

# House Bill 2210

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of Governor Theodore R. Kulongoski for State Department of Energy)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Creates or expands property tax exemptions for facilities producing ethanol, biofuel or certain fuel additives. Allows taxing district to opt out of exemptions. Limits period for which new facilities may claim exemption.

Creates income tax credit for production or collection of biomass used to produce biofuel. Creates income tax credit for consumer use of biofuel fuel blends or solid biofuel.

Establishes renewable fuel use standards. Prohibits sale of gasoline that contains certain additives. Modifies energy facility siting requirement exemptions.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

Relating to fuel; creating new provisions; amending ORS 215.203, 215.283, 283.327, 307.701, 308A.056, 314.752, 318.031, 469.320, 646.905 and 646.910 and section 4, chapter 475, Oregon Laws 1993; and prescribing an effective date.

**Be It Enacted by the People of the State of Oregon:**

## BIOFUEL, ETHANOL AND VERIFIED FUEL ADDITIVE FACILITIES

**SECTION 1.** ORS 307.701 is amended to read:

307.701. (1) As used in this section:

(a) **"Biodiesel" means a diesel fuel substitute produced from vegetable oils, animal fats, biomass or other nonpetroleum renewable resources that meet the registration requirements for fuels and fuel additives established by the United States Environmental Protection Agency and any blending components derived from renewable fuel.**

(b) **"Biofuel" means biodiesel or liquid, gaseous or solid fuel produced from an organic source, including but not limited to waste and residue from agriculture, forestry or related industries or other industrial or municipal waste in any form.**

(c) **"Biomass":**

(A) **Means any organic matter that is available on a renewable or recurring basis and that is derived from wood, forest or field residues, wastewater biosolids, or crops grown solely to be used for energy; and**

(B) **Does not include wood that has been treated with creosote, pentachlorophenol, inorganic arsenic or other chemical compounds.**

(d) **"Ethanol" has the meaning given [the term under] that term in ORS 646.905.**

(e) **"Production facility" means a facility that is used to produce ethanol, biofuel or verified fuel additives.**

(f) **"Verified fuel additive" means a fuel additive that:**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1       **(A) Has been verified under the United States Environmental Protection Agency’s Envi-**  
 2 **ronmental Technology Verification Protocol or the California Air Resources Board verifica-**  
 3 **tion programs; and**

4       **(B) Is composed of at least 90 percent renewable materials.**

5       (2) Upon compliance with subsection (4) of this section, the real and personal property of [*an*  
 6 *ethanol*] a production facility that meets the requirements of subsection (3) of this section is exempt  
 7 from taxation. The exemption shall be 50 percent of the assessed value of the property determined  
 8 under ORS 308.146. The exemption under this section may be claimed for five assessment years.

9       (3) [*An ethanol*] **A** production facility may qualify for exemption from taxation under this section  
 10 if the facility:

11       (a) Is [*first*] in the process of construction, erection or installation as a new facility after July  
 12 1, 1993;

13       (b) Is or will be placed in service to produce ethanol, **biofuel or verified fuel additives** within  
 14 [*four*] **five** years after January 1 of the first assessment year for which [*the*] **an** exemption [*under this*  
 15 *section*] is claimed **under this section or ORS 285C.170 or 285C.175; [and]**

16       (c) **Consists of newly constructed, installed or acquired property, including property that**  
 17 **was previously owned by a different owner and used at a different location, that is first**  
 18 **placed in service during the calendar year preceding the assessment year for which an ex-**  
 19 **emption listed in paragraph (b) of this subsection is claimed; and**

20       [*(c)*] (d) Within [*four*] **five** years after January 1 of the first assessment year for which [*the*] **an**  
 21 exemption [*under this section*] **listed in paragraph (b) of this subsection** is claimed, is or will be  
 22 certified by the State Department of Agriculture as a facility that produces:

23       **(A)** Ethanol capable of blending or mixing with gasoline. The blend or mixture shall meet the  
 24 specifications or registration requirements established by the United States Environmental Pro-  
 25 tection Agency pursuant to section 211 of the Clean Air Act, 42 U.S.C. 7545 and 40 C.F.R. Part  
 26 79[.];

27       **(B) Biofuel; or**

28       **(C) Verified fuel additives.**

29       (4)(a)**(A)** In order to claim an exemption from taxation under this section for any assessment  
 30 year, the owner of [*an ethanol*] a production facility shall file with the county assessor, on or before  
 31 April 1 of the year for which exemption is claimed, a statement verified by the oath or affirmation  
 32 of the owner listing all real and personal property claimed to be exempt and showing the purpose  
 33 for which the property will be or is used.

34       **(B) In the case of a biofuel production facility or a verified fuel additive production fa-**  
 35 **ility, in addition to the requirements of subparagraph (A) of this paragraph, the owner**  
 36 **claiming exemption shall do all of the following:**

37       (i) **Prepare a list of the taxing districts in which the property is located.**

38       (ii) **Send a written notice to each taxing district. The notice must:**

39       **(I) State that the claimant is seeking a property tax exemption under this section;**

40       **(II) State that a taxing district may elect not to participate in the exemption, in which**  
 41 **case taxes of the district will continue to be imposed on the property of the claimant; and**

42       **(III) Comply with any other requirements established by the Department of Revenue.**

43       (iii) **Include a copy of the list of taxing districts and notice prepared under this subpar-**  
 44 **agraph with the claim for exemption.**

45       (b) If the ownership and use of the **production facility** property included in the statement **de-**

1 **scribed in paragraph (a)(A) of this subsection and** filed for a prior year remain the same, a new  
 2 statement *[shall not be]* **is not** required. However, if the ownership or use changes, or if the facility  
 3 property is added to or retired, a new statement is required and the property *[shall]* **may** not be  
 4 exempt under this section if the statement is not filed. The new statement shall be filed no later than  
 5 December 31 of the year to which the statement pertains.

6 (5) If the **production** facility property is not placed in service within the time required under  
 7 subsection (3) of this section, or if the certification required under subsection (3) of this section is  
 8 not obtained within the required time, then the *[facility]* property shall not be exempt for any year  
 9 under this section. For any year for which the property has been granted exemption under this  
 10 section, the county assessor shall add the property to the assessment and tax roll as omitted prop-  
 11 erty in the manner provided under ORS 311.216 to 311.232.

12 **SECTION 2. (1) A city, county or other local taxing district with property tax authority**  
 13 **may elect not to participate in the exemptions for a biofuel production facility or a verified**  
 14 **fuel additive production facility granted under ORS 307.701.**

15 (2) **A taxing district may make the election by filing written notification of the election**  
 16 **with the county assessor of the county in which the taxing district is located before July 1**  
 17 **of the first tax year for which the election is to be effective.**

18 (3) **An election made under this section shall be valid for all tax years following the year**  
 19 **for which the election is first made, until the election is revoked by the taxing district.**

20 (4) **A taxing district may revoke an election made under this section by filing written**  
 21 **notification of the revocation with the county assessor of the county in which the taxing**  
 22 **district is located before July 1 of the first tax year for which the revocation is to be effec-**  
 23 **tive.**

24 (5) **The written notifications of election and revocation described in this section shall**  
 25 **contain the information and be in the form prescribed by the Department of Revenue.**

26 (6) **An election or revocation made under this section applies to all biofuel production**  
 27 **facility property or verified fuel additive production facility property within the taxing dis-**  
 28 **trict:**

29 (a) **For which a claim has been filed under ORS 307.701; and**

30 (b) **That qualifies for exemption under ORS 307.701.**

31 **SECTION 3. The amendments to ORS 307.701 by section 1 of this 2007 Act apply to pro-**  
 32 **duction facilities for which a claim for exemption under ORS 307.701 is first filed on or after**  
 33 **January 1, 2008, for tax years beginning on or after July 1, 2008.**

34 **SECTION 4.** Section 4, chapter 475, Oregon Laws 1993, is amended to read:

35 **Sec. 4.** *[(1) An ad valorem property tax exemption provided by section 2 of this Act is first appli-*  
 36 *cable to the tax year beginning July 1, 1994.]*

37 *[(2) Section 2 of this Act is repealed on July 1, 2008. The repeal applies to tax years beginning on*  
 38 *or after July 1, 2008. Notwithstanding that an ethanol production facility has not received five years*  
 39 *of exemption under section 2 of this Act, no exemption for the facility shall be granted under section*  
 40 *2 of this Act for a tax year beginning on or after July 1, 2008.]* **An exemption for a production**  
 41 **facility may not be granted under ORS 307.701 for any production facility that has not qual-**  
 42 **ified for at least one year of exemption as of July 1, 2014.**

43  
 44 **PRODUCERS OF BIOFUEL RAW MATERIALS**  
 45

1       **SECTION 5.** Sections 6 and 7 of this 2007 Act are added to and made a part of ORS  
2 chapter 315.

