The Farm Income Test

PROTECTING FARMLAND FOR FARMING

What is the Farm Income Test?

In 1994 the Oregon Land Conservation and Development Commission (LCDC) developed the Farm Income Test to determine when a rural dwelling will support farming, rather than interfere with it. Prior to this rule, counties had a hard time distinguishing between dwellings being built for farmers, and dwellings for what the Tax Court once called "the professional man's fine residence in a filbert orchard."

On *high-value* farmland, the Farm Income Test allows dwellings on land that has generated $80,000 in gross farm income, or about $14,500 in net income, during each of the last two years or three out of the last five years. This type of farmland represents about 25% of Oregon's total farmland.

For *non-high value* farmland, dwellings are allowed on:

- farm parcels of at least 160 acres, or rangeland parcels of at least 320 acres;
- farm tracts producing at least $40,000 in gross income, or at least the median income of commercial farms in their county;
- tracts at least as large as, and capable of producing at least the median income of, commercial farm or ranch tracts in their county.

Farmland is vital to Oregon's economy.

- The average gross income of all Oregon farmers excluding hobby farmers is $224,000.
- Tualatin Valley nursery operators gross $300,000 on average.
- Cattle, wheat, and hay operations in Eastern Oregon gross $160,000 on average.
- Diversified row crop operations in the Willamette Valley gross $250,000 on average.
- Oregon's agricultural sector has a $22 billion impact on the state's economy.

Why did LCDC adopt the test?

LCDC developed the income criteria to implement statutory language that allows "dwellings customarily provided in conjunction with farm use." The test seeks to ensure that people building farm dwellings are actually engaged in commercial agriculture.

LCDC adopted income criteria because previous standards were not working to keep rural sprawl away from farmland. Research commissioned by the 1989 Legislature found that 75% of the "farm dwellings" approved by local governments were not related to commercial farm operations: they were rural residences or "hobby farms." And these were causing major problems for farmers and farming.

7 additional ways that dwellings can be approved on farmland:

- As a primary dwelling for the farm operator
- As an accessory dwelling for a relative of the farmer who lives and works there
- As an accessory dwelling for farm help not realted to the operator
- As a 'nonfarm dwelling'
- On 'lots-of-record' owned before 1985
- Temprarily, during a medical hardship of a family member
- To replace an existing dwelling

What's wrong with non-farm houses on farmland?

Oregon's farmland is the factory base of a $5 billion industry. Increased non-farm housing threatens the availability and affordability of farmland and the profitability of farming. It leads to conflicts between farmers and non-farmers over agricultural practices that create dust, are noisy, and have distinctive odors. Non-farmers in farming country also create problems of increased traffic on farm roads, pets that interfere with livestock and crops, trespassing and vandalism. Like any business, farmers and ranchers want to make continued investments in their operations; that is less likely to happen when neighbors make that business more difficult.

Is the test essential to protecting farmland?

Without the Farm Income Test, much of Oregon's agricultural land will convert to non-farm uses. Oregon has 16.1 million acres of agricultural land zoned for exclusive farm use. Each year, a few thousand acres of this land are rezoned for residential development that could conflict with farming practices.

The most recent U.S. Census of Agriculture figures show that Oregon is holding onto its large and mid-sized farms more successfully than the rest of the nation. Between 1978 and 2002, the rate of loss of large (500+ acre) farms in Oregon was less than half the rate for the nation, while the rate of loss of mid-sized farms (50-499 acres) was almost four times lower than for the nation as a whole. The Farm Income Test is a major part of this success.

Is farmland essential to protecting Oregon?

Agriculture is among Oregon's leading industries - the largest by some measures. A recent OSU study found that agriculture has a $22 billion impact on the state's economy, supporting roughly 12% of the state's jobs and 15% of the state's economy.[1]

Land use planning is essential to protecting this key economic engine. Goal 3 of Oregon's land use planning program states: "The preservation of a maximum amount of the limited supply of agricultural land is necessary to the conservation of the state's economic resources and the preservation of such land in large blocks is necessary in maintaining the agricultural economy of the state and for the assurance of adequate, healthful and nutritious food for the people of this state and nation."

All Oregonians benefit from healthy farmland and successful farmers. The Farm Income Test is the best method yet devised to determine whether a dwelling is farm-related or not, ensuring that farming continues to thrive across Oregon.

[1] *Oregon Agriculture and the Economy: An Update*