

PRELIMINARY STAFF MEASURE SUMMARY

House Committee On Revenue

Fiscal: May have fiscal impact, but no statement yet issued

Revenue: May have revenue impact, but no statement yet issued

Action Date:

Action:

Meeting Dates: 04/01

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WHAT THE MEASURE DOES:

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, milk and eggs. Modifies definitions related to food processor and qualified machinery and equipment. Adds definition of qualified processing activity to include packing of food for human consumption. Repeals statutes related to expired egg processing equipment exemption. Applies to property tax years beginning on or after July 1, 2015.

ISSUES DISCUSSED:

- Incentives available to food processing industry in neighboring states
- Closure of Deluxe Ice Cream plant
- Scope of bakery exemption, for example - application to supermarket bakeries
- Food processing manufacturing, how it compares to other manufacturing sectors without available exemptions
- Average life of food processing equipment (15-25 years)
- Connection between food processing and other industries
- "But for" question - without exemption, would equal amount of economic activity take place DiImpNee

EFFECT OF COMMITTEE AMENDMENT:

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Eliminates milk from definition of qualified machinery and equipment used in food processing and adds dairy products as defined in ORS 621.003. 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. Allows State Department of Agriculture to fix, assess and collect or cause to be collected fees on food processors in amount necessary to cover costs of certification.

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Modifies definition of "food processor" to not include a person engaged in the business of producing any product that contains marijuana or a marijuana extract.

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Modifies definition of "food processor" to include grains and exclude a person engaged in the business of producing any product that contains marijuana or a marijuana extract. Modifies definition of qualified machinery and equipment to include grains. Requires qualified machinery and equipment used to process grains, to have real market value of at least \$100,000 when placed in service in order to qualify for exemption. Allows State Department of Agriculture to fix, assess and collect or cause to be collected fees on food processors in amount necessary to cover costs of certification. Requires State Department of Agriculture to submit a report, on impact of expanding exemption to include grain processing, to interim Legislative revenue committees not later than September 15, 2018. Applies to property tax years beginning on or after July 1, 2015.

BACKGROUND:

Existing law provides an exemption from property tax newly acquired machinery or equipment used by food processing business. The machinery and equipment may be new or used so long as the machinery and equipment is newly acquired by the food processor. Food processing businesses are those that freeze, can, dehydrate, concentrate, preserve, process or repack fruit, vegetables, nuts, legumes, or seafood in any procedure that occurs prior to the first sale by the processor. Qualified machinery and equipment is certified by the Oregon Department of Agriculture and is exempt for five years following certification.

The measure as amended would expand the existing exemption to machinery and equipment used to process grains, bakery products, dairy products and eggs. Measure would also add definition of qualified processing activity to include packing of food for human consumption, current law includes only repacking.