3       **SECTION 6.** (1) As used in this section and section 9 of this 2007 Act:

4       (a) “Agricultural producer” means a person that produces plant or animal matter that  
5 is used in Oregon as biofuel or to produce biofuel.

6       (b) “Biofuel” has the meaning given that term in ORS 307.701.

7       (c) “Biomass” means any of the following that are transferred to a biofuel producer by  
8 an agricultural producer or a biomass collector:

9       (A) Plant or animal matter;

10       (B) Forest products;

11       (C) Wood waste;

12       (D) Forest, farmland or rangeland vegetative matter;

13       (E) Wastewater biosolids; or

14       (F) Waste grease.

15       (d) “Biomass collector” means a person that collects forest products, wood waste,  
16 wastewater biosolids, waste grease or forest, farmland or rangeland vegetative matter that  
17 is used in Oregon as biofuel or to produce biofuel.

18       (2)(a) An agricultural producer or biomass collector shall be allowed a credit against the  
19 taxes that would otherwise be due under ORS chapter 316 or, if the taxpayer is a corporation,  
20 under ORS chapter 317 or 318 for:

21       (A) The production of biomass that is used to produce biofuel in this state; or

22       (B) The collection of biomass that is used to produce biofuel in this state.

23       (b) A credit under this section shall be allowed only:

24       (A) For the tax year in which the agricultural producer or biomass collector transfers  
25 biomass to a biofuel producer; and

26       (B) If the taxpayer has obtained tax credit certification from the State Department of  
27 Energy under section 9 of this 2007 Act.

28       (3) The amount of the credit shall be calculated as follows:

29       (a) Determine the quantity of biomass transferred to a biofuel producer during the tax  
30 year;

31       (b) Categorize the biomass into appropriate categories as prescribed in rules adopted  
32 under section 9 of this 2007 Act; and

33       (c) Multiply the quantity of biomass in a particular category by the appropriate credit  
34 rate for that category, expressed in dollars and cents, that is prescribed in rules adopted  
35 under section 9 of this 2007 Act.

36       (4) Notwithstanding subsection (3) of this section, the credit may not exceed:

37       (a) One dollar per million Btu of biofuel;

38       (b) The amount stated on the tax credit certification issued under section 9 of this 2007  
39 Act; and

40       (c) Except as provided in subsection (7) of this section, the tax liability of the taxpayer.

41       (5)(a) A biofuel producer shall provide a written receipt to an agricultural producer or  
42 biomass collector at the time biomass is transferred from the agricultural producer or  
43 biomass collector to the biofuel producer. The receipt must state the quantity and type of  
44 biomass being transferred and that the biomass is to be used to produce biofuel.

45       (b) Each agricultural producer or biomass collector shall maintain the receipts described

1 in this subsection in their records for a period of at least five years after the tax year in  
 2 which the credit is claimed or for a longer period of time prescribed by the Department of  
 3 Revenue.

4 (6) The credit shall be claimed on a form prescribed by the Department of Revenue that  
 5 contains the information required by the department.

6 (7) Any tax credit otherwise allowable under this section that is not used by the taxpayer  
 7 in a particular tax year may be carried forward and offset against the taxpayer's tax liability  
 8 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax  
 9 year may be carried forward and used in the second succeeding tax year, and likewise any  
 10 credit not used in that second succeeding tax year may be carried forward and used in the  
 11 third succeeding tax year, and any credit not used in that third succeeding tax year may be  
 12 carried forward and used in the fourth succeeding tax year, but may not be carried forward  
 13 for any tax year thereafter.

14 (8) In the case of a credit allowed under this section:

15 (a) A nonresident shall be allowed the credit under this section in the proportion provided  
 16 in ORS 316.117.

17 (b) If a change in the status of the taxpayer from resident to nonresident or from non-  
 18 resident to resident occurs, the credit allowed by this section shall be determined in a man-  
 19 ner consistent with ORS 316.117.

20 (c) If a change in the taxable year of the taxpayer occurs as described in ORS 314.085,  
 21 or if the department terminates the taxpayer's taxable year under ORS 314.440, the credit  
 22 allowed under this section shall be prorated or computed in a manner consistent with ORS  
 23 314.085.

24 **SECTION 7.** (1) A person that has obtained a tax credit certification under section 9 of  
 25 this 2007 Act may transfer the certification for consideration to a taxpayer subject to tax  
 26 under ORS chapter 316, 317 or 318.

27 (2) In order to transfer the certification, the person that obtained the certification and  
 28 the taxpayer that will claim the credit under section 6 of this 2007 Act shall jointly file a  
 29 notice of tax credit certification transfer with the Department of Revenue. The notice shall  
 30 be given on a form prescribed by the department that contains all of the following:

31 (a) The name, address and taxpayer identification number of the transferor and  
 32 transferee of the certification;

33 (b) The amount certified as eligible for a tax credit under section 6 of this 2007 Act; and

34 (c) Any other information required by the department.

35 (3) A tax credit certification may not be transferred under this section if the person to  
 36 whom the certification was issued has claimed any portion of the tax credit:

37 (a) Allowed under section 6 of this 2007 Act; and

38 (b) Authorized by the certification.

39 **SECTION 8.** Section 9 of this 2007 Act is added to and made a part of ORS chapter 469.

40 **SECTION 9.** (1) The State Department of Energy shall by rule:

41 (a) Identify categories of biomass that, when used by a biofuel producer to produce  
 42 biofuel in this state, qualify for a tax credit under section 6 of this 2007 Act; and

43 (b) Establish a dollar rate per quantity of biomass in each category identified in rules  
 44 adopted under paragraph (a) of this subsection, to be used to calculate the amount of credit  
 45 allowed under section 6 of this 2007 Act.

1       **(2)(a) The department shall review rules adopted under subsection (1) of this section at**  
2 **least annually.**

3       **(b) Rules adopted under subsection (1) of this section must state the income and corpo-**  
4 **rate excise tax years to which the rules apply.**

5       **(3)(a) Each agricultural producer or biomass collector seeking a tax credit under section**  
6 **6 of this 2007 Act shall apply for and obtain a tax credit certification from the department.**  
7 **The producer or collector shall apply to the department for certification:**

8       **(A) In the calendar year in which begins the tax year for which the credit will be claimed**  
9 **under section 6 of this 2007 Act; and**

10       **(B) For the specific amount of biomass for which certification is sought.**

11       **(b) The application shall be on a form prescribed by the department that contains the**  
12 **information required by the department, including the amount of tax credit the taxpayer**  
13 **intends to claim.**

14       **(c) The department shall process applications in the order in which the applications are**  
15 **filed and shall certify the amount stated on the application, or a lesser amount that the de-**  
16 **partment determines is within the annual limit set forth in subsection (4) of this section.**  
17 **The department may deny an application for tax certification if the application is incomplete**  
18 **or if the department determines that the application does not state a reasonable basis for**  
19 **the allowance of any tax credit under section 6 of this 2007 Act.**

20       **(d) The department shall give written notice of the certified amount to the applicant.**

21       **(4) For each calendar year, the department may not certify more than \$\_\_\_\_\_ per ap-**  
22 **plicant as eligible for a tax credit under section 6 of this 2007 Act.**

23       **(5)(a) A decision to deny certification or to certify a lesser amount than was sought in**  
24 **the application for certification may be appealed to the department as a contested case under**  
25 **ORS chapter 183.**

26       **(b) Notwithstanding paragraph (a) of this subsection, a decision to deny certification or**  
27 **to certify a lesser amount may not be appealed if the reason for the decision is that certif-**  
28 **ication of the amount sought in the application would result in exceeding the annual limita-**  
29 **tion on total certification described in subsection (4) of this section.**

30       **(6) The definitions in section 6 of this 2007 Act apply to this section.**

31       **SECTION 10. Sections 6, 7 and 9 of this 2007 Act apply to tax credit certifications issued**  
32 **under section 9 of this 2007 Act for tax years beginning on or after January 1, 2008, and be-**  
33 **fore January 1, 2013.**

34       **SECTION 11. ORS 314.752 is amended to read:**

35       314.752. (1) Except as provided in ORS 314.740 (5)(b), the tax credits allowed or allowable to a  
36 C corporation for purposes of ORS chapter 317 or 318 shall not be allowed to an S corporation. The  
37 business tax credits allowed or allowable for purposes of ORS chapter 316 shall be allowed or are  
38 allowable to the shareholders of the S corporation.

