

Property Tax
Full Exemption

2.033 RAILROAD CARS BEING REPAIRED

Oregon Statute: 308.665

Sunset Date: None

Year Enacted: 1973

2015-16 Assessed Value of Property Exempted: \$5.3 million

	Loss	Shift
2015-17 Revenue Impact:	\$100,000	Less than \$100,000
2017-19 Revenue Impact:	\$100,000	Less than \$100,000

DESCRIPTION: Railroad cars owned by private companies and undergoing major work are exempt from property taxation. Major work includes remodeling, renovation, conversion, or repairs, if the total labor exceeds 10 hours. A railroad car is exempt starting from the time it awaits transportation to a repair facility and ending with the time it has returned from a repair facility. Documentation proving qualification for the exemption must be furnished to the Department of Revenue.

PURPOSE: The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative problems of assessing the value of mobile property.

WHO BENEFITS: In fiscal year 2015-16, five private railroad companies with railroad cars undergoing major work benefited from this exemption.

EVALUATION: Not evaluated.

2.034 FOOD PROCESSING EQUIPMENT

Oregon Statute: 307.455

Sunset Date: 06-30-2020 (for first year exemption), 06-30-2024 (for final year exemption)

Year Enacted: 2005, Modified in 2015 (HB 3125), 2016 (SB 1506)

2015-16 Assessed Value of Property Exempted: \$97 million

	Loss	Shift
2015-17 Revenue Impact:	\$3,400,000	\$700,000
2017-19 Revenue Impact:	\$6,000,000	\$1,100,000

DESCRIPTION: Upon application, qualified real or personal property machinery and equipment that is newly acquired by a food processing businesses is exempt from property taxation for five years. The machinery or equipment may be new or used, as long as it 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 before the first sale by the processor. Producers of alcoholic beverages are ineligible.

Legislation in 2015 (HB 3125) expanded the exemption to include machinery and equipment used to process grains, bakery products, dairy products, and eggs, and prohibited anyone engaged in the business of producing marijuana or any product containing marijuana or a marijuana extract from qualifying for the exemption. The legislation also required 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 the exemption. However, the 2016 Legislature modified this provision to require the total cost of initial equipment investment by the food processor to be at least \$100,000 to qualify for the exemption.

Qualified machinery is certified by the Oregon Department of Agriculture. Machinery and equipment is exempt for five years following certification.

In the 2013 Legislative Session, the sunset date for this property tax exemption was extended (HB 2735). The last tax year property may qualify for a first year exemption is tax year 2019-20, and the last tax year a property may receive a fifth and final year exemption is tax year 2023-24.

PURPOSE: “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” (ORS 307.453).

WHO BENEFITS: Food processors that acquire machinery and equipment. Approximately 15 businesses per year use this exemption.

EVALUATION: *by the Department of Agriculture*

Oregon has experienced the loss of many mid-scale food processors over the past two decades. Oregon small to mid-size food processors can be at a competitive disadvantage in a world marketplace.

This tax exemption has encouraged food-processing companies to replace aging equipment with more energy efficient, modernized equipment. Investments made by local businesses are an investment in local jobs and the health of the local community. Expanding the exemption to additional food-processing sectors further enhances job stability and economic vitality and opportunities for the local community.

The exemption also allows for Oregon to be more competitive when recruiting new business for Oregon. This aids in economic development, and competitiveness of Oregon based food processors and related jobs.

This exemption encourages reinvestment in food processing of local production, on farm value added opportunity, and job creation in this industry.

The exemption is narrowly targeted, and serves its purpose of creating investment, retaining and expanding jobs, and creating additional markets for Oregon growers.

2.035 FARM MACHINERY AND EQUIPMENT

Oregon Statute: 307.394

Sunset Date: None

Year Enacted: 1973

2015–16 Estimated Assessed Value of Property Exempted: \$3.5 billion

	Loss	Shift
2015-17 Revenue Impact:	\$78,600,000	\$13,700,000
2017-19 Revenue Impact:	\$81,500,000	\$14,200,000

DESCRIPTION: Machinery and equipment classified as personal property and used in farm operations involving crops, livestock, poultry, fur bearing animals, bees, dairying, animal