

March 1, 2017

Dear Chairman Barnhart and members of the House Revenue Committee,

My name is Brenda Frketich and I'm the owner of Kirsch Family Farms, in St. Paul, Oregon. I am the third generation on my family's sustainable farm, where we grow vegetables, vegetable seeds, hazelnuts, grass seed, wheat and clover. I farm alongside my husband and our two sons, it is a true family operation.

I am here today to ask you to oppose House Bill 2859, and I want to speak to three pieces that specifically will hurt my farm. That being the personal property tax, the property tax on land in exclusive farm use areas, and the house exemption on farm land.

### **Personal Property Tax**

As an industry farming needs an incredible amount of capital expenditure to operate. And maybe that's not unlike all businesses in this state, but it is different in the sense that the equipment we need to run our business, to grow food and seed, is very expensive and used for a very short time of the year. For instance many of our harvesters only leave the barn for a maximum of 21 days a year, that's 6% of the year. We have tools that we use to work the soil down to a seed bed that some years actually never see the light of day because conditions did warrant its use that year.

*\*\* (Photo of our barn filled with equipment on page 3) \*\**

Not only is farming equipment heavy, it is also heavy with risk. Mother Nature is not predictable, as we have seen this past winter with the weather specifically in the Portland area! Well just imagine if the weather didn't just change what you wore that day, it if actually warranted how well your business did that year. The risks are high, and because of that we have to get all the insurance we can. Sometimes that insurance comes in the form of equipment that we buy so that we have it when we need it, at the moment we get a window, when we can't wait because our whole year's worth of work is waiting on us to get the crop off the ground. Some year's the window for harvest is so small I wish I had ten more harvesters instead of just two because I could ensure a higher efficiency, but like all business it's too cost prohibitive for the size of farm we operate.

One of the biggest challenges however that I see with losing the personal property tax exemption is that farmers won't be able to afford to upgrade their equipment. So the question becomes, why this is an issue, just use what you have! On our farm, like many others here in Oregon upgrading equipment is a necessary part of the game to stay competitive. We upgrade for many reasons, reliability of the harvesters when we need them to perform they can do their job at the highest level of efficiency. Not much gets don't when you have a harvester out in a field waiting for your mechanic to show up. We upgrade because technology has gotten better. The use of GPS is a great example of this and the reason in the past 6 years we have purchased a new tractor, new sprayer, and a system to update our older tractor, all to allow us to use GPS and auto steer. This provides not only less emissions in to the environment, it also reduces passes in the field when working ground, reducing soil compaction, spray overlap, fatigue to our employees, and wear and tear on equipment.

Another huge improvement has been with our irrigation systems. The past five years we have moved away from hand line and wheel line irrigation, which is only about 65% efficient and invested heavily in linear irrigation, 85% efficient and drip systems 95% efficient. These investments into irrigation are hugely beneficial to the environment and to our soil. We can time our water to the moment the crop needs it, creating a lot less waste water, a lot less erosion, and more crop production. These systems are used primarily in our hazelnuts, vegetables and vegetable seed fields.

Below is a table showing the improvements that I talked about above. It shows clearly the cost of the improvements on our farm and also what those would create for us in new taxes.

<b>IMPROVEMENT</b>	<b>VALUE</b>	<b>TAX BURDEN</b>
TRACTOR WITH GPS	\$235,000	\$3,203
SPRAYER WITH GPS	\$150,000	\$2,045
LINEAR IRRIGATION – 100 AC	\$160,000	\$2,181
DRIP IRRIGATION – 50 AC	\$70,000	\$954
<b>TOTALS</b>	<b>\$615,000</b>	<b>\$8,383</b>

*\*Used tax rate of 13.633 per \$1,000 which is the rate for where our farm is located in St. Paul.*

As you can see the costs of the improvements is substantial, but more alarming is the cost of the taxes that we would incur every year. Unfortunately, these energy, fuel, soil, and water saving upgrades would have not have happened on our farm if we no longer had personal property tax exemptions, how could we ever afford to farm as responsibly as we can? How could we not go backwards? Or another important question would be, why we wouldn't go back to the old ways, see the table below to show what keeping our old equipment, not choosing to be as sustainable, not choosing to be as good to the soil and as efficient with water and energy would save us.

<b>OLD EQUIPMENT</b>	<b>VALUE</b>	<b>TAX BURDEN</b>
TRACTOR NO GPS	\$80,000	\$1,091
SPRAYER NO GPS	\$7,500	\$102
WHEEL LINES – 100 ACRES	\$10,000	\$136
HAND LINES – 50 ACRES	\$8,000	\$109
<b>TOTALS</b>	<b>\$105,500</b>	<b>\$1,438</b>

A difference of \$6,945 a year. This is just a small example of what the burden would be on just a few pieces of equipment. The total for our farm I figured would end up being somewhere around \$40,000 per year. To be honest and put things in perspective, there are years, recent years, where that dollar amount would be close to if not more than our profit. This would be an inconceivable amount for our farm to overcome.