39       (2) In determining the tax imposed under ORS chapter 316, as provided under ORS 314.734, on  
40 income of the shareholder of an S corporation, there shall be taken into account the shareholder's  
41 pro rata share of business tax credit (or item thereof) that would be allowed to the corporation (but  
42 for subsection (1) of this section) or recapture or recovery thereof. The credit (or item thereof), re-  
43 capture or recovery shall be passed through to shareholders in pro rata shares as determined in the  
44 manner prescribed under section 1377(a) of the Internal Revenue Code.

45       (3) The character of any item included in a shareholder's pro rata share under subsection (2)

1 of this section shall be determined as if such item were realized directly from the source from which  
 2 realized by the corporation, or incurred in the same manner as incurred by the corporation.

3 (4) If the shareholder is a nonresident and there is a requirement applicable for the business tax  
 4 credit that in the case of a nonresident the credit be allowed in the proportion provided in ORS  
 5 316.117, then that provision shall apply to the nonresident shareholder.

6 (5) As used in this section, "business tax credit" means a tax credit granted to personal income  
 7 taxpayers to encourage certain investment, to create employment, economic opportunity or incentive  
 8 or for charitable, educational, scientific, literary or public purposes that is listed under this sub-  
 9 section as a business tax credit or is designated as a business tax credit by law or by the Depart-  
 10 ment of Revenue by rule and includes but is not limited to the following credits: ORS 285C.309  
 11 (tribal taxes on reservation enterprise zones), ORS 315.104 (forestation and reforestation), ORS  
 12 315.134 (fish habitat improvement), ORS 315.138 (fish screening, by-pass devices, fishways), ORS  
 13 315.156 (crop gleaning), ORS 315.164 and 315.169 (farmworker housing), ORS 315.204 (dependent care  
 14 assistance), ORS 315.208 (dependent care facilities), ORS 315.213 (contributions for child care), ORS  
 15 315.254 (youth apprenticeship sponsorship), ORS 315.304 (pollution control facility), ORS 315.324  
 16 (plastics recycling), ORS 315.354 and ORS 469.207 (energy conservation facilities), ORS 315.507  
 17 (electronic commerce), ORS 315.511 (advanced telecommunications facilities), ORS 315.604 (bone  
 18 marrow transplant expenses) and ORS 317.115 (fueling stations necessary to operate an alternative  
 19 fuel vehicle) **and section 6 of this 2007 Act (biomass production for biofuel).**

20 **SECTION 12.** ORS 318.031 is amended to read:

21 318.031. It being the intention of the Legislative Assembly that this chapter and ORS chapter  
 22 317 shall be administered as uniformly as possible (allowance being made for the difference in im-  
 23 position of the taxes), ORS 305.140 and 305.150, ORS chapter 314 and the following sections are in-  
 24 corporated into and made a part of this chapter: ORS 285C.309, 315.104, 315.134, 315.156, 315.204,  
 25 315.208, 315.213, 315.254, 315.304, 315.507, 315.511 and 315.604 **and section 6 of this 2007 Act** (all  
 26 only to the extent applicable *for* to a corporation) and ORS chapter 317.

27  
 28 **RENEWABLE FUEL STANDARDS**

29  
 30 **SECTION 13.** ORS 646.905 is amended to read:

31 646.905. As used in ORS 646.910 to 646.920:

32 (1) "Alcohol" means a volatile flammable liquid having the general formula  $C_nH_{(2n+1)}OH$  used  
 33 or sold for the purpose of blending or mixing with gasoline for use in propelling motor vehicles, and  
 34 commonly or commercially known or sold as an alcohol, and includes ethanol or methanol.

35 (2) **"Biodiesel" means a diesel fuel substitute produced from nonpetroleum renewable**  
 36 **resources (inclusive of vegetable oils, animal fats and biomass) that meet the registration**  
 37 **requirements for fuels and fuel additives established by the United States Environmental**  
 38 **Protection Agency and any blending components derived from renewable fuel.**

39 [(2)] (3) "Co-solvent" means an alcohol other than methanol which is blended with either  
 40 methanol or ethanol or both to minimize phase separation in gasoline.

41 [(3)] (4) "Ethanol" means ethyl alcohol, a flammable liquid having the formula  $C_2H_5OH$  used or  
 42 sold for the purpose of blending or mixing with gasoline for use in motor vehicles.

43 [(4)] (5) "Gasoline" means any fuel sold for use in spark ignition engines whether leaded or un-  
 44 leaded.

45 [(5)] (6) "Methanol" means methyl alcohol, a flammable liquid having the formula  $CH_3OH$  used

1 or sold for the purpose of blending or mixing with gasoline for use in motor vehicles.

2 [(6)] (7) "Motor vehicles" means all vehicles, vessels, watercraft, engines, machines or mechan-  
3 ical contrivances that are propelled by internal combustion engines or motors.

4 [(7)] (8) "Nonretail dealer" means any person who owns, operates, controls or supervises an es-  
5 tablishment at which motor vehicle fuel is dispensed through a card- or key-activated fuel dispensing  
6 device to nonretail customers.

7 [(8)] (9) "Retail dealer" means any person who owns, operates, controls or supervises an estab-  
8 lishment at which gasoline is sold or offered for sale to the public.

9 [(9)] (10) "Wholesale dealer" means any person engaged in the sale of gasoline if the seller  
10 knows or has reasonable cause to believe the buyer intends to resell the gasoline in the same or  
11 an altered form to another.

12 **SECTION 14. Sections 15, 16, 18 and 19 of this 2007 Act are added to and made a part of**  
13 **ORS 646.910 to 646.920.**

14 **SECTION 15. (1) The State Department of Agriculture shall study and monitor biodiesel**  
15 **fuel production, use and sales in this state.**

16 **(2) When the production of biodiesel in this state from sources in Oregon, Washington,**  
17 **Idaho and Montana reaches a level of at least five million gallons on an annualized basis for**  
18 **at least three months, the department shall notify all retail dealers, nonretail dealers and**  
19 **wholesale dealers in this state, in a notice that meets the requirements of subsection (4) of**  
20 **this section.**

21 **(3) When the production of biodiesel in this state from sources in Oregon, Washington,**  
22 **Idaho and Montana reaches a level of at least 15 million gallons on an annualized basis for**  
23 **at least three months, the department shall notify all retail dealers, nonretail dealers and**  
24 **wholesale dealers in this state, in a notice that meets the requirements of subsection (4) of**  
25 **this section.**

26 **(4) The notice under subsections (2) and (3) of this section shall inform retail dealers,**  
27 **nonretail dealers and wholesale dealers that:**

28 **(a) The production of biodiesel has reached the level described in subsection (2) or (3) of**  
29 **this section; and**

30 **(b) Three months from the date of the notice, a retail dealer, nonretail dealer or whole-**  
31 **sale dealer may sell or offer for sale only diesel fuel described in section 16 of this 2007 Act.**

32 **SECTION 16. (1) Three months after the date of the notice given under section 15 (2) of**  
33 **this 2007 Act, a retail dealer, nonretail dealer or wholesale dealer may not sell or offer for**  
34 **sale diesel fuel unless the diesel fuel contains at least two percent biodiesel by volume.**

35 **(2) Three months after the date of the notice given under section 15 (3) of this 2007 Act,**  
36 **a retail dealer, nonretail dealer or wholesale dealer may not sell or offer for sale diesel fuel**  
37 **unless the diesel fuel contains at least five percent biodiesel by volume.**

38 **(3) The State Department of Agriculture shall adopt standards for biodiesel sold in this**  
39 **state. The department shall consult the specifications established for biodiesel in ASTM**  
40 **International specification D6751-06a, or similar specifications, in forming its standards. The**  
41 **department may review specifications adopted by ASTM International, or equivalent organ-**  
42 **izations, and revise the standards adopted pursuant to this subsection as necessary.**

43 **(4) The minimum biodiesel fuel content requirement under subsections (1) and (2) of this**  
44 **section does not apply to diesel fuel sold or offered for sale for use by railroad locomotives.**

45 **SECTION 17. Section 16 of this 2007 Act becomes operative on a date that is three**



1 months following the date of the first notice required under section 15 of this 2007 Act.

2 **SECTION 18.** (1) The State Department of Agriculture shall study and monitor the  
3 ethanol fuel production, use and sales in this state.

4 (2) When production of ethanol in this state reaches a level of at least 90 million gallons  
5 on an annualized basis for at least three months, the department shall notify all retail deal-  
6 ers, nonretail dealers and wholesale dealers in this state, in a notice that meets the re-  
7 quirements of subsection (3) of this section.

