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Please Support HB 2735

Extending Oregon's food processing equipment property tax exemption

This was enacted in 2005 at a time when the industry was reeling from plant closures, declining employment figures and a significant drop in total payroll in Oregon. Since then, the industry has been a bright spot in Oregon's manufacturing employment, adding jobs through the recession and continuing economic growth locally. **The exemption should be continued because it is working.**

Newly acquired machinery or equipment used by food processing businesses is exempt from property taxation for five years. This encourages investment in replacing aging equipment, ensuring that companies can **expand and reinvest in plants in Oregon.**

The exemption is temporary

After five years, equipment subject to the exemption comes back on the tax rolls. Though the equipment is then taxed at a lower rate than it would have been at initial installment, the difference after depreciation is taken into account is more than made up for in continued operation and expansion of the food processing industry in Oregon.

HB 2735 supported by Counties

The Association of Oregon Counties supports this bill. By forgoing some tax revenue upfront, the counties benefit in the long run through continued growth of this important manufacturing sector. Payroll growth (25% industry-wide from 2005-2011) and business expansion allows middle class families to benefit, and the **money is then reinvested directly back into local communities.**

It's about more than just taxes...

- **Energy:** The exemption encourages reinvestment in newer, more energy-efficient equipment. NWFPA is committed to reducing member-wide energy intensity by 25% in 10 years and 50% in 20 years through innovation, new technologies and new resources.
- **Food safety:** Policies that encourage modernization of machinery can also help reduce incidents of recall or food borne illness resulting from outdated manufacturing processes.
- **Internal competition:** Plants often compete within a company for investment, so facilities in WA or ID could get the edge for new equipment and upgrades if OR tax obligations increase.
- **Local impacts:** Not only are many of these food processors home-grown, their suppliers are too. Continued reinvestment in new and existing facilities will benefit local vendors.
- **Sustainability:** NWFPA supports environmental efforts to balance the use of limited resources today with the resource needs of tomorrow. Efficiency upgrades in food processing equipment can reduce environmental impacts for everything from water usage to cold storage energy needs.

Outlook for the food processing industry

Food processing in Oregon has been outperforming private sector employment generally, and manufacturing specifically, through the most difficult economic period since the Great Depression. The property tax exemption has helped the industry regain its footing locally and we have seen slow but steady economic growth after a period of sharp declines in the early 2000's. ***Increased competition in global markets and across state lines, however, means that an increase in tax obligations for Oregon plants (by allowing the exemption to expire) would make Oregon look less attractive for new investment.***

3/18/2013



Increased automation means higher demand for skilled labor

Food processing has become a highly advanced, manufacturing process. With that comes the need for a more skilled workforce and the opportunity for higher paying jobs. Food processing industry **total payroll grew by \$91 million from 2007-2011**, during the Great Recession.

Food processing has been a bright spot in Oregon's economy

State of the industry in 2005

- 15.3% decline in average annual employment from 2000 to 2003
- 11.0% decline (\$61.4 million) in total food processing payroll from 2000 to 2003 (source: Globalwise Inc., economic analysis prepared for NWFPA)

State of the industry since 2005*

- 11.8% increase in annual employment from 2005 to 2011
- 25.0% increase in total food processing payroll from 2005 to 2011

Compared to all manufacturing*

- -17.5% change in annual employment from 2005 to 2011
- 3.0% increase in total manufacturing payroll from 2005 to 2011

Compared to all private sector employment*

- -3.2% change in annual employment from 2005 to 2011
- 3.0% increase in total private sector payroll from 2005 to 2011

(*source: Oregon Employment Department, Labor Market Information System)

Food processing is particularly important to rural Oregon

Here is a look at food processing employment statistics for a few individual counties compared to the statewide average (2011 figures):

Tillamook County – 12.6% of total private sector employment, 16.7% of total payroll

Umatilla County – 9.1% of total private sector employment, 8.5% of total payroll

Statewide – 1.8% of total private sector employment, 1.5% of total payroll

Ensures Oregon-based processors stay here

Oregon looks more attractive for reinvestment than Washington when taking into account the exemption, but if it goes away, Washington looks more attractive. It is dangerous to believe that the food processing industry is captive and will not vote with their feet.

Benefits are felt by other Oregon businesses

Plants compete within companies and when those investments are made in Oregon, new plants and additions are most often performed by local, Oregon contractors and suppliers. The exemption helps keep homegrown food processors here but also keeps the businesses and surrounding communities they support vibrant and growing.

Attracts new business from out-of-state

Companies that operate in more than one state often take into account tax rates and new investment and expansion will go where it makes the most economic sense. A stable and predictable tax environment is critical to long term business investment decisions.

Vote YES on HB 2735!

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