



POLK COUNTY

POLK COUNTY COURTHOUSE ★ OFFICE: 503-623-8391 ★ FAX: 503-831-3015
DALLAS, OREGON 97338-3180

ASSESSOR'S OFFICE
DOUGLAS SCHMIDT
Assessor

May 21, 2015
House Committee on Revenue
HB 3125

Chair Barhart, members of the committee. My name is Douglas Schmidt and I am the Polk County Assessor.

HB 3125 greatly expands the exemption of Food Processing Equipment to not only equipment used in the “primary” or, first processing, of a product to include a (page 1 lines 25-26) “qualified processing activity, whether in primary processing or in an integrated processing line for primary processing.” Because this bill now includes processing lines it can raise questions and uncertainty about what can be exempt. When there is uncertainty, appeals are certain.

As currently written, the bill identifies the phrase “integrated processing line” but doesn’t specifically describe what that is. The bill also expands the Qualified Processing Activity to include additional types of product namely grains, bakery products, milk and eggs.

One of the first questions is whether the exemption is limited to the first business that processed a product or to all business in the production of the end product. An example would be a flour mill that accepts the grain, cleans it, and grinds it into flour. The bill would indicate that almost all the equipment in that flour mill could be exempt because the food processor is selling the flour to a bakery, or the “first point of sale by a food processor.” The bakery receives the flour, mixes the dough, bakes the bread, packages the bread and ships the bread to the store. Can the bakery claim exemption on their equipment because they appear to meet the qualified processing activity description which is “the business of...processing...for human consumption...bakery products...”.

The second question can also be demonstrated by the flour mill and bakery example. If the bakery accepts raw grain from the farmer, cleans it, grinds it into flour, mixes the dough, bakes the bread, packages the bread and ships the bread to the store, it would appear all of the equipment from the receiving of the grain to the point of putting the bread on a truck could be exempt.

There is also egg and milk processing and dehydrating that is then incorporated into prepackaged meals at another site by a different company. What is exempt?

As you can see, Assessors believe there are questions about the qualification of equipment for exemption under this bill. We ask that these areas be clarified during your review.

Thank you.