8 (3) The notice under subsection (2) of this section shall inform retail dealers, nonretail  
9 dealers and wholesale dealers that:

10 (a) The production of ethanol has reached the levels described in subsection (2) of this  
11 section; and

12 (b) Three months from the date of the notice, a retail dealer, nonretail dealer or whole-  
13 sale dealer may sell or offer for sale only gasoline described in section 19 of this 2007 Act.

14 **SECTION 19.** (1) A retail dealer, nonretail dealer or wholesale dealer may not sell or offer  
15 for sale gasoline unless the gasoline contains at least 10 percent ethanol by volume.

16 (2) Gasoline containing ethanol that is sold or offered for sale meets the requirements  
17 of this section if the gasoline, exclusive of denaturants and permitted contaminants, contains  
18 not less than 9.2 percent by volume of agriculturally derived, denatured ethanol that com-  
19 plies with the standards for ethanol adopted by the State Department of Agriculture.

20 (3) The department shall adopt standards for ethanol blended with gasoline sold in this  
21 state. The standards adopted shall require that the gasoline blended with ethanol:

22 (a) Contains ethanol that is derived from agricultural or woody waste or residue;

23 (b) Contains ethanol denatured as specified in 27 C.F.R. parts 20 and 21;

24 (c) Complies with the volatility requirements specified in 40 C.F.R. part 80;

25 (d) Complies with or is produced from a gasoline base stock that complies with ASTM  
26 International specification D4814-06, or an equivalent standard;

27 (e) Is not blended with casinghead gasoline, absorption gasoline, drip gasoline or natural  
28 gasoline after it has been sold, transferred or otherwise removed from a refinery or terminal;  
29 and

30 (f) Complies with ASTM International specification D4806-06a, or an equivalent standard.

31 (4) The department may review specifications adopted by ASTM International, or equiv-  
32 alent organizations, and federal regulations and revise the standards adopted pursuant to  
33 this section as necessary.

34 **SECTION 20.** Section 19 of this 2007 Act becomes operative on a date that is three  
35 months following the date of the notice required under section 18 of this 2007 Act.

36  
37 **GASOLINE ADDITIVE RESTRICTIONS**

38  
39 **SECTION 21.** ORS 646.910 is amended to read:

40 646.910. [No] (1) A wholesale or retail dealer may **not** sell or offer to sell any gasoline blended  
41 or mixed with:

42 (a) [Alcohol] **Ethanol** unless the blend or mixture meets the specifications or registration re-  
43 quirements established by the United States Environmental Protection Agency pursuant to section  
44 211 of the Clean Air Act, 42 U.S.C. section 7545 and 40 C.F.R. Part 79[.];

45 (b) **Methyl tertiary butyl ether** in concentrations that exceed five-tenths of one percent

1 by volume; or

2 (c) A total of all of the following oxygenates that exceeds one-tenth of one percent, by  
3 weight, of:

4 (A) Diisopropylether.

5 (B) Ethyl tert-butylether.

6 (C) Iso-butanol.

7 (D) Iso-propanol.

8 (E) N-butanol.

9 (F) N-propanol.

10 (G) Sec-butanol.

11 (H) Tert-amyl methyl ether.

12 (I) Tert-butanol.

13 (J) Tert-pentanol or tert-amyl alcohol.

14 (K) Any other additive that has not been approved by the California Air Resources Board  
15 or the United States Environmental Protection Agency.

16 (2) Nothing in this section shall prohibit transshipment through this state, or storage  
17 incident to the transshipment, of gasoline that contains methyl tertiary butyl ether in con-  
18 centrations that exceed five-tenths of one percent by volume or any of the oxygenates listed  
19 in subsection (1)(c) of this section, provided:

20 (a) The gasoline is used or disposed of outside this state; and

21 (b) The gasoline is segregated from gasoline intended for use within this state.

22 **SECTION 22.** The amendments to ORS 646.910 by section 21 of this 2007 Act become op-  
23 erative November 1, 2009.

24 **SECTION 22a.** Section 22b is added to and made a part of ORS 646.910 to 646.920.

25 **SECTION 22b.** Notwithstanding ORS 646.910, a person may sell, supply or offer to sell or  
26 supply gasoline in this state that contains any oxygenate other than ethanol, if the California  
27 Air Resources Board, the California Environmental Policy Council or the United States En-  
28 vironmental Protection Agency allows the use of the oxygenate.

29 **SECTION 22c.** Section 22b of this 2007 Act becomes operative on the effective date of this  
30 2007 Act.

31  
32 **STATE GOVERNMENT USE OF BIOFUEL**

33  
34 **SECTION 23.** ORS 283.327 is amended to read:

35 283.327. (1) To the maximum extent economically possible, state-owned motor vehicles shall use  
36 alternative fuel for operation.

37 (2) State agencies shall acquire only motor vehicles capable of using alternative fuel, except that  
38 acquired vehicles assigned to areas unable economically to dispense alternative fuel need not be so  
39 configured.

40 (3) Each agency owning motor vehicles shall comply with all safety standards established by the  
41 United States Department of Transportation in the conversion, operation and maintenance of vehi-  
42 cles using alternative fuel.

43 (4) To the maximum extent economically possible, state-owned structures shall use  
44 biofuel, or direct-application electricity generated from biofuel, where diesel is currently  
45 utilized for stationary or back-up generation.

BIOFUEL CONSUMER INCOME TAX CREDIT

**SECTION 24.** Section 25 of this 2007 Act is added to and made a part of ORS chapter 315.

**SECTION 25.** (1) As used in this section:

(a) "Alternative fuel vehicle" means a motor vehicle that can operate on a fuel blend.

(b) "Biodiesel" has the meaning given that term in ORS 307.701.

(c) "Biomass" has the meaning given that term in section 6 of this 2007 Act.

(d) "Bone dry ton" means matter that is dried to less than one percent moisture content and that weighs 2,000 pounds.

(e) "Fuel blend" means diesel fuel of blends equal to or exceeding 99 percent biodiesel or gasoline of a blend equal to or exceeding 85 percent methanol or ethanol.

(2)(a) A resident individual shall be allowed a credit against the taxes otherwise due under ORS chapter 316 for costs paid or incurred to purchase fuel blends for use in an alternative fuel vehicle.

(b) A resident individual shall be allowed a credit against the taxes otherwise due under ORS chapter 316 for costs paid or incurred to purchase forest or agriculture waste or residue solid biofuel that contains 100 percent biomass.

(3) The amount of the credit shall be calculated as follows:

(a) Determine the quantity of fuel blend or solid biofuel purchased by the taxpayer during the tax year;

(b) Categorize the fuel blend or solid biofuel as prescribed in rules adopted under section 28 of this 2007 Act; and

(c) Multiply the quantity of fuel blend or solid biofuel in a particular category by the appropriate credit rate for that category, expressed in dollars and cents, that is prescribed in rules adopted under section 28 of this 2007 Act.

(4) Notwithstanding subsection (3) of this section:

(a) The credit allowed under this section for diesel blended fuel may not exceed \$0.50 per gallon and in any one tax year may not exceed \$200 per Oregon registered motor vehicle that is owned or leased by the taxpayer under a lease of greater than 30 days' duration and that is capable of using a fuel blend.

(b) The credit allowed for gasoline blended fuel may not exceed \$0.50 per gallon and in any one tax year may not exceed \$200 per Oregon registered motor vehicle that is owned or leased by the taxpayer under a lease of greater than 30 days' duration and that is capable of using a fuel blend.

(c) The credit allowed for forest or agriculture waste or residue solid biofuel may not exceed \$10 per bone dry ton of solid biofuel and in any one tax year may not exceed \$200 per taxpayer.

(d) The credit allowed in any one tax year may not exceed the tax liability of the taxpayer and may not be carried forward to a subsequent tax year.

(5) For each tax year for which a credit is claimed under this section, the taxpayer shall maintain records sufficient to determine the taxpayer's purchase of qualifying fuel blends. A taxpayer shall maintain the records required under this subsection for at least five years.

(6) A nonresident shall be allowed the credit under this section in the proportion provided in ORS 316.117.

(7) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085, or

1 if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the  
 2 credit allowed by this section shall be prorated or computed in a manner consistent with ORS  
 3 314.085.

4 (8) If a change in the status of a taxpayer from resident to nonresident or from nonres-  
 5 ident to resident occurs, the credit allowed by this section shall be determined in a manner  
 6 consistent with ORS 316.117.

7 (9) A husband and wife who file separate returns for a taxable year may each claim a  
 8 share of the tax credit that would have been allowed on a joint return in proportion to the  
 9 contribution of each.

