

A-Engrossed
House Bill 2900

Ordered by the House April 11
Including House Amendments dated April 11

Sponsored by Representative SMITH G

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Extends sunset of exemption from property taxation for qualified machinery and equipment that is used in food processing.

Authorizes governing body of county to adopt ordinance or resolution rendering exemption inoperative for county and all other taxing districts within county. Notwithstanding adoption by county of ordinance or resolution under Act, allows exempt machinery and equipment in county to receive exemption for number of years for which machinery and equipment is eligible under exemption statute. Authorizes governing body of county to adopt ordinance or resolution rendering exemption operative again. Provides that ordinances and resolutions authorized under Act must remain in effect for at least three consecutive property tax years.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to the taxation of qualified machinery and equipment used in food processing; creating new
3 provisions; amending ORS 307.455 and 307.459 and section 7, chapter 637, Oregon Laws 2005;
4 and prescribing an effective date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** Section 7, chapter 637, Oregon Laws 2005, as amended by section 1, chapter 656,
7 Oregon Laws 2011, and section 1, chapter 210, Oregon Laws 2013, is amended to read:

8 **Sec. 7.** Property may not qualify for a first year of exemption under ORS 307.455 for a tax year
9 beginning on or after July 1, [2020] **2025.**

10 **SECTION 2.** Section 3 of this 2019 Act is added to and made a part of ORS 307.453 to
11 **307.459.**

12 **SECTION 3.** (1)(a) Notwithstanding ORS 307.455, the governing body of a county may
13 adopt an ordinance or resolution that renders the exemption granted under ORS 307.455 in-
14 operative for all qualified machinery and equipment for any property tax year. The adoption
15 of the ordinance or resolution shall make the exemption inoperative for the county and all
16 other taxing districts within the county.

17 (b)(A) The exemption shall become inoperative for the first property tax year that begins
18 on or after the date on which the ordinance or resolution becomes effective.

19 (B) For property tax years beginning on or after the effective date of the ordinance or
20 resolution, qualified machinery and equipment shall be assessed and taxed as other similar
21 property is assessed and taxed.

22 (c) Notwithstanding paragraph (b) of this subsection, qualified machinery and equipment
23 that is exempt under ORS 307.455 on the effective date of the ordinance or resolution adopted

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 under this subsection shall continue to be exempt for the number of tax years for which the
2 qualified machinery and equipment is eligible under ORS 307.455 (3).

3 (2)(a) The governing body of a county that adopts an ordinance or resolution under sub-
4 section (1) of this section may subsequently adopt an ordinance or resolution rendering the
5 exemption granted under ORS 307.455 operative again for the county and all other taxing
6 districts within the county.

7 (b) The exemption shall become operative for the first property tax year that begins on
8 or after the date on which the ordinance or resolution adopted under this subsection be-
9 comes effective.

10 (3) As soon as practicable after the adoption of an ordinance or resolution under:

11 (a) Subsection (1) of this section, the governing body of the county shall provide notice
12 of the adoption to:

13 (A) The county assessor;

14 (B) The Department of Revenue;

15 (C) The State Department of Agriculture; and

16 (D) Taxpayers whose qualified machinery and equipment is exempt under ORS 307.455 for
17 the current property tax year on the effective date of the ordinance or resolution.

18 (b) Subsection (2) of this section, the governing body of the county shall provide notice
19 of the adoption to:

20 (A) The county assessor;

21 (B) The Department of Revenue; and

22 (C) The State Department of Agriculture.

23 (4) An ordinance or resolution adopted under subsection (1) or (2) of this section must
24 remain in effect for at least three consecutive property tax years.

25 **SECTION 4.** Section 3 of this 2019 Act becomes operative on July 1, 2020, for property tax
26 years beginning on or after July 1, 2021.

27 **SECTION 5.** ORS 307.455 is amended to read:

28 307.455. (1) As used in [*this section and ORS 307.457*] **ORS 307.453 to 307.459:**

29 (a) "Assessor" means the county assessor, or the Department of Revenue if under ORS 306.126
30 the department is responsible for appraisal of the facility at which the qualified machinery and
31 equipment is located.

32 (b) "Bakery product" has the meaning given that term in ORS 625.010.

