 Current Employment Statistics





# Legislative Revenue Office

<https://www.oregonlegislature.gov/lro>

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State of Oregon

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