10 **SECTION 26.** Section 25 of this 2007 Act applies to tax years beginning on or after Jan-  
 11 uary 1, 2007, and before January 1, 2012.

12 **SECTION 27.** Section 28 of this 2007 Act is added to and made a part of ORS chapter 469.

13 **SECTION 28.** (1) The State Department of Energy shall by rule:

14 (a) Identify categories of fuel blend and solid biofuel that qualify for the personal income  
 15 tax credit allowed under section 25 of this 2007 Act; and

16 (b) Subject to section 25 (4) of this 2007 Act, for each category identified in rules adopted  
 17 under this section, prescribe a dollar rate per quantity of fuel blend or solid biofuel, to be  
 18 used to calculate the amount of credit allowed under section 25 of this 2007 Act.

19 (2) The department shall review rules adopted under this section at least annually.

20 **SECTION 29.** The State Department of Energy shall adopt rules under section 28 of this  
 21 2007 Act on or before 60 days after the effective date of this 2007 Act.

22  
 23 **ENERGY FACILITY SITING PROCESS;**  
 24 **EXCEPTIONS**

25  
 26 **SECTION 30.** ORS 469.320 is amended to read:

27 469.320. (1) Except as provided in subsections (2) and (5) of this section, no facility shall be  
 28 constructed or expanded unless a site certificate has been issued for the site thereof in the manner  
 29 provided in ORS 469.300 to 469.563, 469.590 to 469.619, 469.930 and 469.992. No facility shall be  
 30 constructed or operated except in conformity with the requirements of ORS 469.300 to 469.563,  
 31 469.590 to 469.619, 469.930 and 469.992.

32 (2) A site certificate is not required for:

33 (a) An energy facility for which no site certificate has been issued that, on August 2, 1993, had  
 34 operable electric generating equipment for a modification that uses the same fuel type and increases  
 35 electric generating capacity, if:

36 (A) The site is not enlarged; and

37 (B) The ability of the energy facility to use fuel for electricity production under peak steady  
 38 state operating conditions is not more than 200 million Btu per hour greater than it was on August  
 39 2, 1993, or the energy facility expansion is called for in the short-term plan of action of an energy  
 40 resource plan that has been acknowledged by the Public Utility Commission of Oregon.

41 (b) Construction or expansion of any interstate natural gas pipeline or associated underground  
 42 natural gas storage facility authorized by and subject to the continuing regulation of the Federal  
 43 Energy Regulatory Commission or successor agency.

44 (c) An energy facility, except coal and nuclear power plants, if the energy facility:

45 (A) Sequentially produces electrical energy and useful thermal energy from the same fuel source;

1 and

2 (B) Under normal operating conditions, has a useful thermal energy output of no less than 33  
3 percent of the total energy output or the fuel chargeable to power heat rate value is not greater  
4 than 6,000 Btu per kilowatt hour.

5 (d) Temporary storage, at the site of a nuclear-fueled thermal power plant for which a site cer-  
6 tificate has been issued by the State of Oregon, of radioactive waste from the plant.

7 (e) An energy facility as defined in ORS 469.300 (11)(a)(G), if the plant also produces a secondary  
8 fuel used on site for the production of heat or electricity, if the output of the primary fuel is less  
9 than six billion Btu of heat a day.

10 (f) An energy facility as defined in ORS 469.300 (11)(a)(G), if the facility:

11 (A) Exclusively uses **biomass, including but not limited to** grain, whey, potatoes, oil seeds,  
12 waste vegetable oil or cellulosic biomass, as the source of material for conversion to a liquid fuel;

13 (B) Has received local land use approval under the applicable acknowledged comprehensive plan  
14 and land use regulations of the affected local government and the facility complies with any state-  
15 wide planning goals or rules of the Land Conservation and Development Commission that are di-  
16 rectly applicable to the facility;

17 (C) Requires no new electric transmission lines or gas or petroleum product pipelines that would  
18 require a site certificate under subsection (1) of this section; *[and]*

19 (D) Produces synthetic fuel, at least 90 percent of which is used in an industrial or refueling  
20 facility located within one mile of the facility or is transported from the facility by rail or barge;

21 **and**

22 **(E) Emits less than 118 pounds of carbon dioxide per million Btu from fossil fuel used for**  
23 **conversion energy.**

24 (g) A standby generation facility, if the facility complies with all of the following:

25 (A) The facility has received local land use approval under the applicable acknowledged com-  
26 prehensive plan and land use regulations of the affected local government and the facility complies  
27 with all statewide planning goals and applicable rules of the Land Conservation and Development  
28 Commission;

29 (B) The standby generators have been approved by the Department of Environmental Quality  
30 as having complied with all applicable air and water quality requirements. For an applicant that  
31 proposes to provide the physical facilities for the installation of standby generators, the requirement  
32 of this subparagraph may be met by agreeing to require such a term in the lease contract for the  
33 facility; and

34 (C) The standby generators are electrically incapable of being interconnected to the trans-  
35 mission grid. For an applicant that proposes to provide the physical facilities for the installation of  
36 standby generators, the requirement of this subparagraph may be met by agreeing to require such  
37 a term in the lease contract for the facility.

38 (3) The Energy Facility Siting Council may review and, if necessary, revise the fuel chargeable  
39 to power heat rate value set forth in subsection (2)(c)(B) of this section. In making its determination,  
40 the council shall ensure that the fuel chargeable to power heat rate value for facilities set forth in  
41 subsection (2)(c)(B) of this section remains significantly lower than the fuel chargeable to power  
42 heat rate value for the best available, commercially viable thermal power plant technology at the  
43 time of the revision.

44 (4) Any person who proposes to construct or enlarge an energy facility and who claims an ex-  
45emption under subsection (2)(a), (c), (f) or (g) of this section from the requirement to obtain a site

1 certificate shall request the Energy Facility Siting Council to determine whether the proposed fa-  
 2 cility qualifies for the claimed exemption. The council shall make its determination within 60 days  
 3 after the request for exemption is filed. An appeal from the council’s determination on a request for  
 4 exemption shall be made under ORS 469.403, except that the scope of review by the Supreme Court  
 5 shall be the same as a review by a circuit court under ORS 183.484. The record on review by the  
 6 Supreme Court shall be the record established in the council proceeding on the exemption.

7 (5) Notwithstanding subsection (1) of this section, a separate site certificate shall not be re-  
 8 quired for:

9 (a) Transmission lines, storage facilities, pipelines or similar related or supporting facilities, if  
 10 such related or supporting facilities are addressed in and are subject to a site certificate for another  
 11 energy facility;

12 (b) Expansion within the site or within the energy generation area of a facility for which a site  
 13 certificate has been issued, if the existing site certificate has been amended to authorize expansion;  
 14 or

15 (c) Expansion, either within the site or outside the site, of an existing council certified surface  
 16 facility related to an underground gas storage reservoir, if the existing site certificate is amended  
 17 to authorize expansion.

18 (6) If the substantial loss of the steam host causes a facility exempt under subsection (2)(c) of  
 19 this section to substantially fail to meet the exemption requirements under subsection (2)(c) of this  
 20 section, the electric generating facility shall cease to operate one year after the substantial loss of  
 21 the steam host unless an application for a site certificate has been filed in accordance with the  
 22 provisions of ORS 469.300 to 469.563.

23 (7) As used in this section:

24 (a) “Standby generation facility” means an electric power generating facility, including standby  
 25 generators and the physical structures necessary to install and connect standby generators, that  
 26 provides temporary electric power in the event of a power outage and that is electrically incapable  
 27 of being interconnected with the transmission grid.

28 (b) “Total energy output” means the sum of useful thermal energy output and useful electrical  
 29 energy output.

30 (c) “Useful thermal energy” means the verifiable thermal energy used in any viable industrial  
 31 or commercial process, heating or cooling application.

32 (8) Notwithstanding the definition of “energy facility” in ORS 469.300 (11)(a)(J), an electric  
 33 power generating plant with an average electric generating capacity of less than 35 megawatts  
 34 produced from wind energy at a single energy facility or within a single energy generation area may  
 35 elect to obtain a site certificate in the manner provided in ORS 469.300 to 469.563, 469.590 to  
 36 469.619, 469.930 and 469.992. An election to obtain a site certificate under this subsection shall be  
 37 final upon submission of an application for a site certificate.

38  
 39 **EXCLUSIVE FARM USE FOR ON-FARM**  
 40 **BIOFUEL PRODUCTION**

41  
 42 **SECTION 31.** ORS 215.203 is amended to read:

43 215.203. (1) Zoning ordinances may be adopted to zone designated areas of land within the  
 44 county as exclusive farm use zones. Land within such zones shall be used exclusively for farm use  
 45 except as otherwise provided in ORS 215.213, 215.283 or 215.284. Farm use zones shall be established

1 only when such zoning is consistent with the comprehensive plan.

