

# HB 2066 & SB 144

Property Tax Exemption:  
Food Processing Machinery & Equipment

Joint Committee on Tax Expenditures

LRO | 5/12/2023



# Outline

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





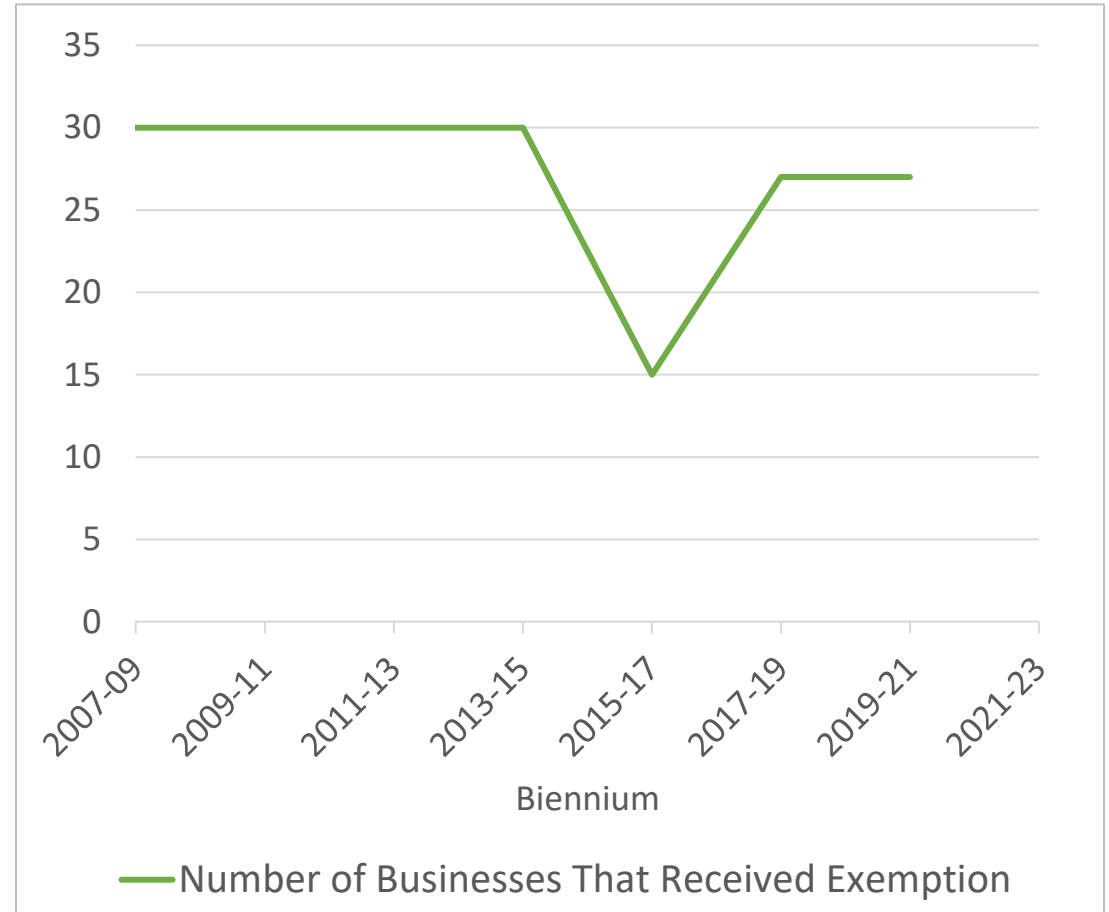
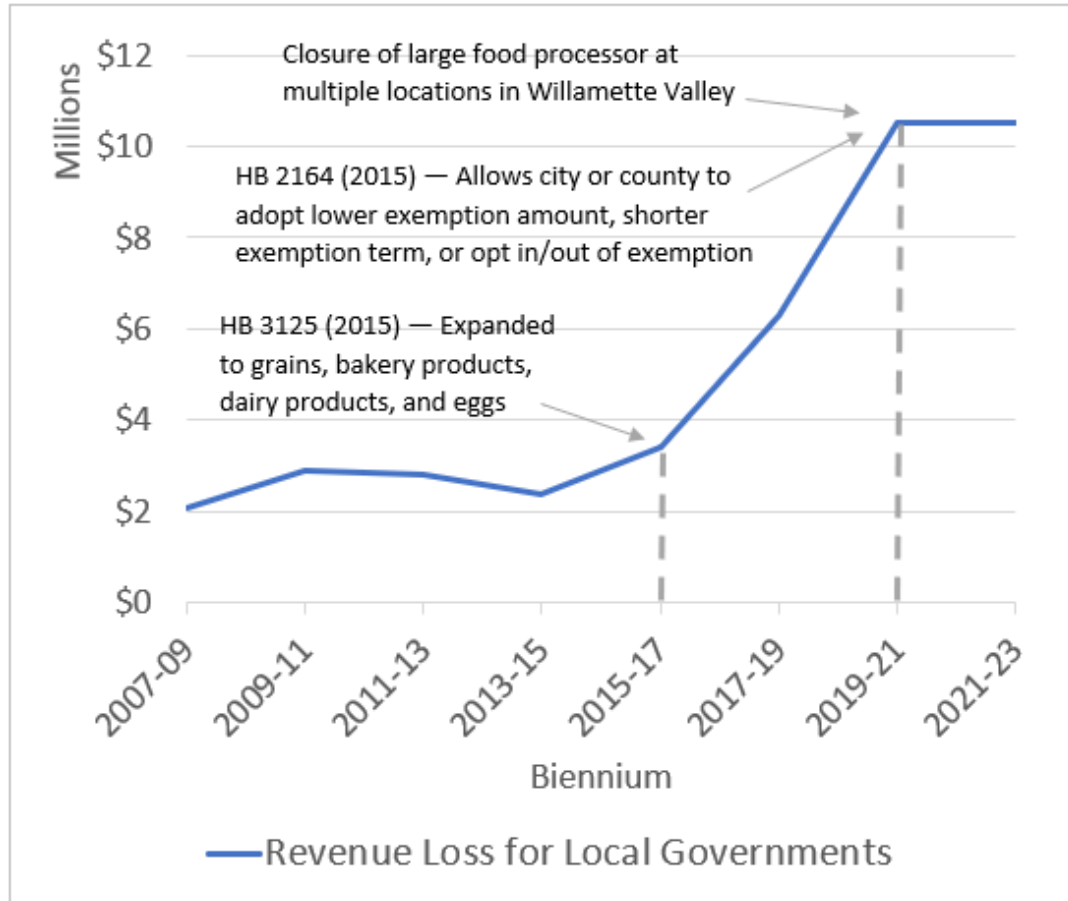
# Food processing M&E exemption

