

**HB 2971 -2, -3 STAFF MEASURE SUMMARY**

**House Committee On Agriculture, Land Use, Natural Resources, and Water**

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**Sub-Referral To:** House Committee On Revenue

**Meeting Dates:** 1/26, 2/28

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**WHAT THE MEASURE DOES:**

Includes the voluntary in-stream leasing of water rights, sometimes in conjunction with land lying fallow, as permissible farm use for purposes of property tax special assessment. Provides that lands that are specially assessed or property tax exempt cannot be disqualified from the special assessment or subject to additional taxes if the property owner has engaged in voluntary in-stream leasing of water rights associated with irrigated farmland. Applies to property tax years beginning on or after July 1, 2023. Takes effect on 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

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Removes provisions allowing voluntary in-stream leasing of water rights as permissible farm-use for purposes of property tax special assessment. Requires a property owner to employ acceptable farming practices, including weed and pest management, along with the voluntary in-stream leasing of water rights in order to maintain specially assessed or property tax exempt status.

-3 Removes provisions allowing voluntary in-stream leasing of water rights as permissible farm-use for purposes of property tax special assessment. Requires a property owner to have an active in-stream lease for water rights appurtenant to the irrigated farmland for specially assessed irrigated farmland in order to maintain specially assessed or property tax exempt status. Requires the final order approving the in-stream lease issued by the Oregon Water Resources Department to be sent to the county assessor. Moves onset of applicable property tax years from July 1, 2023 to July 1, 2024.

**BACKGROUND:**

Exclusive Farm-Use Zones are defined as used primarily to make a profit by farming and may apply for special farm-use assessment. Properties under special assessment benefit from tax benefits intended to incentivize property owners to keep their land in agricultural production. Farmland may be disqualified from special assessment if it is no longer in farm use. Currently the definition of farm-use is centered around the employment of land for the primary purpose of obtaining a profit by money in the broad context of animal husbandry and crop farming. Current law specifies a number of qualifying land uses that are not related to the active production of agricultural products. Several property tax special assessments exist for agriculture and related land uses contribute significantly to Oregon's character and economy, including open space use assessments, conservation

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easements, or riparian habitat property tax exemptions.

House Bill 2971 would allow the voluntary in-stream leasing of water rights as farm use qualifying for special farm-use assessment.