2 (2)(a) As used in this section, “farm use” means the current employment of land for the primary  
3 purpose of obtaining a profit in money by raising, harvesting and selling crops or the feeding,  
4 breeding, management and sale of, or the produce of, livestock, poultry, fur-bearing animals or  
5 honeybees or for dairying and the sale of dairy products or any other agricultural or horticultural  
6 use or animal husbandry or any combination thereof. “Farm use” includes the preparation, storage  
7 and disposal by marketing or otherwise of the products or by-products raised on such land for hu-  
8 man or animal use, **including the commercial processing of farm crops into biofuel**. “Farm  
9 use” also includes the current employment of land for the primary purpose of obtaining a profit in  
10 money by stabling or training equines including but not limited to providing riding lessons, training  
11 clinics and schooling shows. “Farm use” also includes the propagation, cultivation, maintenance and  
12 harvesting of aquatic, bird and animal species that are under the jurisdiction of the State Fish and  
13 Wildlife Commission, to the extent allowed by the rules adopted by the commission. “Farm use” in-  
14 cludes the on-site construction and maintenance of equipment and facilities used for the activities  
15 described in this subsection. “Farm use” does not include the use of land subject to the provisions  
16 of ORS chapter 321, except land used exclusively for growing cultured Christmas trees as defined  
17 in subsection (3) of this section or land described in ORS 321.267 (3) or 321.824 (3).

18 (b) “Current employment” of land for farm use includes:

19 (A) Farmland, the operation or use of which is subject to any farm-related government program;

20 (B) Land lying fallow for one year as a normal and regular requirement of good agricultural  
21 husbandry;

22 (C) Land planted in orchards or other perennials, other than land specified in subparagraph (D)  
23 of this paragraph, prior to maturity;

24 (D) Land not in an exclusive farm use zone which has not been eligible for assessment at special  
25 farm use value in the year prior to planting the current crop and has been planted in orchards,  
26 cultured Christmas trees or vineyards for at least three years;

27 (E) Wasteland, in an exclusive farm use zone, dry or covered with water, neither economically  
28 tillable nor grazeable, lying in or adjacent to and in common ownership with a farm use land and  
29 which is not currently being used for any economic farm use;

30 (F) Except for land under a single family dwelling, land under buildings supporting accepted  
31 farm practices, including the processing facilities allowed by ORS 215.213 (1)(x) and 215.283 (1)(u);

32 (G) Water impoundments lying in or adjacent to and in common ownership with farm use land;

33 (H) Any land constituting a woodlot, not to exceed 20 acres, contiguous to and owned by the  
34 owner of land specially valued for farm use even if the land constituting the woodlot is not utilized  
35 in conjunction with farm use;

36 (I) Land lying idle for no more than one year where the absence of farming activity is due to  
37 the illness of the farmer or member of the farmer’s immediate family. For purposes of this paragraph,  
38 illness includes injury or infirmity whether or not such illness results in death;

39 (J) Any land described under ORS 321.267 (3) or 321.824 (3); and

40 (K) Land used for the primary purpose of obtaining a profit in money by breeding, raising,  
41 kenneling or training of greyhounds for racing.

42 (c) As used in this subsection, “accepted farming practice” means a mode of operation that is  
43 common to farms of a similar nature, necessary for the operation of such farms to obtain a profit  
44 in money, and customarily utilized in conjunction with farm use.

45 (3) “Cultured Christmas trees” means trees:

1 (a) Grown on lands used exclusively for that purpose, capable of preparation by intensive culti-  
 2 vation methods such as plowing or turning over the soil;

3 (b) Of a marketable species;

4 (c) Managed to produce trees meeting U.S. No. 2 or better standards for Christmas trees as  
 5 specified by the Agriculture Marketing Services of the United States Department of Agriculture; and

6 (d) Evidencing periodic maintenance practices of shearing for Douglas fir and pine species, weed  
 7 and brush control and one or more of the following practices: Basal pruning, fertilizing, insect and  
 8 disease control, stump culture, soil cultivation, irrigation.

9 **SECTION 32.** ORS 215.283 is amended to read:

10 215.283. (1) The following uses may be established in any area zoned for exclusive farm use:

11 (a) Public or private schools, including all buildings essential to the operation of a school.

12 (b) Churches and cemeteries in conjunction with churches.

13 (c) The propagation or harvesting of a forest product.

14 (d) Utility facilities necessary for public service, including wetland waste treatment systems but  
 15 not including commercial facilities for the purpose of generating electrical power for public use by  
 16 sale or transmission towers over 200 feet in height. A utility facility necessary for public service  
 17 may be established as provided in ORS 215.275.

18 (e) A dwelling on real property used for farm use if the dwelling is occupied by a relative of the  
 19 farm operator or the farm operator's spouse, which means a child, parent, stepparent, grandchild,  
 20 grandparent, stepgrandparent, sibling, stepsibling, niece, nephew or first cousin of either, if the farm  
 21 operator does or will require the assistance of the relative in the management of the farm use and  
 22 the dwelling is located on the same lot or parcel as the dwelling of the farm operator.  
 23 Notwithstanding ORS 92.010 to 92.190 or the minimum lot or parcel size requirements under ORS  
 24 215.780, if the owner of a dwelling described in this paragraph obtains construction financing or  
 25 other financing secured by the dwelling and the secured party forecloses on the dwelling, the se-  
 26 cured party may also foreclose on the homesite, as defined in ORS 308A.250, and the foreclosure  
 27 shall operate as a partition of the homesite to create a new parcel.

28 (f) Primary or accessory dwellings and other buildings customarily provided in conjunction with  
 29 farm use.

30 (g) Operations for the exploration for and production of geothermal resources as defined by ORS  
 31 522.005 and oil and gas as defined by ORS 520.005, including the placement and operation of  
 32 compressors, separators and other customary production equipment for an individual well adjacent  
 33 to the wellhead. Any activities or construction relating to such operations shall not be a basis for  
 34 an exception under ORS 197.732 (1)(a) or (b).

35 (h) Operations for the exploration for minerals as defined by ORS 517.750. Any activities or  
 36 construction relating to such operations shall not be a basis for an exception under ORS 197.732  
 37 (1)(a) or (b).

38 (i) A site for the disposal of solid waste that has been ordered to be established by the Envi-  
 39 ronmental Quality Commission under ORS 459.049, together with equipment, facilities or buildings  
 40 necessary for its operation.

41 (j) The breeding, kenneling and training of greyhounds for racing.

42 (k) Climbing and passing lanes within the right of way existing as of July 1, 1987.

43 (L) Reconstruction or modification of public roads and highways, including the placement of  
 44 utility facilities overhead and in the subsurface of public roads and highways along the public right  
 45 of way, but not including the addition of travel lanes, where no removal or displacement of buildings



1 would occur, or no new land parcels result.

2 (m) Temporary public road and highway detours that will be abandoned and restored to original  
3 condition or use at such time as no longer needed.

4 (n) Minor betterment of existing public road and highway related facilities such as maintenance  
5 yards, weigh stations and rest areas, within right of way existing as of July 1, 1987, and contiguous  
6 public-owned property utilized to support the operation and maintenance of public roads and high-  
7 ways.

8 (o) A replacement dwelling to be used in conjunction with farm use if the existing dwelling has  
9 been listed in a county inventory as historic property as defined in ORS 358.480.

10 (p) Creation of, restoration of or enhancement of wetlands.

11 (q) A winery, as described in ORS 215.452.

12 (r) Farm stands if:

13 (A) The structures are designed and used for the sale of farm crops or livestock grown on the  
14 farm operation, or grown on the farm operation and other farm operations in the local agricultural  
15 area, including the sale of retail incidental items and fee-based activity to promote the sale of farm  
16 crops or livestock sold at the farm stand if the annual sale of incidental items and fees from pro-  
17 motional activity do not make up more than 25 percent of the total annual sales of the farm stand;  
18 and

19 (B) The farm stand does not include structures designed for occupancy as a residence or for  
20 activity other than the sale of farm crops or livestock and does not include structures for banquets,  
21 public gatherings or public entertainment.

