

SB 144 STAFF MEASURE SUMMARY

Joint Committee On Tax Expenditures

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Meeting Dates: 4/21, 4/28

WHAT THE MEASURE DOES:

Extends full property tax exemption for food processing machinery and equipment 7 years by moving sunset from July 1, 2025, to July 1, 2032.

ISSUES DISCUSSED:

- SB 479 (2005 Legislative Session)
- HB 3125 (2015 Legislative Session)
- HB 2164 (2019 Legislative Session)
- Capital intensity of food processing
- Inflation driven cost increases
- Whether food processing is a growing part of Oregon economy
- Rank of food processing M&E
- Oregon export economy
- Depreciation period for food processing M&E

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Upon application, real or personal property machinery and equipment (M&E) that is newly acquired by a food processing business is exempt from local property taxation for 5 years. The M&E may be new or used if it is newly acquired by the food processor. To qualify for the exemption, property must be certified by the Oregon Department of Agriculture (ODA), following rules adopted by ODA. Certification is potentially subject to fee by ODA in an amount reasonably necessary to cover the costs of the direct and administrative costs of certification.

A food processing business is engaged in freezing, canning, dehydrating, concentrating, preserving, processing, or repacking for human consumption raw or fresh fruit, vegetables, nuts, legumes, grains, bakery products, dairy products, eggs, or seafood in any procedure that occurs prior to the point of first sale by the processor. For the exemption of M&E that is used to process grains and bakery products, the total cost of the initial equipment investment by the food processor must be at least \$100,000 and proceeds from retail sales made at the processing site must be less than 10 percent of all proceeds from sales made at the processing site. M&E used to produce alcoholic beverages or marijuana items are ineligible for this exemption.

HB 2164 (2019) allows a city or county to adopt an ordinance or resolution that allows a lower exemption amount, a shorter exemption term (or opt out of the exemption). An ordinance or resolution takes effect the beginning of the second tax year after it is adopted and must remain in effect for at least three consecutive property tax years. If an ordinance or resolution is adopted that shortens the exemption term, eligible property at the time the ordinance is adopted continues receiving the exemption on the same term. An ordinance or resolution can also be adopted to opt back into the program. HB 2164 also extended the sunset date to July 1, 2025 and allows any M&E that received the 5-year exemption to continue receiving it on the same term after sunset.

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SB 479 (2005) established the exemption for food processing M&E. The policy purpose of this measure is given by ORS 307.453, which states that “The Legislative Assembly finds that food processing activities make significant contributions to the economy of this state and are important in supporting and maintaining a high level of agricultural diversity, upon which consistent economic performance is based. 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.”