

HB 4111 -2 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 2/8, 2/20, 2/27, 2/29

WHAT THE MEASURE DOES:

Expands farm machinery and equipment exemption to include real property, thereby making all farm machinery and equipment property tax exempt. Exempts machinery and equipment used primarily in the preparing for storage or shipping of farm crops.

ISSUES DISCUSSED:

- Clarification of exempt use, particularly regarding "preparing for storage or shipping"
- Real property buildings and structures
- Applicability date
- Uniformity of property tax

EFFECT OF AMENDMENT:

-2 Deletes property tax exemption for machinery and equipment used primarily in the preparing for storage or shipping of farm crops. Clarifies farm machinery and equipment exemption does not apply to land or buildings. Aligns implementation date with property tax year beginning on or after July 1, 2025.

BACKGROUND:

Oregon court cases have found that hay compressors, conveyers and sorting/cleaning/packing lines are not farm machinery and equipment as construed by the Oregon Supreme Court in *King Estate Winery, Inc. v. DOR* (1999). Given that farm machinery and equipment is not defined in statute, those types of machinery and equipment may be susceptible to legal challenges if granted the farm machinery and equipment exemption.

- *Farmers Direct, Inc. v. DOR* (2023)
- *Pollock and Sons, Inc. v. Umatilla County Assessor* (2013)
- *Dinsdale v. Marion County Assessor* (2011)

Some machinery and equipment that are ineligible for the farm machinery and equipment exemption may also be ineligible for the food processing machinery and equipment exemption under ORS 307.453-307.459. The Oregon Department of Agriculture, which is responsible for certifying property for the food processing machinery and equipment exemption, has an administrative rule specifying that food processing “does not mean the sorting, cleaning or water-rinsing of a food” (OAR 603-025-0010 (11)).