FISCAL IMPACT OF PROPOSED LEGISLATION — Measure: HB 3125 – B

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Exempts qualified food processing machinery and equipment from property taxation.

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 specified food processing equipment and machinery. The measure excludes businesses that produce bakery products, unless they have a wholesale license issued by the Oregon Department of Agriculture (ODA), or products that contain marijuana or marijuana extract from the definition of "food processor." The measure also disallows the exemption for equipment used to process grains and bakery products unless it had a real market value of at least $100,000 when it was placed into service.

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 could incur costs between approximately $50,000 and $90,000 per biennium, depending on the number of establishments to be certified. While the additional demand is unknown, the estimates are based on the completion of 60 to 120 additional certifications. Under the measure, ODA is granted fee authority to charge food processors an amount sufficient to cover their costs. The agency is required to report to the Legislature by September 15, 2018 on the use of the exemption.

The Department of Revenue's (DOR) estimate of 110 new claims is within the range assumed by ODA. DOR estimates costs of approximately $60,000 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. 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.

It is anticipated that that the fiscal impact of the measure to counties would be minimal.