

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

**MEASURE: HB 3125 B**  
**CARRIER: Sen. Boquist**

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

**Action Date:** 06/26/15

**Action:** Do Pass With Amendments. (Printed B-Eng.)

**Meeting Dates:** 06/17, 06/26

**Vote:**

Yeas: 5 - Baertschiger Jr, Boquist, Edwards, Hass, Riley

**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, bakery products, dairy products and eggs. Exemption for grains, bakery products, dairy products and eggs effective for property tax years beginning on or after July 1, 2016. Modifies definition of "food processor" to include grains, bakery products, dairy products and eggs. Applicable beginning with tax years beginning on or after July 1, 2015, excludes 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, bakery products, dairy products and eggs. 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. Applicable beginning with tax years beginning on or after July 1, 2015, 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:**

- Fiscal impact statement, authority contained in measure allowing Oregon Department of Agriculture to levy fee to cover the department's machinery and equipment certification responsibility costs
- Department of Revenue does not have ability to levy fee to cover costs associated with measure
- Burdens placed upon agriculture, measure's reduction in burden(s)
- Description of legislative process in House Revenue Committee
- Variability in expected life of equipment, some equipment up to 30-40 years, other equipment may be 5-10 years
- Existing property tax liability of food processing companies not currently qualifying for exemption
- Department of Revenue's involvement based on property being industrial property with value greater than \$1 million
- Possibility of property to qualify under Senate Bill 938 A (2015)
- Washington state, no exemption from business and occupation tax for grain processing
- Overall tax and fee burden on businesses in Oregon.

**EFFECT OF COMMITTEE AMENDMENT:**

Includes bakery products, dairy products and eggs to list of food processors qualifying for existing food processing machinery and equipment five year property tax exemption. Exemption for grains, bakery products, dairy products

and eggs effective for property tax years beginning on or after July 1, 2016. Defines terms. Requires qualifying bakeries to have been issued a wholesale license by State Department of Agriculture. Prohibits exemption from applying to machinery and equipment used to process bakery products if proceeds from retail sales made at the processing site constitute more than ten percent of all proceeds from sales made at processing site. Requires qualifying machinery and equipment used to process bakery products to have real market value of at least \$100,000 when placed in service.

**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.