

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

**Bill Number: HB 3125 - B  
Revenue Area: Property Tax  
Economist: Kyle Easton  
Date: 6/25/2015**

***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. Prohibits a person engaged in business of producing marijuana or any product that contains marijuana or a marijuana extract from qualifying for exemption. 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. Requires qualifying bakeries to have been issued a wholesale license by State Department of Agriculture. Requires qualified machinery and equipment used to process grains and bakery products to have real market value of at least \$100,000 when placed in service in order to qualify for exemption. Applies to property tax years beginning on or after July 1, 2016.

**Revenue Impact (in \$Millions):**

	Fiscal Year		Biennium		
	2015-16	2016-17	2015-17	2017-19	2019-21
<b>Local Governments</b>		(0.4)	(0.4)	(1.9)	(2.8)
<b>Local Education Districts</b>		(0.3)	(0.3)	(1.5)	(2.3)
<b>Total Revenue Change</b>		(0.7)	(0.7)	(3.4)	(5.0)

**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. The property tax exemption is scheduled to sunset beginning with the 2020-21 property tax year. The last tax year a property may qualify for a first year exemption is tax year 2019-20, however, property may continue to qualify for the remaining years of the full five year exemption beyond the sunset date.

**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.”