

**REVENUE IMPACT OF
PROPOSED LEGISLATION
Seventy-Eighth Oregon Legislative
Assembly
2015 Regular Session
Legislative Revenue Office**

**Bill Number: HB 3125 - 4
Revenue Area: Property Taxes
Economist: Kyle Easton
Date: 5/21/2015**

***Only Impacts on Original or Engrossed
Versions are Considered Official***

Measure Description:

Expands existing property tax exemption for qualified machinery and equipment used in food processing to include machinery and equipment used to process grains, bakery products, dairy products and eggs. Disallows exemption for qualified machinery and equipment used to process bakery products if retail sales made at processing site constitute more than 10 percent of all proceeds from sales made at processing site. Adds definition of qualified processing activity to include packing of food for human consumption. Applies to property tax years beginning on or after July 1, 2015.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
Local Government	(.4)	(.8)	(1.2)	(2.7)	(3.3)
Local Education Districts	(.3)	(.7)	(1.0)	(2.2)	(2.7)
Total Revenue Change	(.7)	(1.5)	(2.2)	(4.9)	(6.0)

Impact Explanation:

The expansion of the existing property tax exemption for food processing equipment is expected to reduce property tax revenues for local taxing districts. The exemption is available for five years for machinery and equipment newly placed into service. This five year exemption horizon causes the revenue impact to increase each biennium reflective of machinery and equipment in years one to year five of the exemption. The growth in machinery and equipment installations is based upon overall food processing industry expansion expectations. As such, the impact that Oregon marijuana edible market will have upon bakery machinery and equipment is not directly reflected in the numbers as significant unknowns regarding implementation of marijuana legalization remain.

The impact estimates are reflective of the interpretation that qualifying personal property, machinery and equipment will generally follow current law interpretations about qualifying personal property.

Creates, Extends, or Expands Tax Expenditure: Yes No

The policy purpose of this measure is contained in ORS 307.453:

“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.”