



OREGON
ASSOCIATION OF
NURSERIES

Testimony before the Senate Committee on Finance and Revenue
SB 326

By Patrick Capper, Government Relations Director
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Chair Burdick, members of the Committee, I am Patrick Capper, Government Relations Director for the Oregon Association of Nurseries (OAN). I appreciate this opportunity to voice the nursery and greenhouse industry's thoughts on SB 326.

The nursery and greenhouse industry remains the state's largest agricultural sector despite a severe economic downturn. Oregon's nursery growers ship their products throughout the country, over 74% of nursery stock grown in our state – with over half reaching markets east of the Mississippi River. Nursery association members represent wholesale and Christmas tree growers, retailers and greenhouse operations.

The OAN believes that preserving family owned nurseries is essential for the long term viability of our industry along with farm, forestry and fishery operations. This bill encompasses a good faith solution to the problem of forcing natural resource industries to liquidate vital assets to pay an estate tax.

At the state and federal level, discussions on the estate tax focus particular attention on the effects on family businesses, including farms. As policy makers, you must balance the revenue needs of the state with a tax that unfairly burdens family businesses. The burden is mainly due to the fact that much of the estate value is held in illiquid assets (such as land, buildings and equipment). It is our view that the estate tax forces these businesses to liquidate vital assets to pay the tax.

The OAN supports common sense tax policies that keep farms within the family. The legislature demonstrated tremendous wisdom and faith in keeping valuable lands in production is essential for the long-term viability of agriculture, forestry and fishing operations. The landmark bill was passed in 2007 and refined in 2008. While not the perfect solution for everyone – Oregon now serves as a thought leader on how to positively use the estate tax as a significant tool to keep natural resources viable. The \$7.5 million natural resources credit acknowledges that much of agriculture's estate tax value is held in property and equipment. The OAN, Oregon Farm Bureau, and the Oregon Law Commission have been working together since the conclusion of the last legislative session with the hope of developing a consensus that improves the definitions of property inclusion, working capital, material participation, inclusion of family members and a refinement of what is meant by closely held business interests. OAN's

goal is to enable natural resource operators to pass their assets from one generation to the next.

The Oregon Law Commission looked at the entirety of the tax code to determine a revenue sensitive solution. Both the bone crushing complexity of estate tax portion of the tax code and the revenue goal were daunting and the Oregon Law Commission should be commended for the task they led. Coupled with the new exemption level is a new level of a natural resource credit that amounts to \$6 million – as long as this body reaffirms that the \$7.5 million original intent is protected – the OAN is comfortable this modification. We recognize that this issue has been before your committee since 2007 and it is our hope that this effort, along with our desire to resolve the larger questions about estate tax policy at the federal level, will prove to demonstrate the forward looking and important work that the Oregon Legislature will have accomplished for Oregon's nursery and greenhouse industry.

Refinement of the estate tax is a top priority for the OAN. We advocate for a reasoned tax structure that supports the family agricultural operation in the state. The OAN feels that our collaboration with the Oregon Law Commission and our partners in the agricultural sector accomplishes these goals with the intent of seeking a tax credit approach that maximizes resource utilization and minimizes the fiscal impact.

Thank you for your time and consideration and I'm happy to answer any questions.