

# D R A F T

## SUMMARY

Changes minimum expenditure requirement for property tax exemption of qualified machinery and equipment used to process grains or bakery products from \$100,000 of real market value when placed in service to \$100,000 of total cost of initial investment to food processor.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to the minimum cost requirement for the exemption of certain food  
3 processing property; creating new provisions; amending ORS 307.455; and  
4 prescribing an effective date.

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

6 **SECTION 1.** ORS 307.455 is amended to read:

7 307.455. (1) As used in this section and ORS 307.457:

8 (a) "Assessor" means the county assessor, or the Department of Revenue  
9 if under ORS 306.126 the department is responsible for appraisal of the fa-  
10 cility at which the qualified machinery and equipment is located.

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

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

13 (d) "Food processor":

14 (A) Means a person engaged in the business of freezing, canning, dehy-  
15 drating, concentrating, preserving, processing or repacking for human con-  
16 sumption raw or fresh fruit, vegetables, nuts, legumes, grains, bakery  
17 products, dairy products, eggs or seafood in any procedure that occurs prior  
18 to the point of first sale by the processor.

19 (B) Does not include:

1 (i) Persons engaged in the business of producing alcoholic beverages,  
2 marijuana or any product that contains marijuana or a marijuana extract.

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

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

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

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

16 (B) Personal property machinery and equipment that is used in an inte-  
17 grated processing line for the primary processing of raw or fresh fruit, veg-  
18 etables, nuts, legumes, grains, bakery products, dairy products, eggs or  
19 seafood.

20 (2)(a) On or before March 1 preceding the first tax year for which prop-  
21 erty is to be exempt from taxation under this section, a food processor  
22 seeking an exemption under this section shall apply to the assessor for ex-  
23 emption. The application shall be on a form prescribed by the Department  
24 of Revenue and shall include any information required by the department,  
25 including a schedule of the qualified machinery and equipment for which  
26 certification is sought.

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

1 (c) The assessor shall review the application and, if the machinery and  
2 equipment that is the subject of the application constitutes qualified ma-  
3 chinery and equipment certified by the State Department of Agriculture un-  
4 der ORS 307.457, shall approve the application and exempt the qualified  
5 machinery and equipment.

6 (d) If any of the machinery and equipment that is the subject of the ap-  
7 plication does not constitute qualified machinery and equipment certified by  
8 the State Department of Agriculture under ORS 307.457, the assessor shall  
9 exclude the nonqualified machinery and equipment from the application.

10 (3) Qualified machinery and equipment for which an application has been  
11 approved under subsection (2) of this section shall be exempt for the tax year  
12 for which the application was approved and for the next four succeeding tax  
13 years, if as of the assessment date for each year the property constitutes  
14 qualified machinery and equipment.

15 (4) The duration of the exemption under subsection (3) of this section may  
16 not be extended as the result of the value of changes to qualified machinery  
17 and equipment that are attributable to rehabilitation, reconditioning or on-  
18 going maintenance or repair.

19 (5) Notwithstanding subsection (3) of this section, qualified machinery  
20 and equipment that is used to process grains or bakery products may not be  
21 granted exemption under this section unless the qualified machinery and  
22 equipment has a [*real market value*] **total cost of initial investment** of at  
23 least \$100,000 [*when placed in service by*] **to** the food processor.

24 (6) Notwithstanding subsection (3) of this section, qualified machinery  
25 and equipment that is used to process bakery products may not be granted  
26 exemption under this section if proceeds from retail sales made at the pro-  
27 cessing site constitute more than 10 percent of all proceeds from sales made  
28 at the processing site.

29 **SECTION 2. The amendments to ORS 307.455 by section 1 of this**  
30 **2016 Act apply to property tax years beginning on or after July 1, 2016.**

31 **SECTION 3. This 2016 Act takes effect on the 91st day after the date**

1 **on which the 2016 regular session of the Seventy-eighth Legislative**  
2 **Assembly adjourns sine die.**

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