

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 3125 - 5**Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***

Prepared by: Theresa McHugh
Reviewed by: John Borden, Paul Siebert
Date: May 26, 2015

Measure Description:

Exempts from property taxation qualified machinery and equipment used to process grains, bakery products, milk and eggs.

Government Unit(s) Affected:

Counties, Department of Revenue (DOR), Department of Agriculture

Summary of Expenditure Impact:

See Analysis below

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

The measure expands the 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. This exemption already exists for machinery and equipment used in food processing of fruit, vegetables, nuts, legumes, and seafood. The measure excludes businesses that produce products that contain marijuana or marijuana extract from the definition of "food processor." The measure also disallows the exemption if retail sales at a processing site constitute more than 10 percent of all proceeds from sales that are made at the site. The new tax exemption is effective beginning with the 2015 tax year.

The Oregon Department of Agriculture (ODA) is responsible for certifying the eligibility of qualified machinery and equipment. As the measure increases this workload, ODA anticipates that they will incur costs between \$42,000 and \$84,000 per biennium depending on the number of establishments to be certified. The estimates are based on the completion of 60 to 120 additional certifications. ODA also estimates one-time costs of approximately \$10,000 to pay for rule-making costs. Under the measure, the Department of Agriculture is granted fee authority to charge food processors an amount sufficient to cover their costs.

The Department of Revenue's (DOR) estimate of 110 new claims is within the range assumed by ODA. DOR estimates costs of approximately \$65,000 General Fund in 2015-17, which would grow to approximately \$70,000 General Fund in 2017-19. These costs are primarily related to the need for additional staff, or overtime costs for existing staff, to appraise the newly-eligible equipment and to conduct site audits of 20 percent of the claims. The level of funding and staffing needed would be reduced and could become minimal if the actual number of new claims is lower than estimated. The cumulative total of all new measures, as well as the anticipated workload for the agency, needs to be reviewed later in the Session to determine what total adjustments should be made to the DOR budget.