

TO: Members of the House Revenue Committee
FROM: Don Schellenberg
DATE: February 27, 2017
Re: HB 2859

I am Don Schellenberg and I reside at 12125 Smithfield Rd., Dallas, OR, Zip Code 97338. I am temporarily out of the state and therefore am forwarding my comments to you on HB 2859 through the Oregon Farm Bureau.

I began my farming career two weeks after my wife and I were married in June of 1962. I joined the Polk County Farm Bureau in the winter of 1966 recognizing the need to belong to an organization that would professionally represent the concerns my farming activities and the farm interests of the agricultural industry.

Within one year I encountered a property tax problem while renting and farming a portion of the U.S. Baskett Slough Game Refuge at Rickreall Oregon. I was surprised to receive a property tax bill from the Polk County Assessor's Office. Having already had some farming experience renting farmland, I knew that it was customary for the land owner to pay the property taxes. So why was I getting the bill, the Federal Government owned the land.

I contacted the Oregon Farm Bureau and met with their lobbyist, Howard Fuji. He did some research and found that since the state government cannot levy a tax against the federal government, the federal government agrees to pay an amount in lieu of the tax. This agreement prevents the county from losing tax dollars when the federal government purchases land in a county. For an unknown reason that payment agreement had not been applied to the purchases of wildlife refuges by the Federal Government. Mr. Fuji subsequently contacted my State Representative, they drafted a bill to correct the problem, I testified on the bill, the bill passed both chambers, was signed by the governor and became law. My problem and that of the other renters of the game refuge was solved.

I recount this as a back-drop to the issue of Farm Use Assessment in HB 2859. I do not recall what the per acre tax was that was being imposed but it was before the advent of farm use assessment and it was significant or I would not have pursued the issue.

A year or two later I attended a meeting at the Oregon Farm Bureau office where to Marion County Farm Bureau members, Jack Chapin and Maton Carl made a presentation regarding property taxes. They had been studying the property tax laws and noticed that all commercial business property was taxed based on its income capability as expressed in its rental value per square foot. However the business property of the agriculture industry, the farmland, was not being treated equally. The business property of the agriculture industry was being taxed on its resale value for housing.

Long story short, after meetings with the all of the affected and proper authorities it was determined that a fair property valuation for property tax purposes would be to assess the value of farmland based on the going rental rate for the different soil classes. In addition if the farmland was sold for a non-farm use the land owner would have to repay the difference in the

property tax to the county. Hence the common name for the law, “farm deferral”. Legislation was drafted, passed, signed and all business property taxes are now assessed on an equal basis.

In the beginning stages of that assessment change, the producer had to meet an income test to qualify for the tax deferral. Then in 1973 the legislature passed Oregon’s famous Land Use planning law. Oregon Farm Bureau has supported the land use planning program since its inception, for several reasons: First, numerous non-farm uses locating in farming areas were causing conflicts. Second, Oregon was losing a lot of its farmland to non-farm uses which in turn was weakening agriculture’s business infrastructure that supports the agricultural operations. And third, the land use law and the property tax provisions for farmland were easy to combine and more efficient to administer. With the creation of Exclusive Farm Use (EFU) zones, the land cannot be sold for a non-farm use and there is now no more need for a time consuming income test for land in the EFU zones to determine if that land qualifies for “farm use assessment”. As long as the land is regularly used for accepted farming practices, it is qualified. So that farmland outside the EFU zone is not discriminated against, it can still qualify for farm use assessment by meeting the income test. However if such land is sold for a non-farm use the deferred portion of the property taxes has to be paid to the county. Just a side note, all farm dwellings and the one acre dwelling site are assessed at the value of a house and one acre outside the EFU zone.

Thus the two laws of land use planning and farm use assessment are inextricably linked. If you eliminate the farm use assessment then you must also eliminate the same method by which urban businesses are assessed. If you eliminate farm use assessment then you are unfairly taxing farmland as though it can be sold for a non farm use, which it cannot be under the land use planning laws.

If you eliminate the land use planning laws you will soon have no agriculture in the Willamette Valley which contains the highest quality agriculture land in the world, will impose great harm to any remaining agriculture, the total of which provides a significant portion of Oregon’s economy.

Regarding the property taxation of farm equipment:

What a way to stymie the advancement and efficiency of agricultural production!

Agriculture production is a highly complex and expensive operation. Unlike the urban manufacturing plants which operate their equipment on a daily basis, almost all of agriculture equipment is used for only several weeks in a whole year. In addition individual farmers produce any number of different crops in the same year in order to spread their financial risk due to fluctuating markets, weather, labor timing and soil capabilities. In addition the necessity of crop rotation for weed control, disease prevention and cross pollination leaves some equipment sitting idle for one or more years.

Then there is the fast advancing tillage and harvesting technology, electronic equipment and devices that producers purchase to increase their efficiency and the quality of their products. Given the fact that there are no two farmers who have the same basic piece of machinery equipped with the same technologies, the county assessor could not possibly make

any kind of accurate value assessment. If you want to put a huge roadblock in the way of agriculture advancement and efficiency this proposed tax will surely do it!

For the sake of our motto to “Keep Oregon Green”, for the sake of a multi-faceted state economy and for the sake of a vibrant and efficient agriculture industry for all of Oregon, I urge you in the strongest terms possible to oppose the passage of HB 2859.

Thank You
Don Schellenberg
Member, Polk County Farm Bureau