- Upon application, real or personal property M&E newly acquired by food processing business is exempt from local property taxation for up to 5 years. Application required each year
- Much of property value depreciates during 5-year exemption





# Food processing M&E exemption (cont.)



Data Source: Department of Revenue, TER 2.033





# What the bills do

- Extends 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
- 4/28 — Informational Meeting





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

## HB 2066

### Joint Committee on Tax Expenditures

- 4/21 — Public Hearing
- 4/28 — Informational Meeting
- 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
  - Whether "food processor" definition includes meat





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

## HB 2066

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  - **Whether "food processor" definition includes meat**







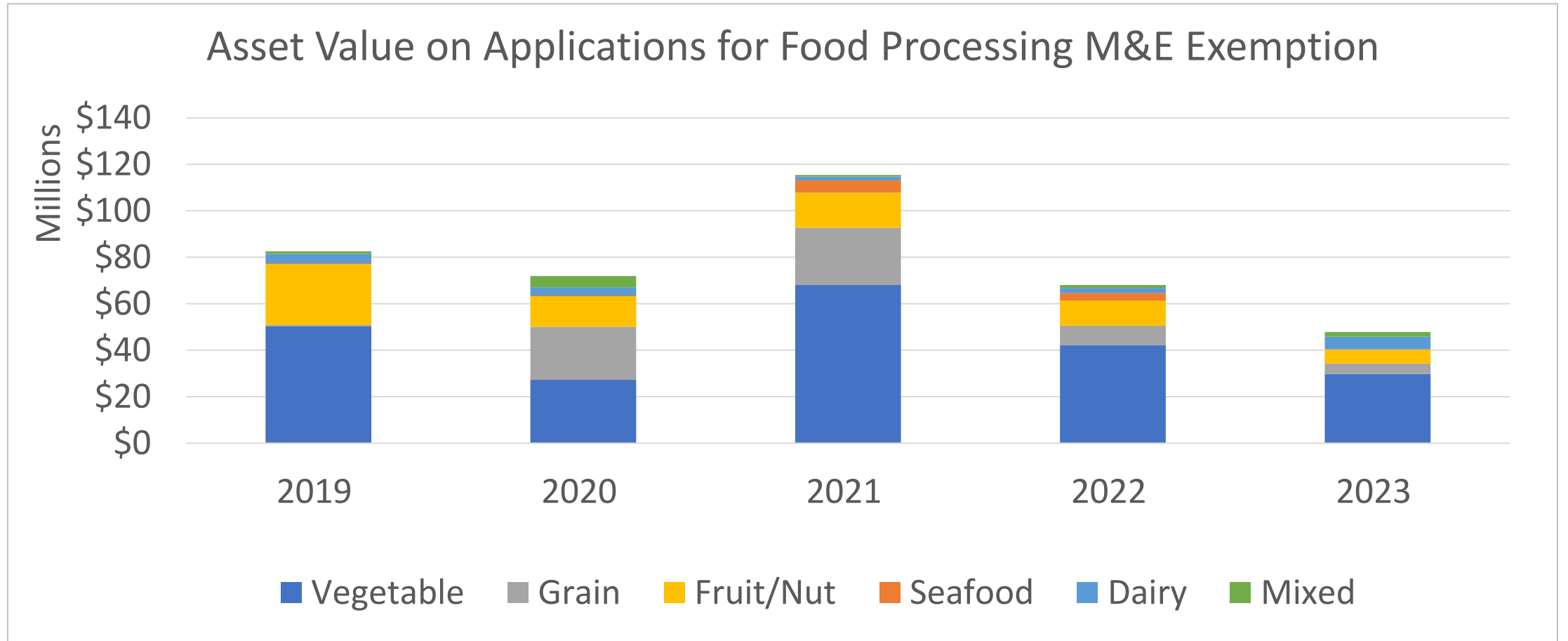
# “Food processor” definition

- A food processor is “a person engaged in the business of 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 the point of first sale by the processor” [ORS 307.455(1)(d)]





# Exempt food processors currently



Data source: Oregon Department of Agriculture





# Ranking of Market Value of Ag Products

## Census of Agriculture

### 2017 Ranking of Market Value of Ag Products Sold

#### Oregon

Item	Farms	Sales (\$1,000)	Rank by Sales	Percent of Total Sales
Total sales	37,616	5,006,822	(X)	100.0
Cattle and calves	11,180	977,404	1	19.5
Nursery, greenhouse, floriculture, and sod	2,066	886,686	2	17.7
Other crops and hay	9,920	780,068	3	15.6
Fruits, tree nuts, and berries	4,923	612,147	4	12.2
Vegetables, melons, potatoes, and sweet potatoes	2,112	539,205	5	10.8
Milk from cows	263	507,116	6	10.1
Grains, oilseeds, dry beans, and dry peas	1,798	343,911	7	6.9
Poultry and eggs	4,896	126,466	8	2.5

Item	Farms	Sales (\$1,000)	Rank by Sales	Percent of Total Sales
Cultivated Christmas trees and short rotation woody crops	1,076	121,338	9	2.4
Aquaculture	101	42,974	10	0.9
Sheep, goats, wool, mohair, and milk	3,724	28,300	11	0.6
Other animals and other animal products	1,272	22,968	12	0.5
Horses, ponies, mules, burros, and donkeys	1,654	14,807	13	0.3
Hogs and pigs	1,575	3,431	14	0.1
Tobacco	-	-	-	-
Cotton and cottonseed	-	-	-	-

Source: United States Department of Agriculture





# Ranking of Market Value of Ag Products

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# Legislative Revenue Office

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

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State of Oregon

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