33 (c) "Dairy products" has the meaning given that term in ORS 621.003.

34 (d) "Food processor":

35 (A) Means a person engaged in the business of freezing, canning, dehydrating, concentrating,
36 preserving, processing or repacking for human consumption raw or fresh fruit, vegetables, nuts,
37 legumes, grains, bakery products, dairy products, eggs or seafood in any procedure that occurs prior
38 to the point of first sale by the processor.

39 (B) Does not include:

40 (i) Persons engaged in the business of producing alcoholic beverages or marijuana items as de-
41 fined in ORS 475B.015.

42 (ii) A person engaged in the business of producing bakery products unless the person has been
43 issued a wholesale license by the State Department of Agriculture.

44 (e) "Integrated processing line" does not include forklifts, trucks or other rolling stock used to
45 transport material to or from a point of manufacture or assembly.

1 (f) "Qualified machinery and equipment" means property, whether new or used, that is newly
2 acquired by a food processor and placed into service prior to January 1 preceding the first tax year
3 for which an exemption under this section is sought, and that consists of:

4 (A) Real property machinery and equipment that is used by a food processor in the primary
5 processing of raw or fresh fruit, vegetables, nuts, legumes, grains, bakery products, dairy products,
6 eggs or seafood; or

7 (B) Personal property machinery and equipment that is used in an integrated processing line for
8 the primary processing of raw or fresh fruit, vegetables, nuts, legumes, grains, bakery products,
9 dairy products, eggs or seafood.

10 (2)(a) On or before March 1 preceding the first tax year for which property is to be exempt from
11 taxation under this section, a food processor seeking an exemption under this section shall apply to
12 the assessor for exemption. The application shall be on a form prescribed by the Department of
13 Revenue and shall include any information required by the department, including a schedule of the
14 qualified machinery and equipment for which certification is sought.

15 (b) Notwithstanding paragraph (a) of this subsection, the assessor may approve an application
16 that is filed after March 1, and on or before December 31 of the assessment year, if the statement
17 is accompanied by a late filing fee of the greater of \$200 or one-tenth of one percent of the real
18 market value of the property that is the subject of the application.

19 (c) The assessor shall review the application and, if the machinery and equipment that is the
20 subject of the application constitutes qualified machinery and equipment certified by the State De-
21 partment of Agriculture under ORS 307.457, shall approve the application and exempt the qualified
22 machinery and equipment.

23 (d) If any of the machinery and equipment that is the subject of the application does not con-
24 stitute qualified machinery and equipment certified by the State Department of Agriculture under
25 ORS 307.457, the assessor shall exclude the nonqualified machinery and equipment from the appli-
26 cation.

27 (3) Qualified machinery and equipment for which an application has been approved under sub-
28 section (2) of this section shall be exempt for the tax year for which the application was approved
29 and for the next four succeeding tax years, if as of the assessment date for each year the property
30 constitutes qualified machinery and equipment.

31 (4) The duration of the exemption under subsection (3) of this section may not be extended as
32 the result of the value of changes to qualified machinery and equipment that are attributable to
33 rehabilitation, reconditioning or ongoing maintenance or repair.

34 (5) Notwithstanding subsection (3) of this section, qualified machinery and equipment that is
35 used to process grains or bakery products may not be granted exemption under this section unless
36 the qualified machinery and equipment has a total cost of initial investment of at least \$100,000 to
37 the food processor.

38 (6) Notwithstanding subsection (3) of this section, qualified machinery and equipment that is
39 used to process bakery products may not be granted exemption under this section if proceeds from
40 retail sales made at the processing site constitute more than 10 percent of all proceeds from sales
41 made at the processing site.

42 **SECTION 6.** ORS 307.459 is amended to read:

43 307.459. The Department of Revenue and the State Department of Agriculture may adopt rules
44 to implement the provisions of ORS 307.455 and 307.457 **and section 3 of this 2019 Act.**

45 **SECTION 7. The amendments to ORS 307.455 and 307.459 by sections 5 and 6 of this 2019**

1 **Act become operative on July 1, 2020.**

2 **SECTION 8. This 2019 Act takes effect on the 91st day after the date on which the 2019**
3 **regular session of the Eightieth Legislative Assembly adjourns sine die.**

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