

**REVENUE IMPACT OF  
PROPOSED LEGISLATION  
Seventy-Eighth Oregon Legislative  
Assembly  
2015 Regular Session  
Legislative Revenue Office**

**Bill Number: HB 2723 - B5  
Revenue Area: Property Tax  
Economist: Kyle Easton  
Date: 6/9/2015**

***Only Impacts on Original or Engrossed  
Versions are Considered Official***

**Measure Description:**

Authorizes county or city to designate any urbanized area of county or city as urban agriculture incentive zone. Allows city or county that designates an urban agriculture incentive zone to enter into an agreement with an owner of unimproved land within an urban agriculture incentive zone. Providing gross income requirements are met, during the five years of the agreement, the unimproved land is specially assessed as farmland. As part of agreement, owner must agree to restrict use of unimproved land to small-scale urban agricultural production for five consecutive years. Unimproved land may not be granted special assessment if unimproved land is used to grow, harvest or process marijuana.

**Revenue Impact (in \$Millions):** No direct impact upon property tax revenues.

**Impact Explanation:**

As the measure allows but does not require cities and counties to designate urban agriculture incentive zones, the measure as amended has no direct impact upon property tax revenues. If a city or county designates a zone, impact upon revenue will be dependent upon the number of properties the county or city enters into an agreement with and the difference in valuation between a qualifying property's current-law assessed value and the property's value under farmland special assessment. Statewide, residential property assessed values (AV) generally range between 60-90% of the property's real market value (RMV). For farmland specially assessed not located in an exclusive farm use zone, the percentage will generally range between 1.5-5%. Using the midpoint of these two for example purposes, an unimproved property with a RMV of \$100,000 would have a residential land AV of \$75,000 compared to a farmland special assessment land value AV of \$3,250. Assuming a tax rate of \$15 per \$1,000 of AV, the tax liability on the residential land would be \$1,125 whereas the tax liability for the specially assessed land would be \$49.

A secondary impact could result from more property being left undeveloped that would, absent the special assessment, be developed and pay tax upon the land and improvements on the now developed property.

**Creates, Extends, or Expands Tax Expenditure:** Yes  No

The policy purpose of this measure is to allow cities and counties the ability to designate urban agriculture incentive zones, and as a result, to incentivize and provide tax relief for small-scale urban agricultural production.