

**Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session**  
**STAFF MEASURE SUMMARY**  
**House Committee On Revenue**

**MEASURE: HB 3125 A**  
**CARRIER: Rep. Hoyle**

**Fiscal:** Fiscal impact issued  
**Revenue:** Revenue impact issued

---

**Action Date:** 06/04/15

**Action:** Do Pass As Amended And Be Printed Engrossed.

**Meeting Dates:** 04/01, 06/04

**Vote:**

Yeas: 7 - Barnhart, Bentz, Davis, Johnson, Lininger, Read, Whitsett

Exc: 2 - Smith Warner, Vega Pederson

**Prepared By:** Kyle Easton, Economist

---

**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. 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.

**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
- Specific exclusion of businesses producing any product containing marijuana from exemption
- Whether exemption is applicable to oilseed processors as well
- Whether grain processors in business of producing grain for distilling or brewing purposes would receive exemption.

**EFFECT OF COMMITTEE AMENDMENT:**

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 food processing equipment exemption to machinery and equipment used to process grains. The measure will also exclude a person engaged in the business of producing any product containing marijuana or a marijuana extract from receiving exemption. Existing law requires the Oregon Department of Agriculture to certify food processing equipment as eligible for the exemption. Measure allows State Department of Agriculture to assess and collect fees related to equipment certification and requires fees to be in amounts necessary to cover costs of certification. Measure also requires State Department of Agriculture to submit report, on impact of expanding exemption to include grain processing, to interim Legislative committees on revenue no later than September 15, 2018. Existing sunset on food processing equipment of June 30, 2020 applies to grain processing as well.