



MEASURE: HB 2563-A  
EXHIBIT: F  
Senate Finance and Revenue 76<sup>th</sup> Session  
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SUBMITTED BY: Mark Nelson

# Support the Two-Year Extension of a Job-Creating Property Tax Exemption for Food Processing

## Equipment Acquisitions and Upgrades

### Please Support HB 2563-A

**\*\*Passed Unanimously from House Revenue\*\***

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- Oregon's Food Processing Machinery and Equipment Property Tax Exemption is a vital tool for creating jobs in our state's 3<sup>rd</sup> largest manufacturing sector.
- In the three years prior to its enactment in 2005, employment in Oregon's vegetable and fruit processing sector had declined by 15%, and payroll had declined by 11%. Significant job losses were forecast for the next 10 years.
- Oregon's Machinery and Equipment Property Tax Exemption is one reason why the food processing industry was the only manufacturing sector in the state to add jobs in 2008 and 2009.
- In 2008, over 25 Oregon food processors petitioned counties to allow them this property tax exemption with investments in over 30 plants throughout the state.
- Oregon county assessors can choose whether they grant the property tax exemption.
- One company used the credit to implement several large capital projects - investing in new products lines, expanding production space, and improving production capacity. The exemption provided a strong incentive toward plant modernization. This maintained and grew jobs.
- Over the course of the last five years, one major Oregon food processing company used the exemption to incent approximately \$66 million in new investments in two existing plants located in Eastern Oregon, and another \$50 million in new production facilities in the area.
- It is important to emphasize that this five year property tax exemption is temporary. Counties and the Department of Revenue will benefit from an increase in tax revenue as the taxes assessed on this equipment are included in property tax statements after the end of the five year period.

(Food Processing Equipment)

**307.453 Findings.** 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. [2005 c.637 §2]

**307.455 Definitions; application for exemption; exemption.** (1) As used in this section and ORS 307.457:

(a) "Assessor" means the county assessor, or the Department of Revenue if under ORS 306.126 the department is responsible for appraisal of the facility at which the qualified machinery and equipment is located.

(b) "Food processor":

(A) Means 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 or seafood in any procedure that occurs prior to the point of first sale by the processor.

(B) Does not include persons engaged in the business of producing alcoholic beverages.

(c) "Integrated processing line" does not include forklifts, trucks or other rolling stock used to transport material to or from a point of manufacture or assembly.

(d) "Qualified machinery and equipment" means property, whether new or used, that is newly acquired by a food processor and placed into service prior to January 1 preceding the first tax year for which an exemption under this section is sought, and that consists of:

(A) Real property machinery and equipment that is used by a food processor in the primary processing of raw or fresh fruit, vegetables, nuts, legumes or seafood; or

(B) Personal property machinery and equipment that is used in an integrated processing line for the primary processing of raw or fresh fruit, vegetables, nuts, legumes or seafood.

(2)(a) On or before March 1 preceding the first tax year for which property is to be exempt from taxation under this section, a food processor seeking an exemption under this section shall apply to the assessor for exemption. The application shall be on a form prescribed by the Department of Revenue and shall include any information required by the department, including a schedule of the qualified machinery and equipment for which certification is sought.

(b) Notwithstanding paragraph (a) of this subsection, the assessor may approve an application that is filed after March 1, and on or before December 31 of the assessment year, if the statement is accompanied by a late filing fee of the greater of \$200 or one-tenth of one percent of the real market value of the property that is the subject of the application.

(c) The assessor shall review the application and, if the machinery and equipment that is the subject of the application constitutes qualified machinery and equipment certified by the State Department of Agriculture under ORS 307.457, shall approve the application and exempt the qualified machinery and equipment.

(d) If any of the machinery and equipment that is the subject of the application does not constitute qualified machinery and equipment certified by the State Department of Agriculture under ORS 307.457, the assessor shall exclude the nonqualified machinery and equipment from the application.

(3) Qualified machinery and equipment for which an application has been approved under subsection (2) of this section shall be exempt for the tax year for which the application was approved and for the next four succeeding tax years, if as of the assessment date for each year the property constitutes qualified machinery and equipment.

(4) The duration of the exemption under subsection (3) of this section may not be extended as the result of the value of changes to qualified machinery and equipment that are attributable to rehabilitation, reconditioning or ongoing maintenance or repair. [2005 c.637 §3]

**Note:** Section 7, chapter 637, Oregon Laws 2005, provides:

**Sec. 7.** Notwithstanding section 3 of this 2005 Act [307.455], property may not qualify for a first year of exemption under section 3 of this 2005 Act for a tax year beginning on or after July 1, 2011. [2005 c.637 §7]

**307.457 Certification of eligibility of machinery and equipment.** (1) At the request of a food processor or under the State Department of Agriculture's own initiative, the department shall certify qualified machinery and equipment as eligible for exemption under ORS 307.455.

(2) The method of certification under this section shall be provided by rules adopted by the State Department of Agriculture, after consultation with the Department of Revenue.

(3) A decision by the State Department of Agriculture to deny certification of certain property may be appealed to the Director of Agriculture as a contested case under ORS chapter 183. [2005 c.637 §4]

**307.459 Rules.** The Department of Revenue and the State Department of Agriculture may adopt rules to implement the provisions of ORS 307.455 and 307.457. [2005 c.637 §5]