

**SB 596 -1, -4 STAFF MEASURE SUMMARY**

**Senate Committee On Finance and Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 4/26, 5/17

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**WHAT THE MEASURE DOES:**

Increases business personal property tax cancellation amount to \$25,000. Applies to property tax years beginning on or after July 1, 2018.

**ISSUES DISCUSSED:**

- Measure is retroactive and would make existing litigation ongoing in Tax Court Magistrate Division moot
- Land Use Board of Appeals decision, Gilmour v Linn County (LUBA No. 2015-093)
- Past changes to Oregon's agricultural field burning laws, impact upon farming operations as burning was a preferred disposal technique for straw
- Background on hay/straw compressing and compressing machinery and equipment
- Typical cost of a new compressor
- Examples of tax being imposed upon hay/straw bail compressing equipment and examples where no tax is imposed
- Compressed hay/straw's impact upon reducing transportation size/costs
- Machinery and equipment is generally subject to property taxation. To be exempt, machinery and equipment must meet existing statutory requirements specifically exempting the property (e.g. farm machinery and equipment per ORS 307.394).

**EFFECT OF AMENDMENT:**

-1 Replaces contents of measure. Expands existing property tax exemption provided under ORS 307.394, commonly referred to as exemption for farm machinery and equipment, to exempt from property taxation machinery and equipment used to compress and bale harvested straw, hay, grass or other plants. Expands farm machinery and equipment exemption to include real property machinery and equipment by classifying specified qualified machinery and equipment as tangible personal property. Applies to property tax years beginning on or after July 1, 2016. Specifies conditions and process to be followed in order for taxpayer to receive refund or abatement of previously imposed taxes on machinery and equipment made exempt by measure as amended.

-4 Replaces content of measure. Expands existing property tax exemption provided under ORS 307.397. Exempts from property taxation machinery and equipment used to compress and bale harvested straw, hay, grass or other plants, for the purpose of storage or shipment. Specifies that such equipment is tangible personal property. Applies to property tax years beginning on or after July 1, 2017.

**BACKGROUND:**

Property taxes levied upon business personal property are cancelled if the total assessed value of all taxable personal property owned by a taxpayer in a single county is less than a specified amount. Amount specified in statute is \$12,500 but amount is indexed to inflation and was \$16,500 for the most recent property tax year. Applying the same inflation indexing to the \$25,000 threshold contained in introduced version of measure would yield a threshold of \$33,500 for the 2017-18 property tax year.

Multiple property tax exemptions exist for machinery and equipment used in farming and food processing operations (see background material in meeting materials). For property tax exemption purposes, a distinction exists between machinery and equipment used in farm operations as compared to equipment used in food processing. Farm machinery and equipment is exempt from property taxation if the equipment is primarily used in the natural

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progression of crop cultivation on land or the raising of animals. Machinery and equipment used to place farm crops in storage is also exempt as farm machinery and equipment. Machinery and equipment used in the processing of a crop is not exempt as farm machinery and equipment under ORS 307.394, but can receive exemption under the food processing or other related exemption statutes.

PRELIMINARY