



House Committee on Revenue

OFB Testimony on HB 3317

March 25, 2021

Chair Nathanson, members of the Committee,

Thank you for the opportunity to provide comments today on HB 3317. By way of background, the Oregon Farm Bureau is the state's largest agricultural trade association, representing nearly 7,000 farm and ranch families from across the state. The Farm Bureau has been involved with the farm equipment tax exemption since its inception, and subsequently has been involved in a number of workgroups spanning multiple decades on the issue. The proper interpretation of ORS 307.394 is of immense importance to our organization and Oregon's farmers and ranchers.

As currently written, ORS 307.394 exempts certain pieces of farm machinery and equipment from ad valorem property taxation that are both (1) tangible personal property and (2) used primarily in the preparation of land, planting, raising cultivating, irrigating, harvesting, or placing in storage of farm crops. The Department of Revenue's Administrative Rules and subsequent case law have substantially narrowed what is considered "tangible personal property" and what is considered for "harvest" or "placing farm crops in storage." In sum, only farm machinery and equipment that is moving in the ordinary course of business of the farm is considered tangible personal property. Moreover, any equipment used out of the field or to wash, box, or sort crops is actually considered "processing" and therefore not exempted under ORS 307.394.

In 2018, Marion County farms identified discrepancies in the implementation of the exemption. Specifically, some farmers started to receive letters from their assessors stating that certain pieces of machinery and equipment should be taxed, while other farmers in the same county did not receive letters and did not pay the tax. Additionally, many in the farming community believed that all of their tangible personal property was to be exempted, and was unaware of the nuance of the administrative rules and subsequent case law.

OFB believes the current administrative interpretation of the statute is outdated and does not address the realities of farming and harvest activities. Under the leadership of Chair Nathanson and Representative Marsh, OFB as well as a number of stakeholders have been participating in a workgroup since last session. The goal of the workgroup is to review current law, identify where

clarity is needed in ORS 307.394, and address problems that have arisen in Marion County and other counties with regard to what equipment is taxable on the farm.

Unfortunately, HB 3317 does not address the broader issues identified in the workgroup, and takes an approach that OFB does not support at this time. To be clear, OFB does not take issue with hay presses being exempted from property tax on principle, there simply remains significant issues with interpretation, enforcement, and taxpayer education, that must be addressed in order for the exemption in ORS 307.394 to be properly utilized, and adding equipment piece by piece does not solve the greater issues at hand.

We are very thankful for the opportunity to participate in this workgroup and hope that the Committee will allow it to continue in the interim in order to address these important issues.

Thank you for the opportunity to provide these comments today. Please do not hesitate to reach out with any questions or concerns.

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