



POLK COUNTY

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ASSESSOR'S OFFICE

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Assessor

April 26, 2017
Senate Committee on Finance and Revenue
SB 596-1

Chair Hass, members of the committee, thank you for allowing me to testify today. My name is Douglas Schmidt and I am the Polk County Assessor. I am testifying today on behalf of the Oregon State Association of County Assessors (OSACA). At this time, OSACA is **Neutral** on SB 596-1. However, for any property tax exemption, assessors are looking for clarity and bright lines. The -1 version of this bill raises some questions.

SB 596-1 proposes to make certain existing machinery and equipment personal property and to exempt from property taxation hay and straw compression machinery and equipment.

Section 1. (1) classifies as personal property, and exempt from ad valorem property taxation, some property identified in ORS 307.394 that assessors could currently be categorizing as real property machinery and equipment.

- There are statutes and court cases that have directed assessors on how to classify property.
 - o Machinery and equipment is determined to be real property and taxable based on its installation, its sheer size and weight, its difficulty in removing the property, etc.
- This bill appears to require assessors to review all their farm accounts to see if existing machinery and equipment should be exempt personal property.
 - o Are built in cattle stantions in feeder barns now personal property and exempt (ORS 307.394(1)(b)).
 - o In dairy operations, are the cold storage tanks bolted to the floor and hard wired in to electricity now personal property and exempt (ORS 307.394(1)(b)).

Section 1. new (c) would exempt machinery and equipment used to compress and bale harvested straw, hay,... Currently in ORS 307.394, the type of equipment listed is typically used on the physical farm operation.

- Is the exemption for compressor equipment only if the equipment is on the farm where the straw, hay, etc. was harvested.

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- Does the exemption include a non-farm commercial/industrial operation totally separate from any farming operation.
- What are “other plants”.

Section 1. new (d) replaces existing “or” with “and”.

- This would imply that both the requirements in the new (d) and the new (e) had to be met to receive the exemption.

Section 2. The bill applies to tax years beginning on or after July 1, 2016.

- This bill will cause significant work for assessors to validate the property in the claim for refund application and complete roll corrections for both the 2016 and 2017 tax years.

Section 3. (1)(b)(B) states a filing fee of \$200 must accompany the claim for refund.

- Some assets are valued in the millions of dollars.
- Should the standard late filing fee of \$200 or 1/10th of 1 percent of Real Market Value be used.

Section 3. (3)(a) and Section 3. (3)(b) appear to be in conflict.

- (3)(a) refunds interest
- (3)(b) does not refund interest

A lot of these compressor operations are large business that purchases baled straw, hay, etc. from around the state, for compression and shipping the commodity around the world.

- Should other industry manufacturing a product be exempt also.

There is a current court case dealing with this issue.

- Should the case be allowed to be heard to possibly clarify some of the issues.

Preliminary estimates from only some of the counties indicate over \$15 million in value and \$190,000 in taxes will be removed from the assessment rolls for taxing districts and potentially more than these numbers.

Thank you. If you have any questions, I will try and answer them.