22 (s) Alteration, restoration or replacement of a lawfully established dwelling that:

23 (A) Has intact exterior walls and roof structure;

24 (B) Has indoor plumbing consisting of a kitchen sink, toilet and bathing facilities connected to  
25 a sanitary waste disposal system;

26 (C) Has interior wiring for interior lights;

27 (D) Has a heating system; and

28 (E) In the case of replacement:

29 (i) Is removed, demolished or converted to an allowable nonresidential use within three months  
30 of the completion of the replacement dwelling. A replacement dwelling may be sited on any part of  
31 the same lot or parcel. A dwelling established under this paragraph shall comply with all applicable  
32 siting standards. However, the standards shall not be applied in a manner that prohibits the siting  
33 of the dwelling. If the dwelling to be replaced is located on a portion of the lot or parcel not zoned  
34 for exclusive farm use, the applicant, as a condition of approval, shall execute and record in the  
35 deed records for the county where the property is located a deed restriction prohibiting the siting  
36 of a dwelling on that portion of the lot or parcel. The restriction imposed shall be irrevocable unless  
37 a statement of release is placed in the deed records for the county. The release shall be signed by  
38 the county or its designee and state that the provisions of this paragraph regarding replacement  
39 dwellings have changed to allow the siting of another dwelling. The county planning director or the  
40 director's designee shall maintain a record of the lots and parcels that do not qualify for the siting  
41 of a new dwelling under the provisions of this paragraph, including a copy of the deed restrictions  
42 and release statements filed under this paragraph; and

43 (ii) For which the applicant has requested a deferred replacement permit, is removed or demol-  
44 ished within three months after the deferred replacement permit is issued. A deferred replacement  
45 permit allows construction of the replacement dwelling at any time. If, however, the established

1 dwelling is not removed or demolished within three months after the deferred replacement permit  
2 is issued, the permit becomes void. The replacement dwelling must comply with applicable building  
3 codes, plumbing codes, sanitation codes and other requirements relating to health and safety or to  
4 siting at the time of construction. A deferred replacement permit may not be transferred, by sale  
5 or otherwise, except by the applicant to the spouse or a child of the applicant.

6 (t) A site for the takeoff and landing of model aircraft, including such buildings or facilities as  
7 may reasonably be necessary. Buildings or facilities shall not be more than 500 square feet in floor  
8 area or placed on a permanent foundation unless the building or facility preexisted the use approved  
9 under this paragraph. The site shall not include an aggregate surface or hard surface area unless  
10 the surface preexisted the use approved under this paragraph. As used in this paragraph, "model  
11 aircraft" means a small-scale version of an airplane, glider, helicopter, dirigible or balloon that is  
12 used or intended to be used for flight and is controlled by radio, lines or design by a person on the  
13 ground.

14 (u) A facility for the processing of farm crops **or the production of biofuel that is** located on  
15 a farm operation that provides at least one-quarter of the farm crops processed at the facility. The  
16 building established for the processing facility shall not exceed 10,000 square feet of floor area ex-  
17 clusive of the floor area designated for preparation, storage or other farm use or devote more than  
18 10,000 square feet to the processing activities within another building supporting farm uses. A pro-  
19 cessing facility shall comply with all applicable siting standards but the standards shall not be ap-  
20 plied in a manner that prohibits the siting of the processing facility.

21 (v) Fire service facilities providing rural fire protection services.

22 (w) Irrigation canals, delivery lines and those structures and accessory operational facilities  
23 associated with a district as defined in ORS 540.505.

24 (x) Utility facility service lines. Utility facility service lines are utility lines and accessory fa-  
25 cilities or structures that end at the point where the utility service is received by the customer and  
26 that are located on one or more of the following:

27 (A) A public right of way;

28 (B) Land immediately adjacent to a public right of way, provided the written consent of all ad-  
29 jacent property owners has been obtained; or

30 (C) The property to be served by the utility.

31 (y) Subject to the issuance of a license, permit or other approval by the Department of Envi-  
32 ronmental Quality under ORS 454.695, 459.205, 468B.050, 468B.053 or 468B.055, or in compliance with  
33 rules adopted under ORS 468B.095, and as provided in ORS 215.246 to 215.251, the land application  
34 of reclaimed water, agricultural or industrial process water or biosolids for agricultural,  
35 horticultural or silvicultural production, or for irrigation in connection with a use allowed in an  
36 exclusive farm use zone under this chapter.

37 (z) A county law enforcement facility that lawfully existed on August 20, 2002, and is used to  
38 provide rural law enforcement services primarily in rural areas, including parole and post-prison  
39 supervision, but not including a correctional facility as defined under ORS 162.135.

40 (2) The following nonfarm uses may be established, subject to the approval of the governing body  
41 or its designee in any area zoned for exclusive farm use subject to ORS 215.296:

42 (a) Commercial activities that are in conjunction with farm use but not including the processing  
43 of farm crops as described in subsection (1)(u) of this section.

44 (b) Operations conducted for:

45 (A) Mining and processing of geothermal resources as defined by ORS 522.005 and oil and gas

1 as defined by ORS 520.005 not otherwise permitted under subsection (1)(g) of this section;

2 (B) Mining, crushing or stockpiling of aggregate and other mineral and other subsurface re-  
3 sources subject to ORS 215.298;

4 (C) Processing, as defined by ORS 517.750, of aggregate into asphalt or portland cement; and

5 (D) Processing of other mineral resources and other subsurface resources.

6 (c) Private parks, playgrounds, hunting and fishing preserves and campgrounds. Subject to the  
7 approval of the county governing body or its designee, a private campground may provide yurts for  
8 overnight camping. No more than one-third or a maximum of 10 campsites, whichever is smaller,  
9 may include a yurt. The yurt shall be located on the ground or on a wood floor with no permanent  
10 foundation. Upon request of a county governing body, the Land Conservation and Development  
11 Commission may provide by rule for an increase in the number of yurts allowed on all or a portion  
12 of the campgrounds in a county if the commission determines that the increase will comply with the  
13 standards described in ORS 215.296 (1). As used in this paragraph, "yurt" means a round, domed  
14 shelter of cloth or canvas on a collapsible frame with no plumbing, sewage disposal hookup or  
15 internal cooking appliance.

16 (d) Parks and playgrounds. A public park may be established consistent with the provisions of  
17 ORS 195.120.

18 (e) Community centers owned by a governmental agency or a nonprofit community organization  
19 and operated primarily by and for residents of the local rural community. A community center au-  
20 thorized under this paragraph may provide services to veterans, including but not limited to emer-  
21 gency and transitional shelter, preparation and service of meals, vocational and educational  
22 counseling and referral to local, state or federal agencies providing medical, mental health, disability  
23 income replacement and substance abuse services, only in a facility that is in existence on January  
24 1, 2006. The services may not include direct delivery of medical, mental health, disability income  
25 replacement or substance abuse services.

26 (f) Golf courses.

27 (g) Commercial utility facilities for the purpose of generating power for public use by sale.

28 (h) Personal-use airports for airplanes and helicopter pads, including associated hangar, main-  
29 tenance and service facilities. A personal-use airport, as used in this section, means an airstrip re-  
30 stricted, except for aircraft emergencies, to use by the owner, and, on an infrequent and occasional  
31 basis, by invited guests, and by commercial aviation activities in connection with agricultural op-  
32 erations. No aircraft may be based on a personal-use airport other than those owned or controlled  
33 by the owner of the airstrip. Exceptions to the activities permitted under this definition may be  
34 granted through waiver action by the Oregon Department of Aviation in specific instances. A  
35 personal-use airport lawfully existing as of September 13, 1975, shall continue to be permitted sub-  
36 ject to any applicable rules of the Oregon Department of Aviation.

37 (i) Home occupations as provided in ORS 215.448.

38 (j) A facility for the primary processing of forest products, provided that such facility is found  
39 to not seriously interfere with accepted farming practices and is compatible with farm uses de-  
40 scribed in ORS 215.203 (2). Such a facility may be approved for a one-year period which is  
41 renewable. These facilities are intended to be only portable or temporary in nature. The primary  
42 processing of a forest product, as used in this section, means the use of a portable chipper or stud  
43 mill or other similar methods of initial treatment of a forest product in order to enable its shipment  
44 to market. Forest products, as used in this section, means timber grown upon a parcel of land or  
45 contiguous land where the primary processing facility is located.

1 (k) A site for the disposal of solid waste approved by the governing body of a city or county or  
2 both and for which a permit has been granted under ORS 459.245 by the Department of Environ-  
3 mental Quality together with equipment, facilities or buildings necessary for its operation.

4 (L) One manufactured dwelling or recreational vehicle, or the temporary residential use of an  
5 existing building, in conjunction with an existing dwelling as a temporary use for the term of a  
6 hardship suffered by the existing resident or a relative of the resident. Within three months of the  
7 end of the hardship, the manufactured dwelling or recreational vehicle shall be removed or demol-  
8 ished or, in the case of an existing building, the building shall be removed, demolished or returned  
9 to an allowed nonresidential use. The governing body or its designee shall provide for periodic re-  
10 view of the hardship claimed under this paragraph. A temporary residence approved under this  
11 paragraph is not eligible for replacement under subsection (1)(s) of this section.

