

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Sixth Oregon Legislative
Assembly
2011 Regular Session
Legislative Revenue Office**

**Bill Number: HB 2563 – A7
Revenue Area: Property Tax
Economist: Christine Broniak
Date: 6/14/2011**

Measure Description: Adjusts sunset dates for the property tax exemption on food processing equipment from July 1, 2011 to July 1, 2013. Extends the sunset for alternative energy device property tax exemptions from July 1, 2011 to July 1, 2018. Exempts the alternative energy devices themselves rather than a portion of the value of the property to which they are installed.

Revenue Impact (in \$Millions):

Alternative Energy Systems Property Tax Exemption	2011-13	2013-15
Property Tax Loss – Counties and Local Taxing Districts	\$0.5 + Indeterminate Amount	\$0.5 + Indeterminate Amount
Property Tax Shift – Counties and Local Taxing Districts	\$0.1 + Indeterminate Amount	\$0.1 + Indeterminate Amount
Food Processing Equipment Property Tax Exemption	2011-13	2013-15
Property Tax Loss – Counties and Local Taxing Districts	\$2.0	\$0
Property Tax Shift – Counties and Local Taxing Districts	\$0.4	\$0

Impact Explanation:

Currently, alternative energy devices that are used for net metering cause a reduction in the assessed value of the property to which they are attached. The exemption from an attached net metering device therefore accrues to the owner of the property. If the owner of the property is already a tax exempt entity, such as a school, there is no tax incentive to install the alternative energy device on the property because the alternative energy device itself is not tax exempt. Also, in current statute, a public space that is leased for use by a private entity becomes taxable. If an exempt space is leased to a private entity to install an alternative energy device, the portion of the property to which it is affixed would become taxable even if the entire property received an exemption. This measure allows properties to remain exempt despite leasing a part of the property for alternative energy devices. The alternative energy tax exemption currently has a cost of \$500,000 in 2011-13 to counties and local taxing districts and a revenue shift of \$100,000. The measure would extend the exemption to the installed alternative energy devices even if they are installed on tax exempt properties. The passage of this measure will spur a number of new projects where alternative energy devices are installed on tax exempt properties

due to the measure's extension of the exemption to the devices themselves even when installed on an exempt property, such as a school or government building. These will be exempt from the start, so will not have an effect on property tax revenues. To the extent that installed devices are on tax exempt properties, devices will become exempt and could represent an additional revenue impact. The number or value of these devices is not known. Also, the portion of properties that are otherwise tax exempt currently subject to property taxation as a result of the installation of a privately owned alternative energy system would no longer be taxable. There is an additional negative revenue impact due to this effect, but the size of the impact is not known.

The extension of the food processing property tax exemption would extend the exemption period from the beginning to the end of 2011-13. No interest would be paid to taxpayers owning eligible food processing equipment on any subsequent roll corrections that apply this exemption.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is to encourage continued operation and expansion of the food processing industry in this state due to its significant contributions to the economy and its importance in supporting and maintaining a high level of agricultural diversity.

The measure also has the policy purpose of encouraging the installation of alternative energy systems that are more environmentally friendly and spur employment in the alternative energy industry.