



Oregon's Tax Subsidies for farmers

There are 34,000 farms in Oregon which, in 2012, had gross sales of \$5.48 billion, with \$4.4 billion sold outside of Oregon.ⁱ While some farms pay income taxes, most declare losses, with the result that despite gross sales of \$5.48 billion, the state receives no net income tax revenue from the industry, and in fact losses \$ 5 million or more each year.ⁱⁱ

Estimated Cost 2015-17ⁱⁱⁱ

Estate Taxes

- **Virtually all farm assets are exempted from estate tax**, as only farm assets valued at more than \$15 m are taxable (\$30 m for a couple) are taxable \$7.0 m

Property Taxes

- **Farmers pay reduced property taxes on farm land** at 12% of RMV while taxes on all property of all types in the state is taxed at 73% of RMV^{iv} \$353.7 m
- **Farm home sites** are taxed as farmland rather than as residential land \$25.8 m
- **Farm machinery and equipment is all tax exempt.** Other business owners pay property taxes on all machinery & equipment values above \$16,500 \$79.4 m
- **Farm inventory** including crops, trees, seeds, nursery stock, etc. is exempt \$19.6 m
- **Farmers can also put unproductive farmland into special assessment** as forestland, wildlife habitat or with conservation easements \$1.6 m
- **Industrial improvements on farmland** receive a five-year property tax exemption made available under a 2015 law ?

Farmworker Housing Subsidies

- **Agricultural workforce housing construction income tax credit** for 50% of the cost of construction, rehabilitation or acquisition, a benefit that is in addition to federal benefits. 45 corporations and 80 farmers have used this benefit since 1989 \$1.5 m
- **Farm labor housing and day care facilities** operated by non-profits as exempt from property tax \$.6 m
- **The new market tax credit** program is available for farmworker housing projects ?

Additional Subsidies

- **Farmers also benefit from subsidies such as those for solar arrays, wind farms, manure digesters and water storage efforts** ?
- **Large farm equipment pays no weight-mile tax** for road use \$4.5 m
- **Farm owners are not required to pay overtime**, increasing employee dependence on public subsidies

Income Taxes

- **Farmers Capital gains** tax break: capital gains tax rate is reduced from 9.9% to 5% upon sale of farm assets when a farmer discontinues farming \$2.8 m
- **Income Averaging, Extended Carryback of Loss & Cancellation of Debt for Farmers** allow paying taxes on average income over three years, carrying back losses for three years longer than other taxpayers, and a debt cancellation benefit \$2.7 m
- **Cattle and dairy costs** can be expensed rather than depreciated \$1.5 m
- **Crop donation tax credit** for 15% of the value of donated crops \$0.9 m
- **Like other business owners, farmers benefitted from the 2013 legislation reducing business owners' income tax rate by .9 to 2.7% and an IC-DISC provision, if they've less than \$5 million of taxable income. Some portion of the \$220 m cost accrues to farmers** ?

Due to these measures and the federal tax code, we lose \$5 million or more per year on farms' state income taxes. As a group, Oregon's 30,000 non-corporate farmers show losses every year, reducing revenue by over \$10 million, while the state's 3700 farm and forest corporate businesses pay only \$6 million a year in income taxes, a tiny portion of the nearly \$6 billion in farm sales.

TOTAL COST: Over \$501.6 million this biennium

According to the IRS, most farm income is taxed as individual income rather than as corporate income. In fact, LRO anticipates that only 10 farm, forestry, fishing and hunting businesses would have paid the Measure 97 tax. Farmers are major beneficiaries of recent Federal tax changes, benefitting not only from the lower individual tax rates but also from faster write-off of investment in machinery, equipment, and other eligible capital purchases.

The cumulative effect of these Federal income tax policy changes has been the lowest Federal income tax burden on farm income in decades. About one out of every three farm households now owes no Federal income tax, with some actually receiving a refundable child or earned income credit.^v

ⁱ <http://oregonfb.org/about/oregon-agriculture/>

ⁱⁱ 2016 Oregon Public Finance: Basic Facts, Legislative Revenue Office, statistics for 2012 for corporate numbers and Oregon Personal Income Tax Statistics 2016 edition for non-corporate numbers. Together, the farm and forest corporate businesses pay income taxes of \$6.5 million. 1433 c-corps pay the bulk at \$6.2 m, while 2,279 s-corps paid less than \$400,000 in total. Meanwhile 30,336 other farmers, as a group show farming losses every year, averaging \$5,258 each (for a total of \$159 m in losses, reducing state revenue by \$10 m or more)

ⁱⁱⁱ Values from 2015-17 Oregon Tax Expenditure Report

^{iv} Oregon Property Tax Statistics FY 2015-16 by County and Type of Property, page 3 and Table 1.8, http://www.oregon.gov/DOR/programs/gov-research/Documents/publication-or-pts_303-405_2015-16.pdf

^v See IRS tax guild for farmers <https://www.irs.gov/publications/p225/>