12 (m) Transmission towers over 200 feet in height.

13 (n) Dog kennels not described in subsection (1)(j) of this section.

14 (o) Residential homes as defined in ORS 197.660, in existing dwellings.

15 (p) The propagation, cultivation, maintenance and harvesting of aquatic species that are not  
16 under the jurisdiction of the State Fish and Wildlife Commission or insect species. Insect species  
17 shall not include any species under quarantine by the State Department of Agriculture or the United  
18 States Department of Agriculture. The county shall provide notice of all applications under this  
19 paragraph to the State Department of Agriculture. Notice shall be provided in accordance with the  
20 county's land use regulations but shall be mailed at least 20 calendar days prior to any administra-  
21 tive decision or initial public hearing on the application.

22 (q) Construction of additional passing and travel lanes requiring the acquisition of right of way  
23 but not resulting in the creation of new land parcels.

24 (r) Reconstruction or modification of public roads and highways involving the removal or dis-  
25 placement of buildings but not resulting in the creation of new land parcels.

26 (s) Improvement of public road and highway related facilities, such as maintenance yards, weigh  
27 stations and rest areas, where additional property or right of way is required but not resulting in  
28 the creation of new land parcels.

29 (t) A destination resort that is approved consistent with the requirements of any statewide  
30 planning goal relating to the siting of a destination resort.

31 (u) Room and board arrangements for a maximum of five unrelated persons in existing resi-  
32 dences.

33 (v) Operations for the extraction and bottling of water.

34 (w) Expansion of existing county fairgrounds and activities directly relating to county  
35 fairgrounds governed by county fair boards established pursuant to ORS 565.210.

36 (x) A living history museum related to resource based activities owned and operated by a gov-  
37 ernmental agency or a local historical society, together with limited commercial activities and fa-  
38 cilities that are directly related to the use and enjoyment of the museum and located within  
39 authentic buildings of the depicted historic period or the museum administration building, if areas  
40 other than an exclusive farm use zone cannot accommodate the museum and related activities or if  
41 the museum administration buildings and parking lot are located within one quarter mile of an ur-  
42 ban growth boundary. As used in this paragraph:

43 (A) "Living history museum" means a facility designed to depict and interpret everyday life and  
44 culture of some specific historic period using authentic buildings, tools, equipment and people to  
45 simulate past activities and events; and

1 (B) "Local historical society" means the local historical society recognized by the county gov-  
 2 erning body and organized under ORS chapter 65.

3 (y) An aerial fireworks display business that has been in continuous operation at its current  
 4 location within an exclusive farm use zone since December 31, 1986, and possesses a wholesaler's  
 5 permit to sell or provide fireworks.

6 (z) A landscaping business, as defined in ORS 671.520, or a business providing landscape archi-  
 7 tecture services, as described in ORS 671.318, if the business is pursued in conjunction with the  
 8 growing and marketing of nursery stock on the land that constitutes farm use.

9 (3) Roads, highways and other transportation facilities and improvements not allowed under  
 10 subsections (1) and (2) of this section may be established, subject to the approval of the governing  
 11 body or its designee, in areas zoned for exclusive farm use subject to:

12 (a) Adoption of an exception to the goal related to agricultural lands and to any other applicable  
 13 goal with which the facility or improvement does not comply; or

14 (b) ORS 215.296 for those uses identified by rule of the Land Conservation and Development  
 15 Commission as provided in section 3, chapter 529, Oregon Laws 1993.

16 **SECTION 33.** ORS 308A.056 is amended to read:

17 308A.056. (1) As used in ORS 308A.050 to 308A.128, "farm use" means the current employment  
 18 of land for the primary purpose of obtaining a profit in money by:

19 (a) Raising, harvesting and selling crops;

20 (b) Feeding, breeding, managing or selling livestock, poultry, fur-bearing animals or honeybees  
 21 or the produce thereof;

22 (c) Dairying and selling dairy products;

23 (d) Stabling or training equines, including but not limited to providing riding lessons, training  
 24 clinics and schooling shows;

25 (e) Propagating, cultivating, maintaining or harvesting aquatic species and bird and animal  
 26 species to the extent allowed by the rules adopted by the State Fish and Wildlife Commission;

27 (f) On-site constructing and maintaining equipment and facilities used for the activities described  
 28 in this subsection;

29 (g) Preparing, storing or disposing of, by marketing or otherwise, the products or by-products  
 30 raised for human or animal use on land described in this section; [*or*]

31 **(h) Commercial processing of farm crops into biofuel; or**

32 [*h*] (i) Using land described in this section for any other agricultural or horticultural use or  
 33 animal husbandry or any combination thereof.

34 (2) "Farm use" does not include the use of land subject to timber and forestland taxation under  
 35 ORS chapter 321, except land used exclusively for growing cultured Christmas trees or land de-  
 36 scribed in ORS 321.267 (3) or 321.824 (3) (relating to land used to grow certain hardwood timber,  
 37 including hybrid cottonwood).

38 (3) For purposes of this section, land is currently employed for farm use if the land is:

39 (a) Farmland, the operation or use of which is subject to any farm-related government program;

40 (b) Land lying fallow for one year as a normal and regular requirement of good agricultural  
 41 husbandry;

42 (c) Land planted in orchards or other perennials, other than land specified in paragraph (d) of  
 43 this subsection, prior to maturity;

44 (d) Land not in an exclusive farm use zone that has not been eligible for assessment at special  
 45 farm use value in the year prior to planting the current crop and has been planted in orchards,

1 cultured Christmas trees or vineyards for at least three years;

2 (e) Wasteland, in an exclusive farm use zone, dry or covered with water, neither economically  
3 tillable nor grazeable, lying in or adjacent to and in common ownership with farm use land and that  
4 is not currently being used for any economic farm use;

5 (f) Except for land under a single family dwelling, land under buildings supporting accepted  
6 farming practices, including the processing facilities allowed by ORS 215.213 (1)(x) and 215.283 (1)(u);

7 (g) Water impoundments lying in or adjacent to and in common ownership with farm use land;

8 (h) Any land constituting a woodlot, not to exceed 20 acres, contiguous to and owned by the  
9 owner of land specially valued for farm use even if the land constituting the woodlot is not utilized  
10 in conjunction with farm use;

11 (i) Land lying idle for no more than one year when the absence of farming activity is the result  
12 of the illness of the farmer or a member of the farmer's immediate family, including injury or  
13 infirmity, regardless of whether the illness results in death;

14 (j) Land described under ORS 321.267 (3) or 321.824 (3) (relating to land used to grow certain  
15 hardwood timber, including hybrid cottonwood); or

16 (k) Land used for the primary purpose of obtaining a profit in money by breeding, raising,  
17 kenneling or training greyhounds for racing.

18 (4) As used in this section:

19 (a) "Accepted farming practice" means a mode of operation that is common to farms of a similar  
20 nature, necessary for the operation of these similar farms to obtain a profit in money and custom-  
21 arily utilized in conjunction with farm use.

22 (b) "Cultured Christmas trees" means trees:

23 (A) Grown on lands used exclusively for that purpose, capable of preparation by intensive cul-  
24 tivation methods such as plowing or turning over the soil;

25 (B) Of a marketable species;

26 (C) Managed to produce trees meeting U.S. No. 2 or better standards for Christmas trees as  
27 specified by the Agricultural Marketing Service of the United States Department of Agriculture; and

28 (D) Evidencing periodic maintenance practices of shearing for Douglas fir and pine species, weed  
29 and brush control and one or more of the following practices:

30 (i) Basal pruning;

31 (ii) Fertilizing;

32 (iii) Insect and disease control;

33 (iv) Stump culture;

34 (v) Soil cultivation; or

35 (vi) Irrigation.

36 **SECTION 34. The amendments to ORS 308A.056 by section 33 of this 2007 Act apply to**  
37 **tax years beginning on or after July 1, 2006.**

38  
39 **CAPTIONS**

40  
41 **SECTION 35. The unit captions used in this 2007 Act are provided only for the conven-**  
42 **ience of the reader and do not become part of the statutory law of this state or express any**  
43 **legislative intent in the enactment of this 2007 Act.**

44  
45 **EFFECTIVE DATE**

1        **SECTION 36.** This 2007 Act takes effect on the 91st day after the date on which the  
2        regular session of the Seventy-fourth Legislative Assembly adjourns sine die.  
3        \_\_\_\_\_