

House Revenue Committee

March 23, 2021

Testimony for Kevin Mannix in support of HB 3317:

Chair Nathanson, Vice-Chair Pham, and Vice-Chair Reschke, I am here today to testify in support of HB 3317.

For decades prior to 2010, Oregon grass seed farmers burned the straw and hay left over in their fields from harvest as an economical way of controlling weeds, insects, diseases, and excess crop residue. However, the particulate matter released during the field burning process was associated with air pollution concerns, including visibility issues, and increased risks of respiratory and heart conditions for those exposed to smoke from burning fields. Because of this health versus economics debate, Oregon lawmakers in the 1990s and 2000s drastically curtailed burning of hay and straw, which was once being burned at a rate of nearly 250,000 acres annually.

Most Oregon farmers must now find other ways to dispose of leftover straw and hay. A cost-conscious and environmentally friendly use of the leftover straw and hay is to use it as animal feed in Asian markets. However, this is not a cash crop by any stretch of the imagination. Therefore, transportation costs become a key element of the economics of making economic use of leftover straw and hay. The key to any transportation network is efficiency. That is what a hay compression system, which this bill attempts to exempt from property taxation, facilitates. A hay press means efficient transport of a product that was not too long ago considered fire kindling. It means more hay per container.

Without a hay press, field-baled hay and straw would have to be placed into a container as it was baled in the field. This requires more containers. Which means more driving hours, more drivers, more trucks, more trailers, and more containers. This also means more trucks on the roads and more carbon emissions. Most of this product is going to Asia, and Oregon grass seed farmers are by no means the only supplier to their Asia-based buyers. Low margins and a saturated market mean that our farmers need every advantage they can get to compete on a global scale. By using a hay compression system our farmers can ship more hay per container, which means less cost to the farmers and fewer trucks on the road. Our farmers can better compete on a global scale because they can charge a lower cost.

This equipment is not cheap, and, as you know, property tax is a proportion of real market value for machinery and equipment. Therefore, tax liability per year can be in a range of \$10,000 to \$25,000 for a hay press. While it is our position that this property should be exempt from taxation under Oregon current tax law, some county Assessors in this State and the tax courts have taken a different view. Our farmers have been told that ORS 307.394 means no tax on farm machinery and equipment. Farmers see a hay press as just that: farm machinery and equipment. As such, many farmers are unaware of the current tax status of their hay presses. Furthermore, different county assessors are not taxing these presses universally. That is in part because farmers are unaware the equipment may be taxable and, in part, because farmers believe their equipment is not taxable under current law.

I would also point this committee to the strange dichotomy created by *Gilmour v. Linn County* 279 Or App 584 (2016), where the Oregon Court of Appeals has recognized a hay press as a “farm use,” but on the other hand, the Oregon tax code supposedly does not.

Every cost, including taxes, to our farmers that can be taken out of this low margin business makes a world of difference. We are talking thousands of dollars here, not millions. Every cost advantage to farmers is more incentive for farmers to keep farming. Taxes are an important funding source, but they are also an important tool to change behavior. This tax exemption supports the field burning ban, lessens carbon emissions, and reduces trucks on our roadways.

On the note of fire fuel loads, I provide a new perspective for this committee to consider that in previous testimony on this bill has not been mentioned but should be in the forefront of our minds now. One can only imagine what would happen that if last Labor Day waste hay and straw were left to rot, dry and brown, in open fields as fires were bearing down the Santiam, McKenzie, and Clackamas River valleys, during the peak of harvest season. Our grass seed farms are often located between our State’s expansive forest lands and urban centers. As we are all too aware now, fire is not just a danger east of the Cascades. In fact, the most serious and dangerous fire-threat, however infrequently a fire may actually occur, will remain West of the Cascades so long as most of us Oregonians live in the Willamette Valley. This should only act as another reason for this committee to act now. What should our urban-wildlife interface look like? Do we want green, wet fields, that could provide a buffer, or fields that have been harvested with waste hay and straw left to dry, brown, and rot? A wildfire on the in a field with waste hay and straw can defeat the whole purpose of a field-burning ban.

I would encourage this committee to look at a substantially similar bill that passed in 2017, Senate Bill 596. It passed the Senate unanimously. Let’s continue that work.

I encourage you to pass HB 3317.

Thank you.