With this alone we could probably continue farming for a while but only in a perfect world, with consistent weather, with markets that are stable, with the best yields coming off our ground. But we farm in the real world, and with these tax exemptions gutted, there won't be much of a farm for the next generation to continue. With equipment that is depleted, how would they get the money to update and keep going? Why would they want a business that is slowly falling apart from the tractor seat down to the soil? When I came back to the farm, I came back to a business that was run as a legacy. It was kept up to pass on, because we don't farm for our generation, we farm for the next and

the next. We take care of the soil as best we can, we use technology that continually allows us to do more with less, we want to make the environment better, but we can't do that without new technology. We can't do that without the resources that are useful, but are expensive, and we can't do that if we have to pay taxes on them, while they sit in our barns, day after day.

### **Property Tax, without EFU Assessment Exemption**

Our land use system is so unique here in Oregon. Basically there is nothing really like it across the United States, and it is a system that while not perfect, has been working to do what it was intended to do years ago, protect farmland. We have some of the best soil in the world here in Oregon. We can grow hundreds of crops across this state, many of which are specialty seeds that have created a market within themselves and an industry here that has taken generations to cultivate, grow and protect.

We have been able to create this infrastructure, create a successful farming operation because of our ability to keep land prices lower than marketed value. If someone were to come in and want to buy our land to develop it, even though we own the land, we cannot sell for any use other than farming. No matter what the price, our hands are tied. And I'm ok with that, because I do think it has saved our farm land from a lot of the pressures that can come in when urban sprawl gets too out of hand. It is doing what it's supposed to do, but with that right taken away, we deserve to have reduced taxes on our land. If we are going to get taxed on our real market value, then we need to have the right to sell at real market value. What I'm getting at here, is that by removing this exemption, you will gut the land use system completely, it will break, and it will only be a matter of time before our land will have to be up for grabs at the highest bidder, we cannot farm with land at real market value.

This will change the landscape in Oregon, both figuratively and literally, and I know I'm not alone in my true concern for this. The tax bill on our land would be around \$290,000. I said earlier that only \$40,000 in personal property tax is a pill we cannot swallow for long. But that included with the increased tax on the land is a dollar amount that would shut our doors that day it passed.

### **Housing Exemption**

The housing exemption is just another piece that definitely needs to be included to keep the land use system working for all of us. Currently farmers are allowed to parcel off the home and acre which is specially assessed, therefore the special assessment is actually the highest and best use of the land. If the home site is no longer used for farm use, the law already stipulates the site no longer qualifies for the special exemption. If you are to repeal this exemption, to be fair you would need to also allow farmers to parcel off the home sites and sell them for the highest and best use. Which in turn, just like removing the special assessment for EFU, would break the land use system.

I have come to the capital many times to testify. Sometimes for issues that are going to hurt our business, make it harder to farm here, make it harder to do business and employ people. I have always been realistic in my testimony and tried to take a pragmatic approach instead of sensationalizing and letting emotion get the better of me. I was here when Minimum wage went up and I talked about what

would happen and now has happened on our farm. We cut hours, we automated, and we continue to look for ways to overcome the high dollar amount that has come with our state wage increase. We overcame like I said we would and we still work to do that in the best way possible. Farmers have been overcoming obstacles for generations, we are a resourceful group. But I'm sitting here today tell you that by passing this bill, you have some incredible power, you have the power to shut down farming not just for me, but for many of us who came today to oppose this bill.

I'm sitting here today humbled and overcome by the fact that you all have the power to shut the doors on our farm forever. I am frustrated that at a time when agriculture gives so much back to Oregon, we have to show up at a hearing to defend our basic needs from this state. How much does agriculture give? 1 in 8 jobs in this state are linked to farms, not to mention \$22.9 billion dollars in sales. To quote former Director of Agriculture Katy Coba, *"Agriculture is a very important part of Oregon. In terms of population, the number of farmers and ranchers in our state is small. Yet, when you look at the contribution they make to both our economy and our environment, things we pride ourselves on, agriculture has a tremendous impact on the state."*

I have a passion for what I do, I have a business plan that leads this farm into not the just the 4<sup>th</sup> generation, but to the 5<sup>th</sup>. I take care of our soil so that it's better than when I first stepped on it and called it mine. But that will all be wasted if this passes. So I hope that you all take a long look at what you are doing here. They say that it takes generations to build a farm to be successful, but only one generation to lose it all. I have worked tirelessly and will continue to work as hard as I possibly can to make sure that is not my generation, I just never thought that I would have to be here today asking you, the legislature, to not lose it for me.

Thank you for your time today, this issue is so important for farmers and truly needs true consideration of what this will actually do to our industry and our state.

Sincerely,



Brenda Frketich

Kirsch Family Farms, Inc.

4350 Mahony Rd. NE

St. Paul, OR 97137

Farm Blog: [www.nuttygrass.com](http://www.nuttygrass.com)

E-mail: [Brenda\\_kirsch@yahoo.com](mailto:Brenda_kirsch@yahoo.com)



*My sons, Hoot & Auggie. These farm boys will hopefully be the 4<sup>th</sup> generation at Kirsch Family Farms. These boys at ages 2 and 1, already have farming in their blood. The fields are where they love to be, right by all the action of the harvesters, and hanging with their mom & dad. It's also right where we love for them to be.*



*This straw barn is used for storage in the winter. We have three barns like this that house our equipment in the off season. In this barn alone we store over a \$650,000 worth of equipment. Most of which will be used on average only 12 days a year.*