

Testimony Presented to the Oregon House Revenue Committee

On

HB 2859

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Chair Persons

Ladies and Gentlemen of the Committee

My name is George Pugh. My wife and I with our son and his family farm in the community of Shedd in Linn County. We are blessed to still farm some of the ground on which my great, great grandfather and great, great grandmother took a homestead in 1851. At the age of 74 I usually refer to myself as a farmer-in-retirement training. And once again I prove myself a slow learner. I had thought I had retired from coming here to talk to the legislature but you folk's keep making compelling reasons for me to have a visit with you.

The reason this time is House Bill 2859, specifically as it relates to agricultural exemptions, farm deferrals and Exclusive Farm Use zoning. On page 10 of the bill, Section 54 which adds our farm equipment to our Personal Property tax rolls and Section 59 which removes the farm deferral on our crop land are of most interest to me.

Let me give you a snapshot of our operation. We are medium size farm for our area. Last year we cropped about 3,000 acre. Besides our four family workers we have four full time employees and hire another five collage age youth for harvest help. Some of them have returned for four or more years to spend their summers with us. We also have a seed cleaning plant to prepare our crops for market. All full time employees are paid overtime, are eligible for family health insurance and a matched 401K. We try to treat our employees like family. We view our selves as a sustainable farm but the first rule of sustainability is economic viability. These sections of this bill present a real challenge to that sustainability.

Section 54 adds our equipment used for crop production to our personal property rolls. As most of you probably understand, neither a tractor or combine or a plow are use much more than 5 to 10 weeks out of a year. Yet they come at great expense at purchase. Our seed cleaning equipment, by comparison, is used year round to prepare our crops for national and international trade. The cleaning equipment is counted as Personal Property and taxed accordingly. Our farm equipment, which includes tractors, combines, cultivation and planting equipment as well as chemical and fertilizer application equipment, would add one million nine hundred thousand dollars (\$1,900,000) to the tax rolls. This is seasonally used equipment and is at our insurance replacement values. Our current Personal Property is taxed at \$10.22 per \$1,000. At that same value, the addition to our Personal Property taxes would be \$19,418.00 bringing our total Personal Tax from \$689 to \$20,107.

Section 59 is the Farm Deferral. Our family farm, Pugh Seed Farm, Inc., owns 1,437 acres. The balance of what we farm is rented from family members and individuals. When we accepted the Exclusive Farm Use zoning designation it was with the understanding that we would not be taxed at the highest and best use of the land but at a level that was more commensurate with its ability to produce income in the agricultural scheme. We recognize that if the ground was used for other than agricultural purposes that we would reimburse the County for back taxes. Currently our farm's assessed value yields a tax bill of \$27,348. If it were recalculated at the Real Market Value, my Real Property tax would, at the current rate, be \$94,197

The total cost of the changes in taxation of these two Sections of the HB 2859 would add to the farm's property tax bill is a total of \$113,615. That is a NEGATIVE \$113,615 from the farm's bottom line.

Now, I hate to dispel anyone's idea about how lucrative farming is, but our average net taxable income for the last two years was \$137,200. Some years are better than others but with a new net of \$23,585 taxable income it would be hard to call our farm sustainable.

And, a brief note about our landlords; for several in their senior years the rental income from their farmable acres is a substantial part of their retirement income. Most of them live on their property and the Farm Deferral is very important to them.

Now I know the state of Oregon is looking for revenue but these additions to our property taxes would be crippling. We certainly will hesitate to purchase new equipment or expand our land base for economies of scale. And, I keep hearing the murmurs of taking away the deductibility of property taxes. Well, talk about a double whammy.

I thank you for your consideration and would ask that you find that these two Section do not belong in this HB 2859.