

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

**Bill Number: HB 2563 - B  
Revenue Area: Property Tax  
Economist: Christine Broniak  
Date: 6/16/11**

**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. Removes the sunset on the tax exemption for environmentally sensitive logging equipment.

**Revenue Impact (in \$Millions):**

<b>Alternative Energy Systems Property Tax Exemption</b>	<b>2011-13</b>	<b>2013-15</b>
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
<b>Food Processing Equipment Property Tax Exemption</b>	<b>2011-13</b>	<b>2013-15</b>
Property Tax Loss – Counties and Local Taxing Districts	\$2.0	\$0
Property Tax Shift – Counties and Local Taxing Districts	\$0.4	\$0

Since the tax exemption on environmentally sensitive logging equipment did not sunset until 2018, there will be no revenue impact in 2011-13 or 2013-15 for this part of the measure. There will be a revenue impact from this measure in biennia after 2018.

**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 previously 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 in which 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.

There are currently 6 100 kilowatt alternative energy systems proposed for the Beaverton and Gladstone schools. The assessed value of these systems is approximately \$3 million. Projects are also proposed in other parts of the state including Pendleton, Klamath Falls, and Lincoln City. These systems would be exempt under the provisions of this measure.

The extension of the food processing property tax exemption would lengthen 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.

The tax exemption for environmentally sensitive logging equipment causes a loss in revenue to counties and local taxing districts of \$6.2 million in 2011-13 and a shift in \$1.3 million during this same time period. This exemption would be continued under current law until 2018. After 2018, this measure would result in a revenue impact for this property tax 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.

The policy purpose of the environmentally sensitive logging equipment property tax exemption is to facilitate the transition of older logging equipment to newer equipment designed and manufactured to be environmentally sensitive, consistent with the need to match the equipment to the specifics of the site being harvested.